

REFINITIV

# DELTA REPORT

## 10-Q

TERRAN ORBITAL CORP

10-Q - JUNE 30, 2023 COMPARED TO 10-Q - MARCH 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1216
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 CHANGES	153
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 DELETIONS	529
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 ADDITIONS	534
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

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**FORM 10-Q**

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(Mark One)

☐ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **March 31, June 30, 2023**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**FOR THE TRANSITION PERIOD FROM TO**

Commission File Number: 001-40170

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**TERRAN ORBITAL CORPORATION**

(Exact Name of Registrant as Specified in its Charter)

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**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**98-1572314**

(I.R.S. Employer  
Identification No.)

**6800 Broken Sound Parkway NW, Suite  
200  
Boca Raton, FL 33487  
(561) 988-1704**

(Address of principal executive offices, including zip code,  
Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

**Trading**

Title of each class	Symbols	Name of each exchange on which registered
Common stock, par value \$0.0001 per share	LLAP	New York Stock Exchange
Warrants to purchase one share of common stock, each at an exercise price of \$11.50 per share	LLAP WS	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐  
Non-accelerated filer ☐ Smaller reporting company ☐  
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☐

As of May 8, 2023 August 7, 2023, the registrant had 145,049,152 172,377,853 shares of common stock, \$0.0001 par value per share, outstanding.

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## **PART I—FINANCIAL INFORMATION**

### **Item 1. Financial Statements.**

#### **TERRAN ORBITAL CORPORATION** **Condensed Consolidated Balance Sheets (Unaudited)** **(In thousands, except share and per share amounts)**

	March 31, 2023	Decem ber 31, 2022	June 30, 2023	Decem ber 31, 2022
<b>Assets:</b>				
Cash and cash equivalents	57,4	93,56	48,5	93,56
	\$ 27	\$ 1	\$ 54	\$ 1

Accounts receivable, net of allowance for credit losses of \$41 and \$764	2,83			
as of March 31, 2023 and December 31, 2022, respectively	6	4,754		
Accounts receivable, net of allowance for credit losses of \$191 and \$764			5,43	
as of June 30, 2023 and December 31, 2022, respectively			2	4,754
Contract assets, net	5,38		4,62	
	3	6,763	8	6,763
Inventory	28,5	24,13	28,1	24,13
	76	3	53	3
Prepaid expenses and other current assets	10,0		12,3	
	68	9,710	76	9,710
<b>Total current assets</b>	<b>104,</b>	<b>138,9</b>	<b>99,</b>	<b>138,9</b>
	<b>290</b>	<b>21</b>	<b>143</b>	<b>21</b>
Property, plant, and equipment, net	31,1	24,74	41,5	24,74
	92	3	71	3
Other assets	21,3	18,99	18,2	18,99
	27	0	49	0
<b>Total assets</b>			<b>158</b>	
	<b>156,</b>	<b>182,6</b>	<b>,96</b>	<b>182,6</b>
	<b>\$ 809</b>	<b>\$ 54</b>	<b>\$ 3</b>	<b>\$ 54</b>
<b>Liabilities and shareholders' deficit:</b>				
Current portion of long-term debt	9,81		11,3	
	\$ 5	\$ 7,739	\$ 31	\$ 7,739
Accounts payable	26,3	21,18	24,2	21,18
	57	8	99	8
Contract liabilities	19,1	27,22	18,0	27,22
	91	8	47	8
Reserve for anticipated losses on contracts	1,13			
	7	2,860	858	2,860
Accrued expenses and other current liabilities	16,6	11,72	15,6	11,72
	42	1	90	1
<b>Total current liabilities</b>	<b>73,1</b>	<b>70,73</b>	<b>70,</b>	<b>70,73</b>
	<b>42</b>	<b>6</b>	<b>225</b>	<b>6</b>
Long-term debt	148,	142,6	157,	142,6
	042	20	521	20
Warrant and derivative liabilities	49,4	39,95	37,9	39,95
	05	0	19	0

Other liabilities	21,5	20,76	19,0	20,76
	45	9	17	9
<b>Total liabilities</b>	<b>292,</b>	<b>274,0</b>	<b>284</b>	<b>274,0</b>
	<b>134</b>	<b>75</b>	<b>2</b>	<b>75</b>
Commitments and contingencies (Note 12)				
<b>Shareholders' deficit:</b>				
Preferred stock - authorized 50,000,000 shares of \$0.0001 par value as of March 31, 2023 and December 31, 2022; zero issued and outstanding	-	-		
Common stock - authorized 300,000,000 shares of \$0.0001 par value as of March 31, 2023 and December 31, 2022; issued and outstanding shares of 144,680,223 and 142,503,771 as of March 31, 2023 and December 31, 2022, respectively	14	14		
Preferred stock - authorized 50,000,000 shares of \$0.0001 par value as of June 30, 2023 and December 31, 2022; zero issued and outstanding			-	-
Common stock - authorized 600,000,000 and 300,000,000 shares of \$0.0001 par value as of June 30, 2023 and December 31, 2022, respectively; issued and outstanding shares of 165,189,534 and 142,503,771 as of June 30, 2023 and December 31, 2022, respectively			17	14
Additional paid-in capital	280,095	269,574	317,871	269,574
Accumulated deficit	(415,613)	(361,168)	(44,374)	(361,168)
Accumulated other comprehensive income	179	159	136	159
<b>Total shareholders' deficit</b>	<b>(135,325)</b>	<b>(91,421)</b>	<b>(12,19)</b>	<b>(91,421)</b>
<b>Total liabilities and shareholders' deficit</b>	<b>156,</b>	<b>182,6</b>	<b>158</b>	<b>182,6</b>
	<b>\$ 809</b>	<b>\$ 54</b>	<b>\$ 3</b>	<b>\$ 54</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.

# TERRAN ORBITAL CORPORATION

## Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited) (In thousands, except share and per share amounts)

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022	2023	2022
Revenue	\$ 28,198	\$ 13,120	\$ 32,232	\$ 21,364	\$ 60,430	\$ 34,484
Cost of sales	29,597	15,953	31,430	25,038	61,027	40,991
<b>Gross loss</b>	<b>(1,399)</b>	<b>(2,833)</b>				
<b>Gross profit (loss)</b>			<b>802</b>	<b>(3,674)</b>	<b>(597)</b>	<b>(6,507)</b>
Selling, general, and administrative expenses	32,530	30,217	28,732	29,370	61,262	59,587
<b>Loss from operations</b>	<b>(33,929)</b>	<b>(33,050)</b>	<b>(27,930)</b>	<b>(33,044)</b>	<b>(61,859)</b>	<b>(66,094)</b>
Interest expense, net	10,934	2,923	11,729	6,937	22,663	9,860
Loss on extinguishment of debt	-	23,141	-	-	-	23,141
Change in fair value of warrant and derivative liabilities	9,455	11,853	(11,486)	(8,177)	(2,031)	3,676
Other expense	109	403				
Other (income) expense			(26)	468	83	871
<b>Loss before income taxes</b>	<b>(54,427)</b>	<b>(71,370)</b>	<b>(28,147)</b>	<b>(32,272)</b>	<b>(82,574)</b>	<b>(103,642)</b>
Provision for income taxes	18	2				
(Benefit from) provision for income taxes			(17)	2	1	4
<b>Net loss</b>	<b>(54,445)</b>	<b>(71,372)</b>	<b>(28,130)</b>	<b>(32,274)</b>	<b>(82,575)</b>	<b>(103,642)</b>
Other comprehensive income, net of tax:						
Other comprehensive (loss) income, net of tax:						
Foreign currency translation adjustments	20	47	(43)	142	(23)	189

						(103,45
<b>Total comprehensive loss</b>	<b>\$ (54,425)</b>	<b>\$ (71,325)</b>	<b>\$ (28,173)</b>	<b>\$ (32,132)</b>	<b>\$ (82,598)</b>	<b>\$ 7)</b>
<b>Weighted-average shares outstanding</b>						
	144,062,	83,643,9	156,502,	142,378,	150,31	113,17
Basic and diluted	103	40	662	037	6,749	3,237
<b>Net loss per share</b>						
Basic and diluted	\$ (0.38)	\$ (0.85)	\$ (0.18)	\$ (0.23)	\$ (0.55)	\$ (0.92)

The accompanying notes are an integral part of these condensed consolidated financial statements.

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## TERRAN ORBITAL CORPORATION

### Condensed Consolidated Statements of Shareholders' Deficit (Unaudited)

(In thousands, except share amounts)

Three Months Ended March 31, 2023		Three Months Ended June 30, 2023	
Mezzanine	Shareholders' Deficit	Mezzanine	Shareholders' Deficit
Equity		Equity	
Redeemable		Redeemable	
Convertible		Convertible	
Preferred		Preferred	
Stock	Common	Stock	Common
	Stock		Stock



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Settlement of vested restricted stock units	-	-	295,353	-	-	-	-	-
Other	-	-	-	-	(66 )	-	-	(66 )
			137,590,		248,13	(300,83		
<b>Balance as of June 30, 2022</b>	-	\$ -	<b>808</b>	<b>\$ 14</b>	<b>\$ 3</b>	<b>\$ 4 )</b>	<b>\$ 153</b>	<b>\$ (52,534 )</b>

The accompanying notes are an integral part of these condensed consolidated financial statements

## TERRAN ORBITAL CORPORATION

### Condensed Consolidated Statements of Shareholders' Deficit (Unaudited)

(In thousands, except share amounts)

			Three Months Ended March 31, 2022					
Mezzanine Equity			Shareholders' Deficit					
Redeemable Convertible								
Preferred Stock			Common Stock					
							Accumul	
							ated	
							Other	
						Addition	Compre	Total
						al	hensive	Sharehold
		Amoun		Amoun	Paid-in	Accumul	Income	ers'
	Shares	t	Shares	t	Capital	ated	(Loss)	Deficit
						Deficit		
			2,849,41			(197,06		
Balance as of December 31, 2021	396,870	\$ 8,000	4	\$ -	\$ 97,745	\$ 6 )	\$ (36 )	\$ (99,357 )
Retrospective application of reverse	10,550,8		75,751,8					
recapitalization	16	-	69	8	(8 )	-	-	-
Balance as of December 31, 2021 -	10,947,6		78,601,2			(197,06		
Recast	86	\$ 8,000	83	\$ 8	\$ 97,737	\$ 6 )	\$ (36 )	\$ (99,357 )
Adoption of accounting standard, net of								
tax	-	-	-	-	-	(122 )	-	(122 )
Net loss	-	-	-	-	-	(71,372 )	-	(71,372 )

Other comprehensive income, net of tax	-	-	-	-	-	-	47	47
Conversion of redeemable convertible preferred stock into common stock	(10,947,686 )	(8,000 )	10,947,686	1	7,999	-	-	8,000
Net settlement of liability-classified warrants into common stock	-	-	694,873	-	7,616	-	-	7,616
Net settlement of equity-classified warrants into common stock	-	-	22,343,698	2	(2 )	-	-	-
Issuance of common stock in connection with the Tailwind Two Merger and PIPE Investment, net of issuance costs	-	-	16,114,695	2	6,926	-	-	6,928
Issuance of common stock in connection with financing transactions, net of issuance costs	-	-	4,325,000	1	40,733	-	-	40,734
Reclassification of liability-classified warrants and derivatives to equity-classified	-	-	-	-	11,007	-	-	11,007
Issuance of contingently issuable common stock	-	-	4,095,569	-	44,887	-	-	44,887
Share-based compensation	-	-	-	-	17,335	-	-	17,335
Exercise of stock options	-	-	172,651	-	146	-	-	146
			<b>137,295,</b>		<b>234,38</b>	<b>(268,56</b>		
<b>Balance as of March 31, 2022</b>	<b>-</b>	<b>\$ -</b>	<b>455</b>	<b>\$ 14</b>	<b>\$ 4</b>	<b>\$ 0 )</b>	<b>\$ 11</b>	<b>\$ (34,151 )</b>

		Six Months Ended June 30, 2023						
Mezzanine Equity		Shareholders' Deficit						
Redeemable Convertible Preferred Stock		Common Stock						
					Addition	Accumulat	Accumula	Total
Shares	Amount	Shares	Amount	Paid-in	ed	Compreh	Income	Sharehol
				Capital	Deficit	ensive	(Loss)	ders'
								Deficit
<b>Balance as of December 31, 2022</b>	<b>-</b>	<b>\$ -</b>	<b>142,503</b>	<b>\$ 14</b>	<b>\$ 74</b>	<b>\$ (361,168 )</b>	<b>\$ 159</b>	<b>\$ (91,421 )</b>
Net loss	-	-	-	-	-	(82,575 )	-	(82,575 )
Other comprehensive loss, net of tax	-	-	-	-	-	-	(23 )	(23 )



Issuance of common stock, net of			16,000,	2	10,72			10,726
issuance costs			000		4			
Issuance of warrants, net of issuance					23,39			
costs	-	-	-	-	8	-	-	23,398
					13,75			
Share-based compensation	-	-	-	-	5	-	-	13,755
Settlement of vested restricted stock			2,150,2					
units	-	-	19	-	-	-	-	-
			3,965,0					
Exercise of equity-classified warrants	-	-	00	1	-	-	-	1
Exercise of stock options	-	-	570,544	-	420	-	-	420
			<u>165,189</u>		<u>317,8</u>			<u>(125,71</u>
<b>Balance as of June 30, 2023</b>	-	\$ -	<u>,534</u>	<u>\$ 17</u>	<u>\$ 71</u>	<u>\$ (443,743 )</u>	<u>\$ 136</u>	<u>\$ 9 )</u>

Six Months Ended June 30, 2022								
	Mezzanine Equity		Shareholders' Deficit					
	Redeemable Convertible							
	Preferred Stock		Common Stock					
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Deficit
<b>Balance as of December 31, 2021</b>	<b>396,870</b>	<b>\$ 8,000</b>	<b>4</b>	<b>\$ -</b>	<b>\$ 97,745</b>	<b>\$ 6 )</b>	<b>\$ (36 )</b>	<b>\$ (99,357 )</b>
Retrospective application of reverse	10,550,8		75,751,8					
recapitalization	16	-	69	8	(8 )	-	-	-
<b>Balance as of December 31, 2021 -</b>	<b>10,947,6</b>		<b>78,601,2</b>			<b>(197,06</b>		
<b>Recast</b>	<b>86</b>	<b>\$ 8,000</b>	<b>83</b>	<b>\$ 8</b>	<b>\$ 97,737</b>	<b>\$ 6 )</b>	<b>\$ (36 )</b>	<b>\$ (99,357 )</b>
Adoption of accounting standard, net of								
tax	-	-	-	-	-	(122 )	-	(122 )
						(103,64		
Net loss	-	-	-	-	-	6 )	-	(103,646 )
Other comprehensive income, net of tax	-	-	-	-	-	-	189	189

Conversion of redeemable convertible preferred stock into common stock	(10,947, )	(8,00 )	10,947,6	1	7,999	-	-	8,000
Net settlement of liability-classified warrants into common stock	-	-	694,873	-	7,616	-	-	7,616
Net settlement of equity-classified warrants into common stock	-	-	22,343,6	2	(2 )	-	-	-
Issuance of common stock in connection with the Tailwind Two Merger and PIPE Investment, net of issuance costs	-	-	16,114,6	2	6,926	-	-	6,928
Issuance of common stock in connection with financing transactions, net of issuance costs	-	-	4,325,00	1	40,733	-	-	40,734
Reclassification of liability-classified warrants and derivatives to equity-classified	-	-	-	-	11,007	-	-	11,007
Issuance of contingently issuable common stock	-	-	4,095,56	-	44,887	-	-	44,887
Share-based compensation	-	-	-	-	31,150	-	-	31,150
Settlement of vested restricted stock units	-	-	295,353	-	-	-	-	-
Exercise of stock options	-	-	172,651	-	146	-	-	146
Other	-	-	-	-	(66 )	-	-	(66 )
			<b>137,590,</b>		<b>248,13</b>	<b>(300,83</b>		
<b>Balance as of June 30, 2022</b>	<b>-</b>	<b>\$ -</b>	<b>808</b>	<b>\$ 14</b>	<b>\$ 3</b>	<b>\$ 4 )</b>	<b>\$ 153</b>	<b>\$ (52,534 )</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.

## TERRAN ORBITAL CORPORATION

### Condensed Consolidated Statements of Cash Flows (Unaudited)

(In thousands)

Three Months Ended March 31,		Six Months Ended June 30,	
2023	2022	2023	2022

<b>Cash flows from operating activities:</b>				
Net loss	\$ (54,445 )	\$ (71,372 )	\$ (82,575 )	\$ (103,646 )
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	919	846	2,708	1,701
Non-cash interest expense	7,053	1,215	14,716	4,934
Share-based compensation expense	10,166	17,335	13,755	31,150
Provision for losses on receivables and inventory	3	169	250	173
Loss on extinguishment of debt	-	23,141	-	23,141
Change in fair value of warrant and derivative liabilities	9,455	11,853	(2,031 )	3,676
Amortization of operating right-of-use assets	279	305	576	693
Other non-cash, net			116	-
Changes in operating assets and liabilities:				
Accounts receivable, net	1,992	(15,002 )	(766 )	(6,436 )
Contract assets	1,423	(928 )	2,218	(4,843 )
Inventory	(3,990 )	(1,550 )	(3,808 )	(4,696 )
Accounts payable	1,009	2,134	1,078	9,514
Contract liabilities	(8,021 )	6,708	(9,332 )	16,188
Reserve for anticipated losses on contracts	(1,723 )	79	(2,002 )	489
Accrued interest	(88 )	(4,803 )	6	(2,330 )
Other, net	3,145	570	658	(2,278 )
Net cash used in operating activities	(32,823 )	(29,300 )	(64,433 )	(32,570 )
<b>Cash flows from investing activities:</b>				
Purchases of property, plant, and equipment	(3,162 )	(4,030 )	(12,372 )	(9,363 )
Net cash used in investing activities	(3,162 )	(4,030 )	(12,372 )	(9,363 )
<b>Cash flows from financing activities:</b>				
Proceeds from long-term debt	-	35,942	886	35,942
Proceeds from warrants and derivatives	-	42,247	24,924	42,247
Proceeds from Tailwind Two Merger and PIPE Investment	-	58,424	-	58,424
Proceeds from issuance of common stock	-	14,791	12,195	14,791
Repayment of long-term debt	(518 )	(27,171 )	(3,836 )	(29,049 )
Payment of issuance costs	-	(41,681 )	(2,864 )	(45,303 )
Proceeds from exercise of stock options	339	135	441	145
Net cash (used in) provided by financing activities	(179 )	82,687		
Net cash provided by financing activities			31,746	77,197

Effect of exchange rate fluctuations on cash and cash equivalents	30	(28 )	52	(290 )
Net (decrease) increase in cash and cash equivalents	(36,134 )	49,329	(45,007 )	34,974
Cash and cash equivalents at beginning of period	93,561	27,325	93,561	27,325
Cash and cash equivalents at end of period	\$ 57,427	\$ 76,654	\$ 48,554	\$ 62,299
<b>Non-cash investing and financing activities:</b>				
Interest capitalized to property, plant, and equipment not yet paid	\$ -	\$ 555	\$ -	\$ 607
Purchases of property, plant, and equipment not yet paid	5,265	211	3,269	819
Depreciation and amortization capitalized to construction-in-process	-	77	-	130
Issuance costs not yet paid	139	5,983	394	3,078
Non-cash exchange and extinguishment of long-term debt	-	40,432	-	40,432
Conversion of redeemable convertible preferred stock into common stock	-	8,000	-	8,000
Net settlement of liability-classified warrants into common stock	-	7,616	-	7,616
Net settlement of equity-classified warrants into common stock	-	(2 )	-	(2 )
Non-cash issuance of common stock in connection with PIPE Investment	-	10,060	-	10,060
Non-cash issuance of common stock in connection with financing transactions	-	26,304	-	26,304
Reclassification of liability-classified warrants and derivatives to equity-classified	-	11,007	-	11,007
Issuance of contingently issuable common stock	-	44,887	-	44,887

The accompanying notes are an integral part of these condensed consolidated financial statements.

## TERRAN ORBITAL CORPORATION

### Notes to the Condensed Consolidated Financial Statements (Unaudited)

#### Note 1 Organization and Summary of Significant Accounting Policies

##### **Organization and Business**

Terran Orbital Corporation, formerly known as Tailwind Two Acquisition Corp. ("Tailwind Two"), together with its wholly-owned subsidiaries (the "Company"), is a leading manufacturer of satellite products primarily serving the aerospace and defense industries. The Company provides end-to-end satellite solutions by combining satellite design, production, launch planning, mission operations, and on-orbit support to meet the needs of its military, civil, and commercial customers. The Company has a foreign subsidiary based in Torino, Italy.

### *Tailwind Two Merger*

Prior to March 25, 2022, Tailwind Two was a publicly listed special purpose acquisition company incorporated as a Cayman Islands exempted company. On March 25, 2022, Tailwind Two acquired Terran Orbital Operating Corporation, formerly known as Terran Orbital Corporation ("Legacy Terran Orbital") (the "Tailwind Two Merger"). In connection with the Tailwind Two Merger, Tailwind Two filed a notice of deregistration with the Cayman Islands Registrar of Companies and filed a certificate of incorporation and a certificate of corporate domestication with the Secretary of State of the State of Delaware, resulting in Tailwind Two becoming a Delaware corporation and changing its name from Tailwind Two to Terran Orbital Corporation. The Tailwind Two Merger resulted in Legacy Terran Orbital becoming a wholly-owned subsidiary of Terran Orbital Corporation.

As a result of the Tailwind Two Merger, all of Legacy Terran Orbital's issued and outstanding common stock was converted into shares of Terran Orbital Corporation's common stock using an exchange ratio of 27.585 shares of Terran Orbital Corporation's common stock per each share of Legacy Terran Orbital's common stock. In addition, Legacy Terran Orbital's convertible preferred stock and certain warrants were exercised and converted into shares of Legacy Terran Orbital's common stock immediately prior to the Tailwind Two Merger, and in turn, were converted into shares of Terran Orbital Corporation's common stock as a result of the Tailwind Two Merger. Further, in connection with the Tailwind Two Merger, Legacy Terran Orbital's share-based compensation plan and related share-based compensation awards were cancelled and exchanged or converted, as applicable, with a new share-based compensation plan and related share-based compensation awards of Terran Orbital Corporation. In connection with the Tailwind Two Merger, the Company entered into certain debt financing transactions that resulted in a loss on extinguishment of debt of \$23.1 million during the **three six** months ended **March 31, 2022****June 30, 2022**.

While Legacy Terran Orbital became a wholly-owned subsidiary of Terran Orbital Corporation, Legacy Terran Orbital was deemed to be the acquirer in the Tailwind Two Merger for accounting purposes. Accordingly, the Tailwind Two Merger was accounted for as a reverse recapitalization, in which case the condensed consolidated financial statements of the Company represent a continuation of Legacy Terran Orbital and the issuance of common stock in exchange for the net assets of Tailwind Two recognized at historical cost and no recognition of goodwill or other intangible assets. Operations prior to the Tailwind Two Merger are those of Legacy Terran Orbital and all share and per-share data included in these condensed consolidated financial statements have been retrospectively adjusted to give effect to the Tailwind Two Merger. In addition, the number of shares subject to, and the exercise price of, the Company's outstanding options and warrants were adjusted to reflect the Tailwind Two Merger. The treatment of the Tailwind Two Merger as a reverse recapitalization was based upon the pre-merger shareholders of Legacy Terran Orbital holding the majority of the voting interests of Terran Orbital Corporation, Legacy Terran Orbital's existing management team serving as the initial management team of Terran Orbital Corporation, Legacy Terran Orbital's appointment of the majority of the initial board of directors of Terran Orbital Corporation, and Legacy Terran Orbital's operations comprising the ongoing operations of the Company.

In connection with the Tailwind Two Merger, approximately \$29 million of cash and marketable securities held in trust, net of redemptions by Tailwind Two's public shareholders, became available for use by the Company as well as proceeds received from the contemporaneous sale of common stock in connection with the closing of a PIPE investment with a contractual amount of \$51 million (the "PIPE Investment"). In addition, the Company received additional proceeds from the issuance of debt contemporaneously with the Tailwind Two Merger. The cash raised was used for general corporate purposes, the partial paydown of debt, the payment of transaction costs and the payment of other costs directly or indirectly attributable to the Tailwind Two Merger.

Beginning on March 28, 2022, the Company's common stock and public warrants began trading on the New York Stock Exchange (the "NYSE") under the symbols "LLAP" and "LLAP WS," respectively.

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## **TERRAN ORBITAL CORPORATION**

### **Notes to the Condensed Consolidated Financial Statements (Unaudited)**

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#### ***Basis of Presentation and Significant Accounting Policies***

The condensed consolidated financial statements included herein are unaudited, but in the opinion of management, they include all adjustments, consisting of normal recurring adjustments, necessary to summarize fairly the Company's financial position, results of operations, and cash flows for the interim periods presented. The interim results reported in these condensed consolidated financial statements should not be taken as indicative of results that may be expected for future interim periods or the full year. For a more comprehensive understanding of the Company and its interim results, these condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2022 and 2021 included in its Annual Report on Form 10-K, which was filed with the United States ("U.S.") Securities and Exchange Commission (the "SEC") on March 23, 2023 (the "2022 Annual Report"). The condensed consolidated balance sheet as of December 31, 2022 included herein was derived from the audited consolidated financial statements as of that date but does not include all the footnote disclosures from the annual consolidated financial statements.

The condensed consolidated financial statements have been prepared in U.S. dollars in accordance with generally accepted accounting principles in the U.S. ("GAAP") and include the accounts of Terran Orbital Corporation and its subsidiaries. All intercompany transactions have been eliminated. The Company's accounting policies used in the preparation of these condensed consolidated financial statements do not differ from those used for the annual consolidated financial statements, unless otherwise noted. Certain prior period amounts have been reclassified to conform with current period presentation.

The Company evaluates and reports its segment information based on the manner in which its Chief Executive Officer, who is the chief operating decision maker (the "CODM"), evaluates performance and allocates resources. Beginning in the fourth quarter of 2022, the Company reports its results as a single operating and reportable segment on a consolidated basis. Where

applicable, prior periods have been retrospectively adjusted to reflect the Company's current operating and reportable segment structure.

There were no recently issued or recently adopted accounting pronouncements that had or are expected to have a material effect on the condensed consolidated financial statements.

#### *Use of Estimates*

The preparation of the condensed consolidated financial statements in accordance with GAAP requires the Company to select accounting policies and make estimates that affect amounts reported in the condensed consolidated financial statements and the accompanying notes. The Company's estimates are based on the relevant information available at the end of each period. Actual results could differ materially from these estimates under different assumptions or market conditions.

#### *COVID-19 Pandemic*

During March 2020, the World Health Organization (the "WHO") declared the outbreak of a novel coronavirus as a pandemic (the "COVID-19 Pandemic"). The COVID-19 Pandemic has negatively impacted the global economy, disrupted global supply chains, and created significant volatility and disruption in the financial and capital markets.

The COVID-19 Pandemic has contributed to a worldwide shortage of electronic components which has resulted in longer than historically experienced lead times for such electronic components. The reduced availability to receive electronic components used in the Company's operations has negatively affected its timing and ability to deliver products and services to customers as well as increased its costs in recent periods. In an effort to manage this disruption to its supply chain, the Company has focused on accumulating critical components to ensure an appropriate level of supply is available when needed.

The Company considered the emergence and pervasive economic impact of the COVID-19 Pandemic in its assessment of its financial position, results of operations, cash flows, and certain accounting estimates as of and for the periods presented. The U.S. Government allowed the national public health emergency declaration related to the COVID-19 Pandemic to expire on May 11, 2023, and the WHO ended the global emergency status for the COVID-19 Pandemic on May 5, 2023.

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## **TERRAN ORBITAL CORPORATION**

### **Notes to the Condensed Consolidated Financial Statements (Unaudited)**

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#### *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash on hand and highly liquid investments with original maturities of three months or less from the time of purchase.

#### *Accrued Expenses and Other Current Liabilities*

Accrued expenses and other current liabilities consisted of the following as of the dates presented:

(in thousands)	March 31, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Payroll-related accruals	\$ 5,503	\$ 5,671	\$ 6,648	\$ 5,671
Current operating lease liabilities	997	971	1,090	971
Accrued interest	2,019	2,107	2,112	2,107
Other current liabilities	8,123	2,972	5,840	2,972
<b>Accrued expenses and other current liabilities</b>	<b>\$ 16,642</b>	<b>\$ 11,721</b>	<b>\$ 15,690</b>	<b>\$ 11,721</b>

#### Research and Development

Research and development includes materials, labor, and overhead allocations attributable to the development of new products and solutions and significant improvements to existing products and solutions. Research and development costs are expensed as incurred and recognized in selling, general, and administrative expenses in the condensed consolidated statements of operations and comprehensive loss. Research and development expense was \$7.55.2 million and \$1.94.3 million during the three months ended March 31, 2023 June 30, 2023 and 2022, respectively, and \$12.7 million and \$6.2 million during the six months ended June 30, 2023 and 2022, respectively.

#### Concentration of Credit Risks

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable, and contract assets.

The majority of the Company's cash and cash equivalents are held at major financial institutions. Certain account balances exceed the Federal Deposit Insurance Corporation insurance limits of \$250,000 per account. As a result, there is a concentration of credit risk related to amounts in excess of the insurance limits. The Company regularly monitors the financial stability of these financial institutions and believes that there is no exposure to any significant credit risk in cash and cash equivalents.

Concentrations of credit risk with respect to accounts receivable and contract assets are limited because a large portion of our balances are related to (i) reputable companies with significant financial resources or (ii) customer programs in which the U.S. Government is the ultimate customer.

A small number of customers and contracts historically have represented a significant portion of the Company's consolidated revenue. Lockheed Martin Corporation ("Lockheed Martin") represented approximately 73.84% and 77.70% of consolidated revenue during the three months ended March 31, 2023 June 30, 2023 and 2022, respectively, and 79% and 73% during the six months ended June 30, 2023 and 2022, respectively. There were no other individual customers who accounted for more than 10% of the Company's revenue during the periods presented.



## TERRAN ORBITAL CORPORATION

### Notes to the Condensed Consolidated Financial Statements (Unaudited)

The table below presents individual customers who accounted for more than 10% of the Company's combined accounts receivable, net of allowance for credit losses, and contract assets, net of allowance for credit losses, as of the dates presented:

	March 31, 2023	December 31, 2022
Customer A	28%	42%
Customer B	8%	12%
Customer C	16%	11%
Customer D	12%	3%
<b>Total</b>	<b>64%</b>	<b>68%</b>

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## TERRAN ORBITAL CORPORATION

### Notes to the Condensed Consolidated Financial Statements (Unaudited)

	June 30, 2023	December 31, 2022
Customer A	35%	42%
Customer B	0%	12%
Customer C	13%	11%
Customer D	19%	3%
Customer E	11%	3%
<b>Total</b>	<b>78%</b>	<b>71%</b>

#### Note 2 Revenue and Receivables

The Company applies the following five steps in order to recognize revenue from contracts with customers: (i) identify the contract(s) with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer.

At contract inception, the Company assesses whether the goods or services promised within the contract represent a performance obligation. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. For contracts with multiple performance obligations, the Company allocates the contract's transaction price to each

performance obligation on a relative basis using the best estimate of the stand-alone selling price of each performance obligation, which is estimated using the expected-cost-plus-margin approach. Generally, the Company's contracts with customers are structured such that the customer has the option to purchase additional goods or services. Customer options to purchase additional goods or services do not represent a separate performance obligation as the prices for such options reflect the stand-alone selling prices for the additional goods or services. Contracts are generally priced on a firm-fixed price basis, cost-plus fee basis, or time and materials basis.

The Company recognizes the transaction price allocated to the respective performance obligation as revenue as the performance obligation is satisfied. The majority of the Company's contracts with customers relate to the creation of specialized assets that do not have alternative use and entitle the Company to an enforceable right to payment for performance completed to date. Accordingly, the Company generally measures progress towards the satisfaction of a performance obligation over time using the cost-to-cost input method.

Payments for costs not yet incurred or for costs incurred in anticipation of providing a good or service under a contract with a customer in the future are included in prepaid expenses and other current assets on the condensed consolidated balance sheets.

#### *Estimate-at-Completion ("EAC")*

The recognition of revenue over time using the cost-to-cost input method is dependent on the Company's cost estimate-at-completion ("EAC"), which is subject to many variables and requires significant judgment. EAC represents the total estimated cost-at-completion and is comprised of direct material, direct labor and manufacturing overhead applicable to a performance obligation. There is a company-wide standard and periodic EAC process in which the Company reviews the progress and execution of outstanding performance obligations. As part of this process, the Company reviews information including, but not limited to, any outstanding key contract matters, progress towards completion and the related program schedule, identified risks and opportunities and the related changes in estimates of revenues and costs. The risks and opportunities include the Company's judgment about the ability and cost to achieve the schedule (e.g., the number and type of milestone events), technical requirements (e.g., a newly-developed product versus a mature product) and other contract requirements. The Company must make assumptions and estimates regarding labor productivity and availability, the complexity of the work to be performed, the availability of materials, the length of time to complete the performance obligation (e.g., to estimate increases in wages and prices for materials and related support cost allocations), execution by subcontractors, the availability and timing of funding from customers and overhead cost rates, among other variables.

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## **TERRAN ORBITAL CORPORATION**

### **Notes to the Condensed Consolidated Financial Statements (Unaudited)**

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Based on the results of the periodic EAC process, any adjustments to revenue, cost of sales, and the related impact to gross profit are recognized on a cumulative catch-up basis in the period they become known. These adjustments may result from positive program performance, and may result in an increase in gross profit during the performance of individual performance

obligations, if it is determined the Company will be successful in mitigating risks surrounding the technical, schedule and cost aspects of those performance obligations or realizing related opportunities. Likewise, these adjustments may result in a decrease in gross profit if it is determined the Company will not be successful in mitigating these risks or realizing related opportunities. A significant change in one or more of these estimates could affect the profitability of one or more of the Company's performance obligations.

Contract modifications often relate to changes in contract specifications and requirements. Contract modifications are considered to exist when the modification either creates new or changes the existing enforceable rights and obligations. Most of the Company's contract modifications are for goods or services that are not distinct from the existing contract due to the significant integration service

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## **TERRAN ORBITAL CORPORATION**

### **Notes to the Condensed Consolidated Financial Statements (Unaudited)**

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provided in the context of the contract and are accounted for as if they were part of that existing contract. The effect of a contract modification on the transaction price, and the measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue either as an increase in or a reduction of revenue on a cumulative catch-up basis.

Some of the Company's long-term contracts contain award fees, incentive fees, or other provisions that can either increase or decrease the transaction price. These variable amounts generally are awarded upon achievement of certain performance metrics, program milestones or cost targets and can be based upon customer discretion. Variable consideration is estimated at the most likely amount to which the Company is expected to be entitled. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the Company's anticipated performance and all information (historical, current, and forecasted) that is reasonably available. The unfunded portion of enforceable contracts are accounted for as variable consideration.

For contracts in which the U.S. Government is the ultimate customer, the Company follows U.S. Government procurement and accounting standards in assessing the allowability and the allocability of costs to contracts. Due to the significance of the judgments and estimation processes, it is likely that materially different amounts could be recorded if different assumptions were used or if the underlying circumstances were to change. The Company monitors the consistent application of its critical accounting policies and compliance with contract accounting. Business operations personnel conduct periodic contract status and performance reviews. When adjustments in estimated contract revenues or costs are determined, any material changes from prior estimates are included in earnings in the current period. Also, regular and recurring evaluations of contract cost, scheduling and technical matters are performed by Company personnel who are independent from the business operations personnel performing work under the contract. Costs incurred and allocated to contracts with the U.S. Government are subject to audit by the Defense Contract Audit Agency for compliance with regulatory standards.

## Disaggregation of Revenue

Below is a summary of the Company's accounting by type of revenue:

- **Mission Support:** Mission support services primarily relate to the integrated design, manufacture, and assembly of satellites for customers.
- **Launch Support:** Launch support services relate to the assistance the Company provides in the process of launching satellite into space by identifying and securing launch opportunities with launch providers as well as coordinating and managing the activities leading up to the launch event on behalf of customers.
- **Operations:** Operations relates to the management, operations, and communication of information of satellites that are in orbit on behalf of a customer.
- **Studies, Design and Other:** Studies, design and other services primarily relate to professional engineering feasibility studies and preliminary design services for customers.

The following tables present the Company's disaggregated revenue by offering and customer type for the periods presented:

(in thousands)	Three Months Ended March 31,	
	2023	2022
Mission support	\$ 26,591	\$ 12,770
Launch support	1,087	36
Operations	194	192
Studies, design and other	326	122
<b>Revenue</b>	<b>\$ 28,198</b>	<b>\$ 13,120</b>

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## TERRAN ORBITAL CORPORATION

### Notes to the Condensed Consolidated Financial Statements (Unaudited)

(in thousands)	Three Months Ended March 31,	
	2023	2022
U.S. Government contracts		
Fixed price	\$ 21,552	\$ 8,492
Cost-plus fee and other	1,688	2,272
	23,240	10,764
Foreign government contracts		
Fixed price	1,478	556

Commercial contracts		
Fixed price, U.S.	1,276	1,650
Fixed price, International	2,154	150
Cost-plus fee and other	50	-
	<u>3,480</u>	<u>1,800</u>
<b>Revenue</b>	<b>\$ 28,198</b>	<b>\$ 13,120</b>

The following tables present the Company's disaggregated revenue by offering and customer type for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2023	2022	2023	2022
Mission support	\$ 31,546	\$ 19,621	\$ 58,136	\$ 32,391
Launch support	(59)	560	1,028	596
Operations	175	541	369	733
Studies, design and other	570	642	897	764
<b>Revenue</b>	<b>\$ 32,232</b>	<b>\$ 21,364</b>	<b>\$ 60,430</b>	<b>\$ 34,484</b>
	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2023	2022	2023	2022
U.S. Government contracts				
Fixed price	\$ 25,924	\$ 12,176	\$ 47,476	\$ 20,668
Cost-plus fee and other	1,675	2,816	3,363	5,088
	<u>27,599</u>	<u>14,992</u>	<u>50,839</u>	<u>25,756</u>
Foreign government contracts				
Fixed price	1,601	1,055	3,079	1,611
Commercial contracts				
Fixed price, U.S.	759	4,427	2,035	6,077
Fixed price, International	1,048	890	3,202	1,040
Cost-plus fee and other, U.S.	1	-	51	-
Cost-plus fee and other, International	1,224	-	1,224	-
	<u>3,032</u>	<u>5,317</u>	<u>6,512</u>	<u>7,117</u>
<b>Revenue</b>	<b>\$ 32,232</b>	<b>\$ 21,364</b>	<b>\$ 60,430</b>	<b>\$ 34,484</b>

## Remaining Performance Obligations

Revenue from remaining performance obligations is calculated as the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period on executed contracts, including both funded (firm orders for which funding is authorized and appropriated) and unfunded portions of such contracts. Remaining performance obligations do not include unexercised contract options and potential orders under indefinite delivery/indefinite quantity contracts.

During February 2023, the Company entered into an agreement with Rivada Space Networks GmbH ("Rivada") providing for the development, production, and operation of 300 satellites, inclusive of 12 in-orbit spares and ground station equipment, for a total purchase price of \$2.4 billion (the "Rivada Agreement"). The agreement also includes options for additional satellites, equipment, and services, including an option for the purchase of an additional 300 satellites. Performance under the agreement will be split into a developmental phase, with amounts billed on a time and materials basis, and a firm fixed price production phase. Rivada has an option to terminate the agreement for convenience at any time and for any reason, which would result in a termination fee for work performed up to such termination. In addition, the agreement includes termination provisions for default in the event of missed delivery targets or deadlines, insolvency, or other failures to perform, which could result in the refund of all amounts paid up to such termination. Whether the Company ultimately recognizes revenue and profit on this contract is subject to a number of uncertainties including, among other things, its ability to successfully perform its obligations, increase its manufacturing capacity, and deliver operational satellites in a timely manner and Rivada's continuing ability to fund contract performance and maintain its regulatory licenses for its operations. The Company anticipates to begin performing and recognizing amount of revenue pursuant to recognized under the Rivada Agreement during was not material for the second quarter of 2023. three and six months ended June 30, 2023.

## TERRAN ORBITAL CORPORATION

### Notes to the Condensed Consolidated Financial Statements (Unaudited)

As of March 31, 2023 June 30, 2023, the Company had approximately \$2.5 2.6 billion of remaining performance obligations, of which \$2.4 billion is related to the Rivada Agreement. The Company estimates that approximately 65% - 80% of the remaining performance obligations will be recognized as revenue by December 31, 2025 and the remainder by December 31, 2027.

## Contract Assets and Contract Liabilities

For each of the Company's contracts with customers, the timing of revenue recognition, customer billings, and cash collections results in a net contract asset or liability at the end of each reporting period.

Fixed-price contracts are typically billed to the customer either using progress payments, whereby amounts are billed monthly as costs are incurred or work is completed, or performance-based payments, which are based upon the achievement of specific, measurable events or accomplishments defined and valued at contract inception. Cost-type contracts are typically billed to the customer on a monthly or semi-monthly basis.

## TERRAN ORBITAL CORPORATION

### Notes to the Condensed Consolidated Financial Statements (Unaudited)

#### Contract assets

Contract assets relate to instances in which revenue recognized exceeds amounts billed to customers and are reclassified to accounts receivable when the Company has an unconditional right to the consideration and bills the customer. Contract assets are classified as current and non-current based on the estimated timing in which the Company will bill the customer and are not considered to include a significant financing component as the payment terms are intended to protect the customer in the event the Company does not perform on its obligations under the contract.

The Company records an allowance for credit losses against its contract assets for amounts not expected to be recovered. The allowance is recognized at inception and is reassessed each reporting period. The allowance for credit losses on contract assets was not material for the periods presented.

Contract assets from products and services for which the U.S. Government is the ultimate customer was \$3.0 million and \$5.3 million as of March 31, 2023, June 30, 2023 and December 31, 2022, respectively.

The following is a summary of contract assets, net, recognized in the condensed consolidated balance sheets as of the dates presented:

(in thousands)	March 31, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Contract assets, gross	\$ 5,439	\$ 6,840	\$ 4,676	\$ 6,840
Allowance for credit losses	(56)	(77)	(48)	(77)
<b>Contract assets, net</b>	<b>\$ 5,383</b>	<b>\$ 6,763</b>	<b>\$ 4,628</b>	<b>\$ 6,763</b>

As of March 31, 2023, June 30, 2023 and December 31, 2022, all contract assets were classified as current assets.

There were no material impairments of contract assets during the three or six months ended March 31, 2023, June 30, 2023 or 2022.

#### Contract liabilities

Contract liabilities relate to advance payments and billings in excess of revenue recognized and are recognized into revenue as the Company satisfies the underlying performance obligations. Contract liabilities are classified as current and non-current based on the estimated timing in which the Company will satisfy the underlying performance obligations and are not considered to include a significant financing component as they are generally utilized to procure materials needed to satisfy a performance obligation or are used to ensure the customer meets contractual requirements.

As of March 31, 2023, June 30, 2023 and December 31, 2022, substantially all contract liabilities were classified as current liabilities.

During the three six months ended March 31, 2023, June 30, 2023 and 2022, the Company recognized revenue of \$21.0 25.9 million and \$9.6 15.4 million, respectively, that was previously included in the beginning balance of contract liabilities.

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## TERRAN ORBITAL CORPORATION

### Notes to the Condensed Consolidated Financial Statements (Unaudited)

#### Accounts Receivable

Accounts receivable represent unconditional rights to consideration due from customers in the ordinary course of business and are generally due in one year or less. Accounts receivable are recorded at amortized cost less an allowance for credit losses, which is based on the Company's assessment of the collectability of its accounts receivable. The Company reviews the adequacy of the allowance for credit losses by considering the age of each outstanding invoice and the collection history of each customer. Accounts receivable that are deemed uncollectible are charged against the allowance for credit losses when identified.

Accounts receivable from products and services for which the U.S. Government is the ultimate customer was \$0.5 3.1 million and \$1.1 million as of March 31, 2023, June 30, 2023 and December 31, 2022, respectively.

The following table presents changes in the allowance for credit losses for the periods presented:

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## TERRAN ORBITAL CORPORATION

### Notes to the Condensed Consolidated Financial Statements (Unaudited)

(in thousands)	Three Months Ended March 31,		Six Months Ended June 30,	
	2023	2022	2023	2022
Beginning balance	\$ 764	\$ 945	\$ 764	\$ 945
Adoption of CECL	-	39	-	39
(Reversal of) provision for credit losses	(23)	26		
Provision for credit losses			127	2
Write-offs	(700)	(127)	(700)	(329)
<b>Ending balance</b>	<b>\$ 41</b>	<b>\$ 883</b>	<b>\$ 191</b>	<b>\$ 657</b>

#### Reserve for Anticipated Losses on Contracts



When the estimated cost-at-completion exceeds the estimated revenue to be earned for a performance obligation, the Company records a reserve for the anticipated losses in the period the loss is determined. The reserve for anticipated losses on contracts is presented as a current liability in the condensed consolidated balance sheets and as a component of cost of sales in the condensed consolidated statements of operations and comprehensive loss in accordance with **ASC Accounting Standards Codification ("ASC") 605-35, Revenue Recognition – Construction-Type and Production-Type Contracts**.

The Company recorded a decrease of \$1.7 million and an increase of \$79 thousand decreases in cost of sales related to the reserve for anticipated losses on contracts of \$0.3 million and \$2.0 million during the three and six months ended March 31, 2023 June 30, 2023, respectively, and 2022, increases in cost of sales of \$0.4 million and \$0.5 million during the three and six months ended June 30, 2022, respectively.

### Note 3 Inventory

Inventory consists of parts and sub-assemblies that are ultimately consumed in the manufacturing and final assembly of satellites. When an item in inventory has been identified and incorporated into a specific satellite, the cost of the sub-assembly is charged to cost of sales in the condensed consolidated statements of operations and comprehensive loss. Inventory is measured at the lower of cost or net realizable value. The cost of inventory includes direct material, direct labor, and manufacturing overhead and is determined on a first-in-first-out basis. Inventory is presented net of an allowance for losses associated with excess and obsolete items, which is estimated based on the Company's current knowledge with respect to inventory levels, planned production, and customer demand.

The components of inventory as of the dates presented were as follows:

(in thousands)	March 31, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Raw materials	\$ 20,853	\$ 19,194	\$ 20,520	\$ 19,194
Work-in-process	7,723	4,939	7,633	4,939
<b>Total inventory</b>	<b>\$ 28,576</b>	<b>\$ 24,133</b>	<b>\$ 28,153</b>	<b>\$ 24,133</b>

## TERRAN ORBITAL CORPORATION

### Notes to the Condensed Consolidated Financial Statements (Unaudited)

### Note 4 Property, Plant, and Equipment, net

Property, plant, and equipment, net is stated at historical cost less accumulated depreciation. Cost for company-owned satellite assets includes amounts related to design, construction, launch, and commission. Cost for ground stations includes amounts related to construction and testing. Interest is capitalized on certain qualifying assets that take a substantial period of time to

develop for their intended use. Depreciation expense is calculated using the sum-of-the-years' digits or straight-line method over the estimated useful lives of the related assets as follows:

Machinery and equipment	5-7 years
Satellites	3-5 years
Ground station equipment	5-7 years
Office equipment and furniture	5-7 years
Computer equipment and software	3-5 years
Leasehold improvements	Shorter of the estimated useful life or remaining lease term

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## TERRAN ORBITAL CORPORATION

### Notes to the Condensed Consolidated Financial Statements (Unaudited)

The determination of the estimated useful life of company-owned satellites involves an analysis that considers design life, random part failure probabilities, expected component degradation and cycle life, predicted fuel consumption and experience with satellite parts, vendors and similar assets.

Depreciation expense was \$919.8 thousand million and \$846.9 thousand million during the three months ended March 31, 2023 June 30, 2023 and 2022, respectively, and \$2.7 million and \$1.7 million during the six months ended June 30, 2023 and 2022, respectively. Repairs and maintenance expenditures are expensed when incurred.

The gross carrying amount, accumulated depreciation, and net carrying amount of property, plant, and equipment, net as of the dates presented were as follows:

<i>(in thousands)</i>	March 31, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Machinery and equipment	\$ 14,765	\$ 13,066	\$ 20,782	\$ 13,066
Satellites	2,209	2,209	2,209	2,209
Ground station equipment	1,944	1,944	2,020	1,944
Office equipment and furniture	3,455	2,958	3,762	2,958
Software	308	240	899	240
Leasehold improvements	9,768	9,734	10,658	9,734
Construction-in-process	15,033	9,467	19,193	9,467
<b>Property, plant, and equipment, gross</b>	<b>47,482</b>	<b>39,618</b>	<b>59,523</b>	<b>39,618</b>
Accumulated depreciation	(16,290)	(14,875)	(17,952)	(14,875)

Property, plant, and equipment, net	\$	31,192	\$	24,743	\$	41,571	\$	24,743
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Construction-in-process primarily includes leasehold improvements, machinery, and ground station equipment not yet placed into service.

The Company reviews property, plant, and equipment, net for impairment whenever events or changes in business circumstances indicate that the net carrying amount of an asset or asset group may not be fully recoverable. The Company groups assets at the lowest level for which cash flows are separately identified. Recoverability is measured by a comparison of the net carrying amount of the asset group to its expected future undiscounted cash flows. If the expected future undiscounted cash flows of the asset group are less than its net carrying amount, an impairment loss is recognized based on the amount by which the net carrying amount exceeds the fair value less costs to sell. The calculation of the fair value less costs to sell of an asset group is based on assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates, reflecting varying degrees of perceived risk.

There were no impairments of property, plant, and equipment during the three and six months ended March 31, 2023June 30, 2023 and 2022.

TERRAN ORBITAL CORPORATION

Notes to the Condensed Consolidated Financial Statements (Unaudited)

Note 5 Debt

Long-term debt (including accrued interest to be paid-in-kind) as of the presented periods was comprised of the following:

(in thousands)

Description	Issued	Maturity	Interest Rate	Interest Payable	March 31, 2023	December 31, 2022		Issued	Maturity	Interest Rate	Interest Payable	June 30, 2023	December 31, 2022

Francisco Partner Facility	November 2021	April 2026	9.25 %	Quarterly	\$120,023	\$120,023	November 2021	April 2026	9.25 %	Quarterly	\$120,023	\$120,023
Lockheed Martin Rollover Debt	March 2021	April 2026	9.25 %	Quarterly	25,000	25,000	March 2021	April 2026	9.25 %	Quarterly	25,000	25,000
Beach Point Rollover Debt	March 2021	April 2026	11.25 %	Quarterly	31,897	31,741	March 2021	April 2026	11.25 %	Quarterly	32,056	31,741
Convertible Notes due 2027	October 2022	October 2027	10.00 %	Quarterly	104,201	101,699	October 2022	October 2027	10.00 %	Quarterly	106,799	101,699
PIPE Investment Obligation	March 2022	December 2025	N/A	N/A	22,500	22,500	March 2022	December 2025	N/A	N/A	20,625	22,500
Equipment financing(1)					823	859					1,637	859
Finance leases (2)					892	411					5,285	411
Unamortized deferred issuance costs					(2,989)	(3,073)					(2,893)	(3,073)
	Unamortized deferred issuance costs				9)	3)	Unamortized deferred issuance costs				3)	3)

Unamortized discount on debt	(144,490)	(148,801)	Unamortized discount on debt	(139,680)	(148,801)
<b>Total</b>	<b>157,857</b>	<b>150,359</b>		<b>168,852</b>	<b>150,359</b>
Current portion of long-term debt	9,815	7,739	Current portion of long-term debt	11,331	7,739
<b>Long-term debt</b>	<b>\$148,042</b>	<b>\$142,620</b>		<b>\$157,521</b>	<b>\$142,620</b>

(1) - Consists of equipment financing debt agreements, primarily entered into during 2023, with maturities through July August 2028, annual interest rates ranging from 6.25% to 6.50 20.05%, and requiring monthly payments of interest and principal.

N/A (2) - Not meaningful. Refer to Note 14 "Leases" for further discussion.

There were no significant changes in the Company's long-term debt, except for the commencement of certain machinery and equipment finance leases, during the three six months ended March 31, 2023 June 30, 2023. On April 3, 2023, In July 2023, the Company paid \$1.875 million related to the PIPE Investment Obligation. Obligation, which was outstanding as of June 30, 2023.

## Note 6 Warrants and Derivatives

The Company's warrants and derivatives consist of freestanding financial instruments and embedded derivatives requiring bifurcation issued in connection with the Company's debt and equity financing transactions. The Company does not have any derivatives designated as hedging instruments.

The Company evaluates whether each warrant or derivative represents a liability-classified financial instrument within the scope of ASC 480, *Distinguishing Liabilities from Equity*, or either a liability-classified or equity-classified financial instrument within the scope of ASC 815, *Derivatives and Hedging* ("ASC 815").

Warrants and derivatives classified as liabilities are recognized at fair value in the condensed consolidated balance sheets and are remeasured at fair value as of each reporting period with changes in fair value recorded in the condensed consolidated statements of operations and comprehensive loss. Warrants and derivatives classified as equity are recognized at fair value in additional paid-in capital in the condensed consolidated balance sheets and are not subsequently remeasured.

## TERRAN ORBITAL CORPORATION

### Notes to the Condensed Consolidated Financial Statements (Unaudited)

#### ***Liability-classified Warrants and Derivatives***

The fair values of liability-classified warrants and derivatives recorded in warrant and derivative liabilities on the condensed consolidated balance sheets as of the presented **dates** **periods** were as follows:

(in thousands, except share and per share amounts)	Number of Issuable Shares as of March 31, 2023						Number of Issuable Shares as of June 30, 2023					
		Issued	Maturing	Exercise/Conversion Price	March 31, 2023	December 31, 2022		Issued	Maturing	Exercise/Conversion Price	June 30, 2023	December 31, 2022
Public Warrants	19,260	March 2021	March 2027	11.50	4.98	1.922	19,260	March 2021	March 2027	11.50	3.076	1.922
Private Placement Warrants	78,000	March 2021	March 2027	11.50	20	8	78,000	March 2021	March 2027	11.50	12	8
FP Combination Warrants	8,291,704	March 2022	March 2027	10.00	19.486	18.573	8,291,704	March 2022	March 2027	10.00	20.066	18.573

		Oc	Oc					Oc	Oc				
		to	to					to	to				
		be	be					be	be				
2027	17,2	r	r		16,	13,		17,2	r	r		11,	13,
Warra	53,2	20	20	2.8	36	70		53,2	20	20	2.8	87	70
nts	79	22	27	\$ 98	9	7		79	22	27	98	6	7
		Oc	Oc						Oc	Oc			
		to	to						to	to			
		be	be						be	be			
Conve		r	r						r	r			
rsion	35,9	20	20	2.8	8,5	5,7		36,8	20	20	2.8	2,8	5,7
Option	56,0	22	27	\$ 98	32	40		52,6	22	27	98	89	40
Deriva	13							85					
tive													
Warr													
ant													
and													
deriv													
ative	80,8				49	39,		81,6				37	39,
liabil	00,9				,4	95		97,6				,9	95
ities	56				\$ 05	\$ 0		28				\$ 19	\$ 0

There were no significant changes in the Company's liability-classified warrants and derivatives during the three six months ended March 31, 2023 June 30, 2023, except for changes in fair value.

The changes in liability-classified warrants and derivatives during the three six months ended March 31, 2022 June 30, 2022 were predominately related to the Tailwind Two Merger and were as follows:

(in thousands)	Current Warrant and Derivativ e Liabilitie s	Warrant and Derivative Liabilities	Total	Current Warrant and Derivati ve Liabilitie s	Warrant and Derivative Liabilities	Total
Balance as of December 31, 2021	\$ 68,518	\$ 5,631	\$ 74,149	\$ 68,518	\$ 5,631	\$ 74,149
Initial recognition from Tailwind Two Merger	-	13,124	13,124	-	13,124	13,124
Change in fair value of warrant and derivative liabilities	13,342	(1,489)	11,853	13,342	(9,666)	3,676

Reclassification of current warrant and derivative liabilities to warrant and derivative liabilities	(25,966)	25,966	-	(25,966)	25,966	-
Reclassification of liability-classified warrants and derivatives to equity-classified	(11,007)	-	(11,007)	(11,007)	-	(11,007)
Net settlement of liability-classified warrants into common stock	-	(7,616)	(7,616)	-	(7,616)	(7,616)
Issuance of contingently issuable shares	(44,887)	-	(44,887)	(44,887)	-	(44,887)
			35,			27,
<b>Balance as of March 31, 2022</b>	<b>\$ -</b>	<b>\$ 35,616</b>	<b>\$ 616</b>			
<b>Balance as of June 30, 2022</b>				<b>\$ -</b>	<b>\$ 27,439</b>	<b>\$ 439</b>

#### Equity-classified Warrants and Derivatives

As of June 30, 2023, the Company's equity-classified warrants and derivatives were comprised of the following:

(in thousands, except share and per share amounts)	Number of Issuable Shares	Issuance	Maturity	Exercise Price
Combination Warrants	2,763,902	March 2022	March 2027	\$ 10.00
Pre-Funded Warrants	9,035,000	May 2023	N/A	0.0001
RDO Warrants	29,000,000	May 2023	November 2028	1.43
Placement Agent Warrants	2,030,000	May 2023	May 2028	1.60
<b>Total equity-classified warrants and derivatives</b>	<b>42,828,902</b>			

In connection with 16

## TERRAN ORBITAL CORPORATION

### Notes to the Tailwind Two Merger, Condensed Consolidated Financial Statements (Unaudited)

There were no significant changes to the Company's equity-classified warrants and derivatives during the six months ended June 30, 2023, except as discussed below.

#### Registered Direct Offering



On May 30, 2023, the Company issued completed a registered direct offering (the "Registered Direct Offering") with an institutional investor in which the Company received proceeds of \$2.837.1 million for the sale and issuance of (i) 16 million shares of the Company's common stock, (ii) 13 million warrants to Lockheed Martin and Beach Point Capital purchase shares of the Company's common stock at a strike an exercise price of \$10.00 per share expiring on March 25, 2027 0.0001 (the "Combination" "Pre-Funded Warrants"), and (iii) 29 million warrants to purchase shares of the Company's common stock at an exercise price of \$1.43 (the "RDO Warrants"). In connection with the Registered Direct Offering, the Company incurred third-party issuance costs of \$4.5 million, inclusive of the \$1.5 million fair value recognized associated with 2 million warrants issued to purchase shares of the Company's common stock at an exercise price of \$1.60 (the "Placement Agent Warrants"). The Combination Company allocated the \$37.1 million proceeds received and the \$4.5 million of third-party issuance costs between the issued common stock, the Pre-Funded Warrants, remained outstanding and the RDO Warrants based on relative fair value. Accordingly, the Company allocated proceeds of \$12.2 million and issuance costs of \$1.5 million to common stock and proceeds of \$24.9 million and issuance costs of \$3.0 million to equity-classified warrants and derivatives. The proceeds and issuance costs were recognized as additional paid-in capital in the condensed consolidated balance sheets and as financing cash flows in the condensed consolidated statements of March 31, 2023 cash flows.

The fair values of the common stock and December 31, 2022, Pre-Funded Warrants were estimated based on the market price of the Company's common stock while the fair values of the RDO Warrants and Placement Agent Warrants were estimated using the Black-Scholes option-pricing model. Refer to Note 7 "Fair Value of Financial Instruments" for further discussion.

## Note 7 Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market, or if none exists, the most advantageous market, for the specific asset or liability at the measurement date (the exit price). The fair value is based on assumptions that market participants would use when pricing the asset or

## TERRAN ORBITAL CORPORATION

### Notes to the Condensed Consolidated Financial Statements (Unaudited)

liability. A fair value measurement is assigned a level within the fair value hierarchy depending on the source of the inputs utilized in estimating the fair value measurement as follows:

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly indirectly.
- Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

The carrying amounts of cash and cash equivalents, accounts receivable, contract assets, contract liabilities, and accounts payable approximate their fair values due to the short-term maturities of these financial instruments.

### ***Fair Value of Legacy Terran Orbital's Common Stock***

Prior to the Tailwind Two Merger, there was no public market for Legacy Terran Orbital's common stock. As such, the fair value of Legacy Terran Orbital's common stock was estimated using an option pricing model, which allocated the total enterprise value of the Company to the different classes of equity as of the valuation date.

The significant assumptions used in the option pricing model included: (i) total enterprise value of Legacy Terran Orbital based on the guideline publicly-traded company method, guideline transaction method, market calibration method and discounted cash flow method; (ii) liquidation preferences, conversion values, and participation thresholds of different equity classes; (iii) probability-weighted time to a liquidity event; (iv) expected volatility based upon the historical and implied volatility of common stock for the Company's selected peers; (v) expected dividend yield of zero as the Company does not have a history or plan of declaring dividends on its common stock; (vi) risk-free interest rate based on U.S. treasury bonds with a zero-coupon rate, (vii) implied valuation, timing, and probability of the Tailwind Two Merger; and (viii) a discount for the lack of marketability of Legacy Terran Orbital's common stock at that time. The fair value of Legacy Terran Orbital's common stock represented a Level 3 fair value measurement.

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## **TERRAN ORBITAL CORPORATION**

### **Notes to the Condensed Consolidated Financial Statements (Unaudited)**

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Following the Tailwind Two Merger, there is a public market for Terran Orbital Corporation's common stock and certain warrant and derivative liabilities. Accordingly, the fair value of Terran Orbital Corporation's common stock and applicable warrant and derivative liabilities is based on the closing price on the relevant valuation date as reported on the NYSE.

#### ***Warrant and Derivative Liabilities***

The fair values of certain warrant and derivative liabilities were estimated using the Black-Scholes option-pricing model, which uses the following significant inputs and assumptions for each security as of the valuation date: (i) the price per share of common stock, (ii) the exercise price, (iii) the risk-free interest rate, (iv) the dividend yield, (v) the contractual term, and (vi) the estimated volatility. The resulting fair values represent Level 3 fair value measurements.

The fair values of certain warrant and derivative liabilities were estimated using models similar to that of the Black-Scholes option-pricing model and included additional assumptions. Depending on the circumstances and features of the instruments, additional assumptions included or consisted of: (i) the estimated counterparty credit spread based on an estimated credit rating of CCC and below, (ii) the implied valuation, timing, and probability of closing the Tailwind Two Merger, (iii) the estimated redemption rate of the Tailwind Two's public shareholders, and (iv) a discount for the lack of marketability of Legacy Terran Orbital's common stock. The resulting fair values represent Level 3 fair value measurements.

The final fair values of certain warrants and derivatives were based on the number of shares of Terran Orbital Corporation common stock issued as part of the Tailwind Two Merger and the price per share of Terran Orbital Corporation's common stock as of the Tailwind Two Merger and represent Level 1 fair value measurements.

The fair value of the Public Warrants was based on their quoted market price as of each valuation date and represents a Level 1 fair value measurement. As the Private Placement Warrants are substantially similar to the Public Warrants, their fair value was based on the quoted market price of the Public Warrants as of each valuation date and represents a Level 2 fair value measurement.

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## TERRAN ORBITAL CORPORATION

### Notes to the Condensed Consolidated Financial Statements (Unaudited)

The fair value of the Conversion Option Derivative was estimated as the difference in the fair value of the Convertible Notes due 2027 inclusive of the conversion option and the fair value of the Convertible Notes due 2027 exclusive of the conversion option. The fair value inclusive of the conversion option was estimated using a lattice model with the following significant inputs and assumptions: (i) time to maturity, (ii) coupon rate, (iii) discount rate based on an estimated credit rating of CCC and below, (iv) risk-free interest rate, (v) contractual features such as prepayment options, call premiums and default provisions, (vi) price per share of common stock, (vii) dividend yield, and (viii) estimated volatility. The fair value exclusive of the conversion option was estimated using a discounted cash flow method using a discount rate based on an estimated credit rating of CCC and below plus a risk-free interest rate. The resulting fair values represent Level 3 fair value measurements.

The assumptions underlying the above valuations represented the Company's best estimate, which involved inherent uncertainties and the application of judgment. If the Company had used different assumptions or estimates, the fair values above could have been materially different.

#### Long-term Debt

The following table presents the total net carrying amount and estimated fair value of the Company's long-term debt instruments, excluding finance leases, as of the dates presented:

(in thousands)	March 31, 2023		December 31, 2022		June 30, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	\$ 156,965	\$ 265,5	\$ 149,948	\$ 257,8	\$ 163,567	\$ 276,1	\$ 149,948	\$ 257,8
		\$ 26		\$ 10		\$ 66		\$ 10

As of March 31, 2023, June 30, 2023 and December 31, 2022, the fair value of the Company's long-term debt, except as otherwise described, was estimated using a lattice model with the following significant inputs and assumptions: (i) time to maturity, (ii) coupon rate, (iii) discount rate based on an estimated credit rating of CCC and below, (iv) risk-free interest rate, and (v)

contractual features such as prepayment options, call premiums and default provisions. The fair value related to Convertible Notes due 2027 was exclusive of the conversion

## TERRAN ORBITAL CORPORATION

### Notes to the Condensed Consolidated Financial Statements (Unaudited)

option and estimated as described above. The fair value of long-term debt related to the PIPE Investment Obligation was estimated using a discounted cash flow method applied to the remaining quarterly payments using a discount rate based on a risk-free rate derived from constant maturity yields ranging plus a credit risk derived from an estimated credit rating of CCC and below. The resulting fair values represent Level 3 fair value measurements.

#### Note 8 Shareholders' Deficit

##### Common Stock

Subsequent to the Tailwind Two Merger, the Company was authorized to issue up to 300 million shares of common stock with a par value of \$0.0001 per share. Each share of common stock entitles the shareholder to one vote. In May 2023, the Company amended its certificate of incorporation to increase the number of authorized shares of common stock from 300,000,000 to 600,000,000.

##### Registered Direct Offering

In connection with the Registered Direct Offering, the Company issued 16 million shares of common stock with allocated proceeds of \$12.2 million and allocated issuance costs of \$1.5 million.

##### Tailwind Two Merger

During the three six months ended March 31, 2022 June 30, 2022, the Company issued 11 million shares of common stock in exchange for the net assets of Tailwind Two, which were recognized at historical cost, in connection with the Tailwind Two Merger and issued 5.1 million shares of common stock in connection with the PIPE Investment. The Tailwind Two Merger and PIPE Investment resulted in allocated cash proceeds of \$58.4 million with aggregate allocated third-party issuance costs of \$48.4 million and the assumption of the Public Warrants and Private Placement Warrants with an aggregate fair value of \$13.1 million. In addition, the Company issued 4.3 million shares of common stock as consideration for certain financing transactions in connection with the Tailwind Two Merger.

## TERRAN ORBITAL CORPORATION

### Notes to the Condensed Consolidated Financial Statements (Unaudited)

##### Committed Equity Facility

On July 5, 2022, the Company entered into a common stock purchase agreement (the “Committed Equity Facility”) with B. Riley Principal Capital II, LLC (“B. Riley”) an institutional investor giving the Company the right, but not the obligation, to sell to B. Riley the investor over a 24-month period up to the lesser of (i) \$100 million of newly issued shares of our common stock and (ii) 27,500,000 shares of the Company’s common stock. The price per share of common stock sold to B. Riley is determined by reference to the volume weighted average price of the Company’s common stock as defined within the Committed Equity Facility less a 3% discount, subject to certain limitations and conditions. The total net proceeds that the Company will receive under the Committed Equity Facility will depend on the frequency and prices at which the Company sells common stock.

As part of the Registered Direct Offering, the Company is restricted from selling common stock to B. Riley under the Committed Equity Facility for a period of twelve months.

As of March 31, 2023 June 30, 2023 and December 31, 2022, the remaining availability under the Committed Equity Facility was the lesser of 27,077,304 shares of common stock or \$98.2 million of proceeds from the sale and issuance of common stock.

### **Preferred Stock**

Subsequent to the Tailwind Two Merger, the Company is authorized to issue up to 50 million shares of preferred stock with a par value of \$0.0001 per share. There were no shares of preferred stock issued and outstanding as of March 31, 2023 June 30, 2023 or December 31, 2022.

As part of the Tailwind Two Merger, all of the convertible preferred stock of Legacy Terran Orbital was converted into approximately 10.9 million shares of Terran Orbital Corporation’s common stock. As a result of the conversion, the Company reclassified the amount of convertible preferred stock to additional paid-in capital.

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## **TERRAN ORBITAL CORPORATION**

### **Notes to the Condensed Consolidated Financial Statements (Unaudited)**

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#### **Note 9 Share-Based Compensation**

Share-based compensation expense totaled \$10.2 3.6 million and \$17.3 13.8 million during the three months ended March 31, 2023 June 30, 2023 and 2022, respectively, and \$13.8 million and \$31.2 million during the six months ended June 30, 2023, and 2022, respectively. Prior to the closing of the Tailwind Two Merger, all of the Company’s outstanding restricted stock units (“RSUs”) included a performance condition that required a liquidity event to occur in order to vest. Accordingly, the Company previously did not recognize share-based compensation expense associated with the RSUs as their performance condition was not probable of being met until such an event occurred. Upon closing of the Tailwind Two Merger in March 2022, the Company recorded a cumulative catch-up of approximately \$17.2 million to begin recognition of share-based compensation expense associated with these RSUs as the performance condition was met, of which \$2.1 million was recorded to cost of sales and \$15.1 million was recorded to selling, general, and administrative expenses in the condensed consolidated statements of operations and comprehensive loss based on the classification of each employee’s compensation expense.

During the three six months ended March 31, 2023 June 30, 2023, the Company granted approximately 772 2.5 thousand million RSUs with a weighted average grant date fair value of \$2.03 1.77 per unit based on the public market price of the Company's common stock as of the date of grant. These RSUs will primarily vest over a four year four-year period.

During April July 2023, the Company granted approximately 1.3 6.1 million RSUs. Approximately half of these RSUs that will vest over a four year four-year period and the remainder will vest over one year period.

#### Note 10 Net Loss Per Share

Basic net loss per share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period. Equity-classified warrants that are exercisable for nominal consideration are included in basic weighted-average shares outstanding at the time of issuance.

Diluted net loss per share gives effect to all securities having a dilutive effect on net loss, weighted-average shares of common stock outstanding, or both. The effect from potential dilutive securities included, but was not limited to: (i) incremental shares of common stock calculated using the if-converted method for the Convertible Notes due 2027 and Conversion Option Derivative, and the PIPE Investment Obligation; (ii) incremental shares of common stock calculated using the treasury stock method for warrants and share-based compensation awards; (iii) incremental shares and potential shares of common stock that were contingently issuable upon closing of the Tailwind Two Merger; and (iv) the corresponding impact to net loss associated with the preceding considerations. None of the potential dilutive securities

The RDO Warrants meet the definition of a participating security.

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### TERRAN ORBITAL CORPORATION

#### Notes security because they are entitled to participate in distributions by the Condensed Consolidated Financial Statements (Unaudited)

Company while in the form of a warrant; however, the RDO Warrants are not required to share in the net losses of the Company. Accordingly, the participating securities do not have an impact on basic net loss per share in periods of net loss and with no distributions.

For purposes of the diluted net loss per share computation, all potentially dilutive securities were excluded because their (i) effect would be anti-dilutive, (ii) exercise price was "out-of-the-money," or (iii) contingent issuance conditions were unsatisfied. As a result, diluted net loss per share was equal to basic net loss per share for each period presented.

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### TERRAN ORBITAL CORPORATION

## Notes to the Condensed Consolidated Financial Statements (Unaudited)

The table below represents the anti-dilutive securities that could potentially be dilutive in the future for the periods presented:

(in shares of common stock)	As of March 31,		As of June 30,	
	2023	2022	2023	2022
Stock options	1,148,129	1,938,804	1,088,704	1,915,529
Restricted stock units	17,617,600	16,076,087	18,215,964	15,013,114
FP Combination Warrants	8,291,704	8,291,704	8,291,704	8,291,704
Combination Warrants	2,763,902	2,763,902	2,763,902	2,763,902
Public Warrants	19,221,960	11,499,960	19,221,960	11,499,960
Private Placement Warrants	78,000	7,800,000	78,000	7,800,000
2027 Warrants	17,253,279	—	17,253,279	—
RDO Warrants			29,000,000	—
Placement Agent Warrants			2,030,000	—
PIPE Investment Obligation	12,228,261	3,270,349	13,750,000	4,912,664
Conversion Option Derivative	35,956,013	—	36,852,685	—

The computations of basic and diluted net loss per share for the periods presented were as follows:

(in thousands, except per share and share amounts)	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022	2023	2022
<b>Numerator:</b>						
Net loss						(103,64
	\$ (54,445)	\$ (71,372)	\$ (28,130)	\$ (32,274)	\$ (82,575)	\$ 6)
<b>Denominator:</b>						
Weighted-average shares outstanding - basic and diluted	144,062, 103	83,643,9 40	156,502, 662	142,378, 037	150,31 6,749	113,17 3,237
<b>Net loss per share - basic and diluted</b>	<b>\$ (0.38)</b>	<b>\$ (0.85)</b>	<b>\$ (0.18)</b>	<b>\$ (0.23)</b>	<b>\$ (0.55)</b>	<b>\$ (0.92)</b>

### Note 11 Income Taxes

Provision for Benefit from income taxes for the three months ended March 31, 2023 June 30, 2023 was \$1817 thousand, resulting in an effective tax rate for the period of 0.00.1%. The Company had a minimal effective tax rate as a result of the continued generation of net operating losses ("NOLs") offset by a full valuation allowance recorded on such NOLs as the Company

determined it is more-likely-than-not that its NOLs will not be utilized. The remainder of the provision for benefit from income taxes was primarily related to taxable income from immaterial return-to-provision adjustments related to the Company's foreign subsidiary.

Provision for income taxes for the three months ended March 31, 2022 June 30, 2022 was \$2 thousand, resulting in an effective tax rate for the period of 0.0%. The Company had a minimal effective tax rate as a result of the continued generation of NOLs offset by a full valuation allowance recorded on such NOLs as the Company determined it is more-likely-than-not that its NOLs will not be utilized.

Provision for income taxes for the six months ended June 30, 2023 was \$1 thousand, resulting in an effective tax rate for the period of 0.0%. The Company had a minimal effective tax rate as a result of the continued generation of NOLs offset by a full valuation allowance recorded on such NOLs as the Company determined it is more-likely-than-not that its NOLs will not be utilized.

Provision for income taxes for the six months ended June 30, 2022 was \$4 thousand, resulting in an effective tax rate for the period of 0.0%. The Company had a minimal effective tax rate as a result of the continued generation of NOLs offset by a full valuation allowance recorded on such NOLs as the Company determined it is more-likely-than-not that its NOLs will not be utilized.

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## TERRAN ORBITAL CORPORATION

### Notes to the Condensed Consolidated Financial Statements (Unaudited)

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#### Note 12 Commitments and Contingencies

##### *Litigation and Other Legal Matters*

From time to time, the Company is subject to claims and lawsuits in the ordinary course of business, such as contractual disputes and employment matters. The Company is also subject to regulatory and governmental examinations, information requests and subpoenas, inquiries, investigations, and threatened legal actions and proceedings. The Company records accruals for losses that are probable and reasonably estimable. These accruals are based on a variety of factors such as judgment, probability of loss, and opinions of internal and external legal counsel. Legal costs in connection with claims and lawsuits in the ordinary course of business are expensed as incurred.

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## TERRAN ORBITAL CORPORATION

### Notes to the Condensed Consolidated Financial Statements (Unaudited)

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#### *Class Action*



In February 2023, a putative class action complaint naming the Company, its Chief Executive Officer and Chief Financial Officer, and the members of our Board of Directors as defendants, was filed in the United States District Court for the Southern District of New York (the "Court"), Case No. 1:23-cv-01394. The litigation was instituted by Jeffrey Mullen on behalf of himself and all others similarly situated. In July 2023, an amended complaint was filed by Jeffrey Mullen, Robert Irwin, Justin Carnahan and Thomas Bennett, each on behalf of himself and all others similarly situated, all naming the Company, its Chief Executive Officer, and the members of whom are current or former employees Legacy Terran Orbital's Board of the Company, Directors as defendants. The amended class action complaint (as amended, the "Complaint") asserts claims for violations of Sections Section 11(A), 12(a)(2) of the Securities Exchange Act of 1933 negligence, and Section 158 of the Delaware General Corporation Law, and breach of fiduciary duties, resulting from the Company's alleged failure to timely transfer shares of common stock to current and former employee shareholders after the consummation of the Tailwind Two Merger and alleges materially false and misleading statements made in the Company's Form S-4 Registration Statement and Proxy Prospectus primarily relating to the process for exchanging shares in connection with the Tailwind Two Merger. The complaint Complaint seeks an award of damages, an award of reasonable costs and expenses at trial, including counsel and expert fees, and an award of such other relief as deemed appropriate by the Court. The Company intends to defend this action vigorously.

### **Commercial Agreements**

In connection with the Tailwind Two Merger, the Company entered into commercial agreements to purchase an aggregate amount of \$20 million of goods and services over three years from two affiliates of a PIPE investor, which became effective upon the closing of the Tailwind Two Merger. As of March 31, 2023 June 30, 2023, approximately \$15.1 13.3 million of the purchase obligations remained outstanding under these commercial agreements.

In 2022, the Company entered into a purchase commitment obligation of \$22.4 million for the procurement of components related to a customer program. As of March 31, 2023 June 30, 2023, approximately \$11.2 9.0 million of the commitment was purchase obligation remained outstanding.

### **Note 13 Related Party Transactions**

#### **Lockheed Martin**

Lockheed Martin, directly and through its wholly-owned subsidiary Astrolink International, LLC ("Astrolink"), is a significant holder of debt and equity instruments of the Company.

On June 26, 2017, the Company entered into a strategic cooperation agreement with Lockheed Martin (the "Strategic Cooperation Agreement") pursuant to which the parties agreed to (i) collaborate on the development, production and sale of satellites for use in U.S. Government spacecraft and spacecraft procurements and (ii) establish a cooperation framework to enable the parties to enter into projects, research and development agreements and other collaborative business arrangements and "teaming activities."

On October 31, 2022, the Company and Lockheed Martin terminated the Strategic Cooperation Agreement, as amended, and entered into a new Strategic Cooperation Agreement (the "2022 SCA"), pursuant to which the parties have agreed to continue to share business development opportunities and work collaboratively on small satellite and other aerospace and defense

opportunities and ventures. Unless earlier terminated, the 2022 SCA has a term of 13 years and will terminate in 2035. During the term of the 2022 SCA, Lockheed Martin will be entitled to appoint a director to the Company's board of directors and to appoint a separate board observer. As part of the 2022 SCA, the Company has also agreed that it will not make any public announcement with respect to, or seek approval by the board of directors of, any sale transaction or Fundamental Change (as defined in certain financing agreements) with respect to the Company,

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## TERRAN ORBITAL CORPORATION

### Notes to the Condensed Consolidated Financial Statements (Unaudited)

or any other extraordinary transaction involving the Company, with any other person regarding any of the foregoing, without giving prior notice to Lockheed Martin and to include Lockheed Martin in any such sale process, in each case, subject to the fiduciary duties of the board of directors and management of the Company.

#### Revenue

The Company recognized revenue from Lockheed Martin of \$20.5 26.9 million and \$10.3 14.9 million during the three months ended March 31, 2023 June 30, 2023 and 2022, respectively, and \$47.5 million and \$25.0 million during the six months ended June 30, 2023 and 2022, respectively. In addition, the Company had accounts receivable due from Lockheed Martin of \$1.5 2.1 million and \$687 0.7 thousand million as of March 31, 2023 June 30, 2023 and December 31, 2022, respectively, and contract assets from contracts with Lockheed Martin of \$854 1.4 thousand million and \$4.1 million as of March 31, 2023 June 30, 2023 and December 31, 2022, respectively. The Company had contract liabilities from contracts with Lockheed Martin of \$17.7 11.0 million and \$22.5 million as of March 31, 2023 June 30, 2023 and December 31, 2022, respectively.

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## TERRAN ORBITAL CORPORATION

### Notes to the Condensed Consolidated Financial Statements (Unaudited)

As of March 31, 2023 June 30, 2023 and December 31, 2022, programs associated with Lockheed Martin represented approximately 5 4% and 81% of the Company's remaining performance obligations, respectively.

#### Expenses

During the three and six months ended March 31, 2023 June 30, 2023, the Company incurred approximately \$3 0.6 million and \$3.7 million of expenses in connection with engineering and research and development support provided by Lockheed Martin. Martin, respectively.

#### GeoOptics, Inc.

The Company owns a non-controlling equity interest in GeoOptics, Inc. ("GeoOptics"), a privately held company engaged in the acquisition and sale of Earth observation data and a purchaser of products and services from the Company. Additionally, one of the Company's executive officers serves as a member of the GeoOptics board of directors. As of March 31, 2023, June 30, 2023 and December 31, 2022, the Company's \$1.7 million investment in GeoOptics represented less than a 3% ownership interest and was fully impaired.

The Company recognized revenue from GeoOptics of \$501 0.9 thousand million and \$1.4 million during the three and six months ended March 31, 2022, June 30, 2022, respectively. The Company did not recognize any revenue from GeoOptics during the three and six months ended June 30, 2023.

#### **Transactions with Chairman and CEO**

The Company leases office space in a building beneficially owned by its Chairman and CEO with a lease term of April 1, 2021 to March 31, 2026. The Company has a one-time right to extend the lease for a period of five additional years. The lease payments under this lease were approximately \$59 61 thousand and \$57 59 thousand during the three months ended March 31, 2023, June 30, 2023 and 2022, respectively, and \$119 thousand and \$116 thousand during the six months ended June 30, 2023 and 2022, respectively.

#### **PIPE Investment Obligation**

An affiliate of a director and shareholder of the Company invested \$30 million as part of the PIPE Investment in connection with the Tailwind Two Merger (the "Insider PIPE Investment") in March 2022. The subscription agreement for the Insider PIPE Investment included a provision that obligates the Company to pay the affiliate a quarterly fee of \$1.875 million for sixteen quarters beginning with the period ending March 31, 2022 (the "PIPE Investment Obligation"). The first four quarterly payments were to be paid in cash and the remaining payments are to be paid, at the Company's option, in cash or common stock of the Company, subject to subordination to and compliance with the Company's debt facilities and other contractual arrangements.

The Insider PIPE Investment resulted in proceeds received of \$30 million, of which \$13 million was allocated to proceeds from debt and \$17 million was allocated to proceeds from the PIPE Investment in the condensed consolidated statements of cash flows based on relative fair value. Refer to Note 5 "Debt" for further discussion.

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## **TERRAN ORBITAL CORPORATION**

### **Notes to the Condensed Consolidated Financial Statements (Unaudited)**

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#### **Note 14 Leases**

As part of normal operations, the Company leases real estate and equipment from various counterparties with lease terms and maturities extending through 2032.

## TERRAN ORBITAL CORPORATION

### Notes to the Condensed Consolidated Financial Statements (Unaudited)

The following table presents the amounts reported in the Company's condensed consolidated balance sheets related to operating and finance leases as of the dates presented:

(in thousands)		March 31, 2023	December 31, 2022			June 30, 2023	December 31, 2022
	Classification				Classification		
<b>Right-of-use assets:</b>							
Operating	Other assets	\$ 12,481	\$ 12,736		Other assets	\$ 12,473	\$ 12,736
Finance	Property, plant, and equipment, net	992	420		Property, plant, and equipment, net	6,338	420
<b>Total right-of-use assets</b>		<b>\$ 13,473</b>	<b>\$ 13,156</b>			<b>\$ 18,811</b>	<b>\$ 13,156</b>
<b>Lease liabilities</b>							
Operating	Accrued expenses and other current liabilities	\$ 997	\$ 971		Accrued expenses and other current liabilities	\$ 1,090	\$ 971
Finance	Current portion of long-term debt	288	90		Current portion of long-term debt	1,646	90
Operating	Other liabilities	19,063	19,426		Other liabilities	18,698	19,426
Finance	Long-term debt	604	321		Long-term debt	3,639	321

<b>Total lease liabilities</b>	<b>\$ 20,952</b>		<b>\$ 20,808</b>	<b>\$ 25,073</b>		<b>\$ 20,808</b>
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The following is a summary of the Company's lease cost for the periods presented:

	<b>Three Months Ended March 31,</b>		<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Lease cost (in thousands)</b>						
Operating lease cost	\$ 1,767	\$ 1,263	\$ 1,782	\$ 1,847	\$ 3,549	\$ 3,110
Finance lease cost						
Amortization of right-of-use assets	31	4	235	3	266	7
Interest on lease liabilities	8	2	58	2	66	4
Variable lease costs	267	140	171	334	438	474
<b>Total lease cost</b>	<b>\$ 2,073</b>	<b>\$ 1,409</b>	<b>\$ 2,246</b>	<b>\$ 2,186</b>	<b>\$ 4,319</b>	<b>\$ 3,595</b>

The following is a summary of the cash flows and supplemental information associated with the Company's leases for the periods presented:

	<b>Three Months Ended March 31,</b>		<b>Six Months Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Other information (in thousands)</b>				
<b>Cash paid for amounts included in the measurement of lease liabilities</b>	<b>Cash paid for amounts included in the measurement of lease liabilities</b>		<b>Cash paid for amounts included in the measurement of lease liabilities</b>	

Operating cash flows from operating leases	\$ 1,849	\$ 486	\$ 3,897	\$ 1,399
Operating cash flows from finance leases	8	2	66	4
Financing cash flows from finance leases	22	3	197	7
<b>Right-of-use assets obtained in exchange for lease liabilities:</b>				
Operating leases	17	7,384	159	10,541
Finance leases	503	-	5,071	-

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## TERRAN ORBITAL CORPORATION

### Notes to the Condensed Consolidated Financial Statements (Unaudited)

Lease payments prior to commencement are classified in the condensed consolidated statements of cash flows based on the expected classification of the lease upon commencement and are excluded from the table above. During the six months ended June 30, 2023, lease payments prior to the commencement of finance leases totaled \$1.7 million.

In February 2023, the Company executed an operating lease for manufacturing and assembly space with an original lease term of 124 months, which is expected to commence no later than in February 2024 and has total future minimum lease payments of approximately \$34.5 million.

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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

### INTRODUCTION

The following discussion and analysis should be read in conjunction with our condensed consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q, as well as our audited consolidated financial statements and the related notes as of and for the years ended December 31, 2022 and 2021 included in our Annual Report on Form 10-K, which was filed with the United States (“U.S.”) Securities and Exchange Commission (the “SEC”) on March 23, 2023 (the “2022 Annual Report”). This section is intended to (i) provide material information relevant to the assessment of our results of operations and cash flows; (ii) enhance the understanding of our financial condition, changes in financial condition, and results of operations; and (iii) discuss material events and uncertainties known to management that are reasonably likely to cause reported financial information not to be necessarily indicative of future performance or of future financial condition.

The following discussion and analysis contains forward-looking statements about our business, operations, and financial performance based on current plans and estimates involving risks, uncertainties, and assumptions, which could differ materially from actual results. Factors that could cause such differences are discussed in the sections titled “Risk Factors” and “Cautionary Note Regarding Forward-Looking Statements” included in the 2022 Annual Report. Additionally, our historical results are not necessarily indicative of the results that may be expected for any period in the future.

## **OVERVIEW**

Terran Orbital Corporation, formerly known as Tailwind Two Acquisition Corp. (“Tailwind Two”), together with its wholly-owned subsidiaries (collectively, the “Company,” “we,” “our,” “us,” and “Terran Orbital”), is a leading manufacturer of satellite products primarily serving the aerospace and defense industries. We provide end-to-end satellite solutions by combining satellite design, production, launch planning, mission operations, and on-orbit support to meet the needs of our military, civil, and commercial customers. We have a foreign subsidiary based in Torino, Italy.

## **BASIS OF PRESENTATION**

All financial information presented in this section has been prepared in U.S. dollars in accordance with generally accepted accounting principles in the U.S. (“GAAP”), excluding our Non-GAAP measures, and includes the accounts of Terran Orbital Corporation and its subsidiaries. All intercompany transactions have been eliminated.

We evaluate and report our segment information based on the manner in which our Chief Executive Officer, who is the chief operating decision maker (the “CODM”), evaluates performance and allocates resources. Beginning in the fourth quarter of 2022, we report our results as a single operating and reportable segment on a consolidated basis. Where applicable, prior periods have been retrospectively adjusted to reflect our current operating and reportable segment structure.

## **FACTORS AFFECTING OPERATING RESULTS**

Our financial success is based on our ability to deliver high quality products and services on a timely basis and at a cost-effective price for our customers. With the majority of our contracts with customers reflecting firm fixed pricing structures, our gross profit is dependent on the efficient and effective execution of our contracts. Our ability to maximize gross profit may be impacted by, but not limited to, unanticipated cost overruns, disruptions in our supply chains, and learning curve and non-recurring engineering costs related to our contracts with customers. Furthermore, our overall profitability may be impacted by our internal research and development initiatives associated with developing new and innovative technology, including the

expansion of our offerings to include additional satellite bus designs, payload solutions, satellite subassemblies and components, and other defense-related products.

From time to time, we may strategically enter into contracts with low or negative margins relative to other contracts or that are at risk of cost overruns. This may occur due to strategic decisions built around positioning ourselves for future contracts or to enhance our product and service offerings. However, in some instances, loss contracts may occur from unforeseen cost overruns which are not recoverable from the customer. We establish loss reserves on contracts in which the cost estimate-at-completion ("EAC") exceeds the estimated revenue. The loss reserves are recorded in the period in which a loss is determined. Our reference to adjustments to EAC in the context of describing our results of operations relates to net changes during the period in our aggregate program contract values and estimated costs at completion and include the net impact of contract terminations, cost overruns, and loss reserves.

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We are actively expanding our headcount, manufacturing facilities, and office space in order to position ourselves to be awarded and have the capacity to execute on larger contracts with recurring revenue opportunities. These growth initiatives are principally located in Irvine, California near our existing facilities. Our existing portfolio of contracts includes multiple-satellite constellations as well as several technology demonstrations, prototypes, and studies with the potential for option exercises or follow-on contracts for multiple-satellite constellations. Accordingly, we are incurring a heightened level of operating expenses in advance of larger customer awards. These opportunities are subject to numerous uncertainties, including but not limited to: the customer may withdraw the opportunity, we may not submit a proposal, or we may not win a contract award or the full value of the award.

We may experience variability in the profitability of our contracts in the future and such future variability may occur at levels and frequencies different from historical experience. Such variability in profitability may be due to strategic decisions, cost overruns or other circumstances within or outside of our control. Accordingly, our historical experience with profitability on our contracts is not indicative or predictive of future experience.

#### *COVID-19 Pandemic*

During March 2020, the World Health Organization (the "WHO") declared the outbreak of a novel coronavirus as a pandemic (the "COVID-19 Pandemic"). The COVID-19 Pandemic has negatively impacted the global economy, disrupted global supply chains, and created significant volatility and disruption in the financial and capital markets.

The COVID-19 Pandemic has contributed to a worldwide shortage of electronic components which has resulted in longer than historically experienced lead times for such electronic components. The reduced availability to receive electronic components used in our operations has negatively affected our timing and ability to deliver products and services to customers as well as increased costs in recent periods. In an effort to manage this disruption to our supply chain, we have focused on accumulating critical components to ensure an appropriate level of supply is available when needed.



We have considered the ongoing and pervasive economic impact of the COVID-19 Pandemic in our assessment of our financial position, results of operations, cash flows, and certain accounting estimates as of and for the periods presented. The U.S. Government allowed the national public health emergency declaration related to the COVID-19 Pandemic to expire on May 11, 2023, and the WHO ended the global emergency status for the COVID-19 Pandemic on May 5, 2023.

## RECENT DEVELOPMENTS

The comparability of our results of operations has been impacted by the following events:

### *Tailwind Two Merger*

Prior to March 25, 2022, Tailwind Two was a publicly listed special purpose acquisition company incorporated as a Cayman Islands exempted company. On March 25, 2022, Tailwind Two acquired Terran Orbital Operating Corporation, formerly known as Terran Orbital Corporation ("Legacy Terran Orbital") (the "Tailwind Two Merger"). In connection with the Tailwind Two Merger, Tailwind Two filed a notice of deregistration with the Cayman Islands Registrar of Companies and filed a certificate of incorporation and a certificate of corporate domestication with the Secretary of State of the State of Delaware, resulting in Tailwind Two becoming a Delaware corporation and changing its name from Tailwind Two to Terran Orbital Corporation. The Tailwind Two Merger resulted in Legacy Terran Orbital becoming a wholly-owned subsidiary of Terran Orbital Corporation.

As a result of the Tailwind Two Merger, all of Legacy Terran Orbital's issued and outstanding common stock was converted into shares of Terran Orbital Corporation's common stock using an exchange ratio of 27.585 shares of Terran Orbital Corporation's common stock per each share of Legacy Terran Orbital's common stock. In addition, Legacy Terran Orbital's convertible preferred stock and certain warrants were exercised and converted into shares of Legacy Terran Orbital's common stock immediately prior to the Tailwind Two Merger, and in turn, were converted into shares of Terran Orbital Corporation's common stock as a result of the Tailwind Two Merger. Further, in connection with the Tailwind Two Merger, Legacy Terran Orbital's share-based compensation plan and related share-based compensation awards were cancelled and exchanged or converted, as applicable, with a new share-based compensation plan and related share-based compensation awards of Terran Orbital Corporation.

While Legacy Terran Orbital became a wholly-owned subsidiary of Terran Orbital Corporation, Legacy Terran Orbital was deemed to be the acquirer in the Tailwind Two Merger for accounting purposes. Accordingly, the Tailwind Two Merger was accounted for as a reverse recapitalization, in which case the condensed consolidated financial statements of the Company represent a continuation of Legacy Terran Orbital and the issuance of common stock in exchange for the net assets of Tailwind Two recognized at historical cost and no recognition of goodwill or other intangible assets. Operations prior to the Tailwind Two Merger are those of Legacy Terran Orbital and all share and per-share data included in these condensed consolidated financial statements have been retroactively retrospectively adjusted

to give effect to the Tailwind Two Merger. In addition, the number of shares subject to, and the exercise price of, the Company's outstanding options and warrants were adjusted to reflect the Tailwind Two Merger. The treatment of the Tailwind Two Merger as a reverse recapitalization was based upon the pre-merger shareholders of Legacy Terran Orbital holding the majority of the voting interests of Terran Orbital Corporation, Legacy Terran Orbital's existing management team serving as the initial management team of Terran Orbital Corporation, Legacy Terran Orbital's appointment of the majority of the initial board of directors of Terran Orbital Corporation, and Legacy Terran Orbital's operations comprising the ongoing operations of the Company.

In connection with the Tailwind Two Merger, approximately \$29 million of cash and marketable securities held in trust, net of redemptions by Tailwind Two's public shareholders, became available for use to Terran orbital Corporation as well as proceeds received from the contemporaneous sale of common stock in connection with the closing of a PIPE investment with a contractual amount of \$51 million (the "PIPE Investment"). In addition, the Company received additional proceeds from the issuance of debt contemporaneously with the Tailwind Two Merger. The cash raised was used for general corporate purposes, the partial paydown of debt, the payment of transaction costs and the payment of other costs directly or indirectly attributable to the Tailwind Two Merger.

Beginning on March 28, 2022, Terran Orbital Corporation's common stock and public warrants began trading on the New York Stock Exchange (the "NYSE") under the symbols "LLAP" and "LLAP WS," respectively.

#### *Public Company Costs*

As a result of the Tailwind Two Merger, we have incurred and will continue to incur additional legal, accounting, board compensation, and other expenses that we did not previously incur as a privately-owned company. These increase increases in costs include compliance with the Sarbanes-Oxley Act of 2002 as well as other corporate governance rules implemented by the SEC and the NYSE. Our financial statements for the periods following the Tailwind Two Merger reflect, and will continue to reflect, the impact of these incremental expenses.

#### *Rivada Agreement*

During February 2023, we entered into an agreement with Rivada Space Networks GmbH ("Rivada") providing for the development, production, and operation of 300 satellites, inclusive of 12 in-orbit spares and ground station equipment, for a total purchase price of approximately \$2.4 billion (the "Rivada Agreement"). The agreement also includes options for additional satellites, equipment, and services, including an option for the purchase of an additional 300 satellites. Performance under the agreement will be split into a developmental phase, with amounts billed on a time and materials basis, and a firm fixed price production phase. Rivada has an option to terminate the agreement for convenience at any time and for any reason, which would result in a termination fee for work performed up to such termination. In addition, the agreement includes termination provisions for default in the event of missed delivery targets or deadlines, insolvency, or other failures to perform, which could result in the refund of all amounts paid up to such termination. Whether we ultimately recognize revenue and profit on this contract is subject to a number of uncertainties including, among other things, our ability to successfully perform our obligations, increase our manufacturing capacity, and deliver operational satellites in a timely manner and Rivada's continuing ability to fund contract performance and maintain its regulatory licenses for its operations. We anticipate to begin performing

and recognizing The amount of revenue pursuant to recognized under the Rivada Agreement during was not material for the second quarter of 2023, three and six months ended June 30, 2023.

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## RESULTS OF OPERATIONS

### Three Months Ended March 31, 2023 June 30, 2023 Compared to March 31, 2022 June 30, 2022

The following table presents our consolidated results of operations for the periods presented:

(in thousands)	Three Months Ended March 31,			Three Months Ended June 30,		
	2023	2022	\$ Change	2023	2022	\$ Change
Revenue	28,19	13,12		32,23	21,36	
	\$ 8	\$ 0	\$ 15,078	\$ 2	\$ 4	\$ 10,868
Cost of sales	29,59	15,95		31,43	25,03	
	7	3	13,644	0	8	6,392
<b>Gross loss</b>	(1,399)	(2,833)	1,434			
<b>Gross profit (loss)</b>				802	(3,674)	4,476
Selling, general, and administrative expenses	32,53	30,21		28,73	29,37	
	0	7	2,313	2	0	(638)
<b>Loss from operations</b>	(33,92)	(33,05)	(879)	(27,9)	(33,0)	5,114
	9)	0)		30)	44)	
Interest expense, net	10,93			11,72		
	4	2,923	8,011	9	6,937	4,792
Loss on extinguishment of debt		23,14				
	-	1	(23,141)			
Change in fair value of warrant and derivative liabilities		11,85		(11,48		
	9,455	3	(2,398)	6)	(8,177)	(3,309)
Other expense	109	403	(294)			
Other (income) expense				(26)	468	(494)
<b>Loss before income taxes</b>	(54,42)	(71,37)	16,943	(28,1)	(32,2)	4,125
	7)	0)		47)	72)	
Provision for income taxes	18	2	16			
(Benefit from) provision for income taxes				(17)	2	(19)

	(54,44	(71,37		(28,1	(32,2	
Net loss	\$ 5)	\$ 2)	\$ 16,927	\$ 30)	\$ 74)	\$ 4,144

Revenue

The increase in revenue was primarily due to the continued and increased level of progress made in satisfying our customer contracts and reflects the ongoing favorable impact from significant contract wins and modifications in recent periods.

During the three months ended March 31, 2023June 30, 2023 and 2022, our EAC adjustments on our firm fixed price contracts resulted in an estimated \$0.8 million positive negative impact to revenue of \$1.2 million and an estimated \$3 million negative impact to revenue, \$1.3 million, respectively. While we believe our estimates as of March 31, 2023June 30, 2023 consider all relevant and known information, such as supply chain and related production challenges, additional adjustments to our EACs could occur and have an impact on our revenue in future reporting periods.

Cost of Sales

The increase in cost of sales was primarily due to the following:

- an increase of \$14.4 million\$10.8 million in labor, materials, third-party services, overhead (exclusive of allocated share-based compensation and depreciation), launch costs, and other direct costs incurred in satisfying our customer contracts and
- an increase of \$1.1 million\$0.7 million in depreciation and amortization as a result of increased production levels.

These increases were partially offset by the following:

- a decrease of \$4.5 million in share-based compensation expense due to an increase in production headcount partially offset by a \$2.1 million non-recurring cumulative recognition of expense recognized as certain awards granted in connection with the closing of the Tailwind Two Merger; Merger became fully expensed during the first quarter of 2023 and
- partially offset by a decrease of \$1.8 million\$0.7 million related to reserves for anticipated losses on contracts as recorded a \$1.7 million\$0.3 million decrease in reserves during 2023 due to the termination of an unfavorable contract compared to a \$0.1 million\$0.4 million increase in reserves during 2022.

During the three months ended March 31, 2023June 30, 2023 and 2022, our EAC adjustments on our firm fixed price contracts resulted in an estimated \$0.8 million positive impact to cost of sales and an estimated \$0.7 million negative impact to cost of sales of \$1.3 million and \$2.5 million, respectively. While we believe our estimates as of June 30, 2023

consider all relevant and known information, such as supply chain and related production challenges, additional adjustments to our EACs could occur and have an impact on our cost of sales in future reporting periods.

Selling, General, and Administrative Expenses

The decrease in selling, general, and administrative expenses was primarily due to the following:

- a decrease of \$5.8 million in share-based compensation expense as certain awards granted in connection with the Tail Two Merger became fully expensed during the first quarter of 2023;
- a decrease of \$2.8 million in accounting, legal, and other professional fees; and
- a decrease of \$0.5 million in business insurance expense as a result of a decrease in premiums.

These decreases were partially offset by the following:

- an increase of \$4.4 million in labor and benefits, net of allocated overhead, due to the increase in headcount as part of growth initiatives;
- an increase of \$1.9 million in research and development activities, exclusive of allocated share-based compensation depreciation, related to the development of new modules and payloads;
- an increase of \$0.9 million in sales and marketing and other corporate travel;
- an increase of \$0.5 million in technology costs, net of allocated overhead, due to an increase in overall headcount solutions utilized; and
- an increase of \$0.3 million in facilities expense, net of allocated overhead.

#### *Interest Expense, net*

The increase in interest expense, net was due to (i) an increase in contractual interest of \$2.6 million as a result of higher debt balances due to our financing transactions during 2022, (ii) an increase in amortization related to discount on debt of \$1.6 million due to our financing transactions during 2022, and (iii) a decrease in capitalized interest of \$0.6 million as we are no longer developing our Earth observation constellation.

#### *Change in Fair Value of Warrant and Derivative Liabilities*

The change in fair value of warrant and derivative liabilities relates to the periodic fair value remeasurement of liability-classified warrants and derivatives issued in connection with our financing transactions.

During the three months ended June 30, 2023, the gain on change in fair value was primarily due to a decrease in the market price of our common stock and warrants, which drove the decrease in the fair value of our warrants and derivatives during the period.

During the three months ended June 30, 2022, the gain on change in fair value was primarily due to a decrease in the market price of our common stock and warrants, which drove the decrease in the fair value of our warrants and derivatives during the period.

#### *(Benefit from) Provision for Income Taxes*

Benefit from income taxes for the three months ended June 30, 2023 was \$17 thousand, resulting in an effective tax rate for the period of 0.1%. We had a minimal effective tax rate as a result of the continued generation of net operating losses ("NOLs") offset by a full valuation allowance recorded on such NOLs as we determined it is more-likely-than-not that our NOLs will not be

utilized. The remainder of the benefit from income taxes was primarily related to immaterial return-to-provision adjustments related to our foreign subsidiary.

Provision for income taxes for the three months ended June 30, 2022 was \$2 thousand, resulting in an effective tax rate for the period of 0.0%. We had a minimal effective tax rate as a result of the continued generation of NOLs offset by a full valuation allowance recorded on such NOLs as we determined it is more-likely-than-not that our NOLs will not be utilized.

### ***Six Months Ended June 30, 2023 Compared to June 30, 2022***

The following table presents our consolidated results of operations for the periods presented:

<i>(in thousands)</i>	Six Months Ended June 30,		
	2023	2022	\$ Change
Revenue	\$ 60,430	\$ 34,484	\$ 25,946
Cost of sales	61,027	40,991	20,036
<b>Gross loss</b>	<b>(597)</b>	<b>(6,507)</b>	<b>5,910</b>
Selling, general, and administrative expenses	61,262	59,587	1,675
<b>Loss from operations</b>	<b>(61,859)</b>	<b>(66,094)</b>	<b>4,235</b>
Interest expense, net	22,663	9,860	12,803
Loss on extinguishment of debt	-	23,141	(23,141)
Change in fair value of warrant and derivative liabilities	(2,031)	3,676	(5,707)
Other expense	83	871	(788)
<b>Loss before income taxes</b>	<b>(82,574)</b>	<b>(103,642)</b>	<b>21,068</b>
Provision for income taxes	1	4	(3)
<b>Net loss</b>	<b>\$ (82,575)</b>	<b>\$ (103,646)</b>	<b>\$ 21,071</b>

### ***Revenue***

The increase in revenue was primarily due to the continued and increased level of progress made in satisfying our customer contracts and reflects the ongoing favorable impact from significant contract wins and modifications in recent periods.

During the six months ended June 30, 2023 and 2022, our EAC adjustments on our firm fixed price contracts resulted in an estimated negative impact to revenue of \$0.5 million and \$4.2 million, respectively. While we believe our estimates as of March 31, 2023 June 30, 2023 consider all relevant and known information, such as supply chain and related production challenges, additional adjustments to our EACs could occur and have an impact on our revenue in future reporting periods.

### ***Cost of Sales***

The increase in cost of sales was primarily due to the following:

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- an increase of \$25.2 million in labor, materials, third-party services, overhead (exclusive of allocated share-based compensation and depreciation), launch costs, and other direct costs incurred in satisfying our customer contracts; and
- an increase of \$0.7 million in depreciation and amortization as a result of increased production levels.

These increases were partially offset by the following:

- a decrease of \$3.3 million in share-based compensation expense primarily due to a \$2.1 million non-recurring cumulative impact recognized during the first quarter of 2022 due to the closing of the Tailwind Two Merger satisfying a vesting condition on certain awards as well as certain awards granted in connection with the Tailwind Two Merger became expensed during the first quarter of 2023; and
- a decrease of \$2.5 million related to reserves for anticipated losses on contracts as we recorded a \$2.0 million decrease in reserves during 2023 primarily due to the termination of an unfavorable contract compared to a \$0.5 million increase in reserves during 2022.

During the six months ended June 30, 2023 and 2022, our EAC adjustments on our firm fixed price contracts resulted in an estimated negative impact to cost of sales of \$0.5 million and \$3.7 million, respectively. While we believe our estimates as of June 30, 2023

consider all relevant and known information, such as supply chain and related production challenges, additional adjustments to our EACs could occur and have an impact on our cost of sales in future reporting periods.

#### *Selling, General, and Administrative Expenses*

The increase in selling, general, and administrative expenses was primarily due to the following:

- an increase of \$5.0 million to \$7.1 million in labor and benefits, net of allocated overhead, due to the increase in headcount as part of our growth initiatives;
- an increase of \$6.9 million in research and development activities, exclusive of allocated share-based compensation and depreciation, related to the development of new modules and payloads;
- an increase of \$2.8 million in labor and benefits, net of allocated overhead, due to the increase in headcount as part of growth initiatives;
- an increase of \$1.2 million to \$1.7 million in technology costs, net of allocated overhead, due to an increase in our headcount and solutions utilized;
- an increase of \$1.2 million in sales and marketing and other corporate travel;
- an increase of \$0.8 million in facilities expense, net of allocated overhead; and
- an increase of \$0.7 million in insurance expense primarily as a result of becoming a public company in March 2022; and
- an increase of \$0.6 million in facilities expense, net of allocated overhead, due to additional leased facilities as part of growth initiatives, 2022.

These increases were partially offset by the following:

- a decrease of \$8.3 million to \$14.1 million in share-based compensation expense primarily due to a \$15.1 million non-recurring cumulative impact recognized during the first quarter of 2022 due to the closing of the Tailwind Two Merger satisfying

vesting condition on certain awards; awards as well as certain awards granted in connection with the Tailwind Two Merger became fully expensed during the first quarter of 2023, partially offset by an increase due to higher headcount; and

- a decrease of \$1.1 million \$3.7 million in accounting, legal, and other professional fees.

#### *Interest Expense, net*

The increase in interest expense, net was due to (i) an increase in amortization related to discount on contractual interest of \$6.4 million as a result of higher debt of \$3.8 million balances due to our financing transactions during 2022, (ii) an increase in contractual interest amortization related to discount on debt of \$3.7 million as a result of higher debt balances \$5.4 million due to our financing transactions during 2022, and (iii) a decrease in capitalized interest of \$0.6 million \$1.1 million as we are no longer developing our Earth observation constellation.

#### *Loss on Extinguishment of Debt*

During the three six months ended March 31, 2022 June 30, 2022, loss on extinguishment of debt totaled \$23 million and related to the refinancing and extinguishment of our debt obligations in connection with the Tailwind Two Merger. There was no loss on extinguishment of debt during the three six months ended March 31, 2023 June 30, 2023.

#### *Change in Fair Value of Warrant and Derivative Liabilities*

The change in fair value of warrant and derivative liabilities relates to the periodic fair value remeasurement of liability-classified warrants and derivatives issued in connection with our financing transactions.

During the three six months ended March 31, 2023 June 30, 2023, the gain on change in fair value was primarily due to a decrease in the market price of our common stock, which drove the decrease in the fair value of certain warrants and derivatives during the period, partially offset by an

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increase in the market price of our warrants, which drove the increase in the fair value of certain warrants and derivatives during the period.

During the six months ended June 30, 2022, the loss on change in fair value was primarily due to an increase in fair value of \$17.0 million related to warrants and derivatives that were ultimately settled as part of the Tailwind Two Merger, partially offset by a decrease in fair value subsequent to the Tailwind Two Merger due to a decrease in the market price of our common stock which drove the increase in the fair value of our warrants and derivatives during the period.

During the three months ended March 31, 2022, the loss on change in fair value was primarily due to fair value remeasurements as a result of the Tailwind Two Merger warrants.

#### *Provision for Income Taxes*

Provision for income taxes for the three six months ended March 31, 2023 June 30, 2023 was \$18 \$1 thousand, resulting in an effective tax rate for the period of 0.0%. We had a minimal effective tax rate as a result of the continued generation of net



operating losses ("NOLs") NOLs offset by a full valuation allowance recorded on such NOLs as we determined it is more-likely-than-not that our NOLs will not be utilized. The remainder of the provision for income taxes was primarily related to taxable income from our foreign subsidiary.

Provision for income taxes for the three six months ended March 31, 2022 June 30, 2022 was \$2 \$4 thousand, resulting in an effective tax rate for the period of 0.0%. We had a minimal effective tax rate as a result of the continued generation of NOLs offset by a full valuation allowance recorded on such NOLs as we determined it is more-likely-than-not that our NOLs will not be utilized.

## NON-GAAP MEASURES

To provide investors with additional information in connection with our results as determined in accordance with GAAP, we disclose the non-GAAP financial measures Adjusted Gross Profit and Adjusted EBITDA. These non-GAAP measures may be different from non-GAAP measures made by other companies. These measures may exclude items that are significant in understanding and assessing our financial results. Therefore, these measures should not be considered in isolation or as an alternative to net income or other measures of financial performance or liquidity under GAAP.

### Adjusted Gross Profit

We define Adjusted Gross Profit as gross profit or loss adjusted for (i) share-based compensation expense included in cost of sales and (ii) depreciation and amortization included in cost of sales.

We believe that the presentation of Adjusted Gross Profit is appropriate to provide additional information to investors about our gross profit adjusted for certain non-cash items. Further, we believe Adjusted Gross Profit provides a meaningful measure of operating profitability because we use it for evaluating our business performance, making budgeting decisions, and comparing our performance against that of other peer companies using similar measures.

There are material limitations to using Adjusted Gross Profit. Adjusted Gross Profit does not take into account all items which directly affect our gross profit or loss. These limitations are best addressed by considering the economic effects of the excluded items independently and by considering Adjusted Gross Profit in conjunction with gross profit or loss as calculated in accordance with GAAP.

The following table reconciles Adjusted Gross Profit to gross profit or loss (the most comparable GAAP measure) for the three months ended March 31, 2023 June 30, 2023 and 2022:

(in thousands)	Three Months Ended March 31,			Three Months Ended June 30,		
	2023	2022	\$ Change	2023	2022	\$ Change
Gross loss	\$ (1,399)	\$ (2,833)	\$ 1,434			
Gross profit (loss)				\$ 802	\$ (3,674)	\$ 4,476

Share-based compensation expense	3,245	2,113	1,132	778	5,229	(4,451)
Depreciation and amortization	466	513	(47)	1,232	530	702
<b>Adjusted gross profit (loss)</b>	<b>\$ 2,312</b>	<b>\$ (207)</b>	<b>\$ 2,519</b>			
<b>Adjusted gross profit</b>				<b>\$ 2,812</b>	<b>\$ 2,085</b>	<b>\$ 727</b>

The increase in Adjusted Gross Profit was primarily due to improvements in our EAC adjustments on our firm fixed price contracts, which had an estimated \$1.5 million positive impact to Adjusted Gross Profit and an estimated \$3.7 million negative impact to Adjusted Gross Profit of \$2.5 and \$3.8 million during March 31, 2023 the three months ended June 30, 2023 and 2022, respectively. Additionally, Adjusted Gross Profit increased due to the net impact from the continued and increased level of progress made in satisfying our customer contracts. While we believe our estimates as of March 31, 2023 June 30, 2023 consider all relevant and known information, such as supply

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chain and related production challenges, additional adjustments to our EACs could occur and have an impact on our Adjusted Gross Profit in future reporting periods.

The following table reconciles Adjusted Gross Profit to gross profit or loss (the most comparable GAAP measure) for the six months ended June 30, 2023 and 2022:

(in thousands)	Six Months Ended June 30,		
	2023	2022	\$ Change
<b>Gross loss</b>	<b>\$ (597)</b>	<b>\$ (6,507)</b>	<b>\$ 5,910</b>
Share-based compensation expense	4,023	7,342	(3,319)
Depreciation and amortization	1,698	1,043	655
<b>Adjusted gross profit</b>	<b>\$ 5,124</b>	<b>\$ 1,878</b>	<b>\$ 3,246</b>

The increase in Adjusted Gross Profit was primarily due to improvements in our EAC adjustments on our firm fixed price contracts, which had an estimated negative impact to Adjusted Gross Profit of \$1.0 million and \$7.9 million during the six months ended June 30, 2023 and 2022, respectively. While we believe our estimates as of June 30, 2023 consider all relevant and known information, such as supply chain and related production challenges, additional adjustments to our EACs could occur and have an impact on our Adjusted Gross Profit in future reporting periods.

#### Adjusted EBITDA

We define Adjusted EBITDA as net income or loss adjusted for (i) interest, (ii) taxes, (iii) depreciation and amortization, (iv) share-based compensation expense, (v) loss on extinguishment of debt, (vi) change in fair value of warrant and derivative liabilities, and (vii) other non-recurring and/or non-cash items.

We believe that the presentation of Adjusted EBITDA is appropriate to provide additional information to investors about our operating profitability adjusted for certain non-cash items, non-routine items that we do not expect to continue at the same level in the future, as well as other items that are not core to our operations. Further, we believe Adjusted EBITDA provides a meaningful measure of operating profitability because we use it for evaluating our business performance, making budgeting decisions, and comparing our performance against that of other peer companies using similar measures.

There are material limitations to using Adjusted EBITDA. Adjusted EBITDA does not take into account certain significant items, including depreciation and amortization, interest, taxes, and other adjustments which directly affect our net income or loss. These

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limitations are best addressed by considering the economic effects of the excluded items independently and by considering Adjusted EBITDA in conjunction with net income or loss as calculated in accordance with GAAP.

The following table reconciles Adjusted EBITDA to net loss (the most comparable GAAP measure) for the three months ended March 31, 2023 June 30, 2023 and 2022:

(in thousands)	Three Months Ended March 31,			Three Months Ended June 30,		
	2023	2022	\$ Change	2023	2022	\$ Change
<b>Net loss</b>	<b>(54,4</b>	<b>(71,3</b>	<b>\$</b>	<b>(28,1</b>	<b>(32,2</b>	<b>\$</b>
	<b>45)</b>	<b>72)</b>	<b>16,927</b>	<b>30)</b>	<b>74)</b>	<b>4,144</b>
	10,93			11,72		
Interest expense, net	4	2,923	8,011	9	6,937	4,792
Provision for income taxes	18	2	16			
(Benefit from) provision for income taxes				(17)	2	(19)
Depreciation and amortization	919	846	73	1,789	855	934
Share-based compensation expense	10,16	17,33			13,81	(10,22
	6	5	(7,169)	3,589	5	6)
		23,14	(23,14			
Loss on extinguishment of debt	-	1	1)			
Change in fair value of warrant and derivative liabilities		11,85		(11,4	(8,17	
	9,455	3	(2,398)	86)	7)	(3,309)
Other, net <sup>(a)</sup>	401	555	(154)	1,172	4,066	(2,894)
<b>Adjusted EBITDA</b>	<b>(22,5</b>	<b>(14,7</b>	<b>\$</b>	<b>(21,3</b>	<b>(14,7</b>	<b>\$</b>
	<b>52)</b>	<b>17)</b>	<b>(7,835)</b>	<b>54)</b>	<b>76)</b>	<b>(6,578)</b>

(a) - Represents other expense and other charges and items. Non-recurring legal and accounting fees related to our transition to a public company and financing transactions are included herein.

The decrease in Adjusted EBITDA was primarily due to an increase in selling, general, and administrative expenses as a result of our growth initiatives, partially offset by an increase in Adjusted Gross Profit. Refer to the discussions above under “Results of Operations” for further details.

The following table reconciles Adjusted EBITDA to net loss (the most comparable GAAP measure) for the six months ended June 30, 2023 and 2022:

(in thousands)	Six Months Ended June 30,		
	2023	2022	\$ Change
<b>Net loss</b>	<b>\$ (82,575)</b>	<b>\$ (103,646)</b>	<b>\$ 21,071</b>
Interest expense, net	22,663	9,860	12,803
Provision for income taxes	1	4	(3)
Depreciation and amortization	2,708	1,701	1,007
Share-based compensation expense	13,755	31,150	(17,395)
Loss on extinguishment of debt	-	23,141	(23,141)
Change in fair value of warrant and derivative liabilities	(2,031)	3,676	(5,707)
Other, net <sup>(a)</sup>	1,573	4,621	(3,048)
<b>Adjusted EBITDA</b>	<b>\$ (43,906)</b>	<b>\$ (29,493)</b>	<b>\$ (14,413)</b>

(a) - Represents other expense and other charges and items. Non-recurring legal and accounting fees related to our transition to a public company and financing transactions are included herein.

The decrease in Adjusted EBITDA was primarily due to an increase in selling, general, and administrative expenses related to research and development, labor and benefits, technology costs, facilities expense, and other operating costs as a result of our growth initiatives, partially offset by an increase in Adjusted Gross Profit. Refer to the discussions above under “Results of Operations” for further details.

## KEY PERFORMANCE INDICATORS

We view growth in backlog as a key measure of our business growth. Backlog represents the estimated dollar value of executed contracts and exercised contract options, including both funded (firm orders for which funding is authorized and appropriated) and unfunded portions of such contracts, for which work has not been performed (also known as the remaining performance obligations on a contract). Backlog does not include unexercised contract options and potential orders under indefinite delivery/indefinite quantity contracts. Although backlog reflects business associated with contracts that are considered to be firm, terminations, amendments or contract cancellations may occur, which could result in a reduction in our total backlog.

Our backlog totaled \$2.5 billion \$2.6 billion and \$170.8 million as of March 31, 2023 June 30, 2023 and December 31, 2022, respectively. The increase in backlog was primarily due to the Rivada Agreement. The increase in backlog was partially offset by

revenue recognized and terminations that occurred during the period.

As of March 31, 2023 June 30, 2023, programs associated with Lockheed Martin represented approximately 5% 4% of our backlog.

## LIQUIDITY AND CAPITAL RESOURCES

### *Liquidity*

We have historically funded our operations primarily through the issuance of debt and equity securities. Our short-term liquidity requirements include initiatives related to (i) expansion of existing facilities and upgrade of equipment in order to increase operational capacity, (ii) recruitment of additional employees to meet operational needs, (iii) upgrade of information technology, (iv) research and development initiatives, and (v) continued buildout of corporate functions and public company compliance requirements, inclusive of accounting and legal fees. Our long-term liquidity requirements include initiatives related to (i) design and development of payload solutions, (ii) expansion of advanced manufacturing and assembly facilities and capabilities, and (iii) development of new satellite components, infrastructure, and software. The timing and amount of spend on these initiatives may be materially delayed, reduced, and cancelled as a result of the level of our financial resources and available financing opportunities. Additionally, our liquidity requirements include the repayment of debt and other payment obligations incurred as a result of the Tailwind Two Merger. Our sources of liquidity

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include cash generated from operations, potential proceeds from the exercise of warrants, and potential proceeds from the issuance of

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debt and/or equity securities, inclusive of sales of common stock through our Committed Equity Facility (as defined below and subject to restrictions noted below).

Certain warrants issued to affiliates of Francisco Partners provide the right to require us to exchange such warrants (in full but not in part) for \$25 million in cash on March 25, 2025. If such warrant holders exercise their exchange right on March 25, 2025, then it will require us to make a \$25 million cash payment, which would reduce the amount of cash available at such time to fund our operations and execute our business plan, and the amount of such future cash payment could have a material adverse effect on our financial position and cash flows at such time. Further, in the event such warrant holders exercise their right and we are unable to make the cash redemption payment on March 25, 2025, such failure for us to pay would constitute an event of default under our outstanding debt instruments, which, if not cured or waived could result in the acceleration of all outstanding indebtedness under such debt instruments. Other than such warrants, no investors have the unconditional right to sell back shares or other securities to us or have any forward purchase agreements with us.

We believe that there are There can be no assurances that holders of our warrants will elect to exercise for cash any or all of such warrants, and that the likelihood that warrant holders will exercise their warrants is dependent upon the market price of our common stock. As of May 12, 2023 August 11, 2023, the market price of our common stock is less than the exercise price for all

warrants. Furthermore, the initial resale warrants, exclusive of our common stock by existing shareholders could result in warrants exercisable for a significant decline in the public trading price of our common stock. These sales, or the possibility that these sales may occur may make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. nominal price. We believe that based on the current trading prices of our common stock it is unlikely that uncertain whether we will receive cash proceeds from the exercise of warrants in the next twelve months, months, exclusive of warrants exercisable for a nominal price. Accordingly, we have not relied upon, and are not dependent upon, the receipt of the cash proceeds from the exercise of warrants as a source of liquidity to fund our operations in the next twelve months. The exercise of any or all of the warrants outstanding as of March 31, 2023 June 30, 2023 for cash would result in an increase in our liquidity, with an aggregate maximum amount of proceeds to be received of approximately \$382.5 million \$427.2 million.

As of March 31, 2023 June 30, 2023, we had \$57.4 million \$48.6 million of cash and cash equivalents, which included \$1.8 million \$2.3 million of cash and cash equivalents held by our foreign subsidiary. We are not presently aware of any restrictions on the repatriation of our foreign cash and cash equivalents; however, the earnings of our foreign subsidiary are essentially considered permanently invested in the foreign subsidiary. If these funds were needed to fund operations or satisfy obligations in the U.S., they could be repatriated and their repatriation into the U.S. may cause us to incur additional foreign withholding taxes. We do not currently intend to repatriate these earnings.

We rely on the timely execution of programs and collections from customers to provide liquidity and fund our business plan. The failure to execute on programs and collect from customers would negatively impact our liquidity and increase our capital raising needs. In order to proceed with our strategic business plan, we will may need to raise additional funds in the future through the issuance of additional debt, equity, (including additional equity through our Committed Equity Facility, as defined below), or other commercial arrangements, which may not be available to us when needed or on terms that we deem to be favorable. To the extent we raise additional capital through the sale of equity or convertible securities, the ownership interest of our shareholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of common shareholders. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making acquisitions or capital expenditures or declaring dividends. If we are unable to obtain sufficient financial resources, our business, financial condition and results of operations may be materially and adversely affected. We may be required to delay, limit, reduce or terminate parts of our strategic business plan or future commercialization efforts. There can be no assurance that we will be able to obtain financing on acceptable terms.

Furthermore, our ability to meet our debt service obligations and other capital requirements depends on our future operating performance, which is subject to future general economic, financial, business, competitive, legislative, regulatory, and other conditions,

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many of which are beyond our

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control. Changes in our operating plans, material changes in anticipated sales, increased expenses, acquisitions, or other events may cause us to seek equity and/or debt financing in future periods.

### Long-term Debt

As of **March 31, 2023** **June 30, 2023**, long-term debt was comprised of the following (including accrued interest paid-in-kind):

(in thousands)											
Description	Issued	Maturity	Interest Rate	Interest Payable	March 31, 2023		Issued	Maturity	Interest Rate	Interest Payable	June 30, 2023
Francisco Partners Facility	November 2021	April 2026	9.25%	Quarterly	\$ 120,023		November 2021	April 2026	9.25%	Quarterly	\$ 120,023
Lockheed Martin Rollover Debt	March 2021	April 2026	9.25%	Quarterly	25,000		March 2021	April 2026	9.25%	Quarterly	25,000
Beach Point Rollover Debt <sup>(1)</sup>	March 2021	April 2026	11.25%	Quarterly	31,897		March 2021	April 2026	11.25%	Quarterly	32,056
Convertible Notes due 2027 <sup>(2)</sup>	October 2022	October 2027	10.00%	Quarterly	104,201		October 2022	October 2027	10.00%	Quarterly	106,799
PIPE Investment Obligation <sup>(3)</sup>	March 2022	December 2025	N/A	N/A	22,500		March 2022	December 2025	N/A	N/A	20,625

Equipment			
Financings(4)	823		1,637
Finance leases	892		5,285
Unamortized deferred issuance costs	(2,989)		(2,893)
Unamortized discount on debt	(144,490)		(139,680)
<b>Total</b>	<b>157</b>		<b>168</b>
<b>Long-term debt</b>	<b>1,857</b>		<b>1,852</b>
Current portion of long-term debt	9,815		11,331
<b>Long-term debt</b>	<b>148,042</b>		<b>157,522</b>
	<b>\$ 2</b>		<b>\$ 1</b>

(1) - Incurs annual interest at 11.25%, of which 2.00% is payable-in-kind at our option.

(2) - Interest is payable-in-kind at our option. Principal and interest prior to maturity are convertible into common stock at a conversion price of \$2.898 per share at the holder's option.

(3) - Requires quarterly repayment of \$1.875 million, which is payable in cash or common stock at our option, subject to certain restrictions.

(4) - Consists of equipment financing debt agreements with maturities through July/August 2028, annual interest rates ranging from 6.25% to 6.50% 20.05%, and requiring monthly payments of principal and interest.

N/A - Not meaningful or applicable.



There were no significant changes in our long-term debt, except for the commencement of certain machinery and equipment finance leases, during the three six months ended March 31, 2023 June 30, 2023. On April 3, 2023, In July 2023, we paid \$1.875 million related to the PIPE Investment Obligation. Obligation, which was outstanding as of June 30, 2023.

As of March 31, 2023 June 30, 2023, we were in compliance with all financial covenants. Our inability to raise capital through debt or equity financings or the lack of improvements in our operating results may negatively impact our compliance with these financial covenants. covenants in future periods.

## Warrants and Derivatives

### Liability-classified Warrants and Derivatives

As of March 31, 2023 June 30, 2023, our liability-classified warrants and derivatives were comprised of the following:

(in thousands, except share and per share amounts)	Number of Issuable Shares as of March 31, 2023					Number of Issuable Shares as of June 30, 2023				
	Issuance Date	Maturity Date	Exercise /Conversion Price	March 31, 2023		Issuance Date	Maturity Date	Exercise /Conversion Price	June 30, 2023	Fair Value
Public Warrants	March 2021	March 2022	\$ 11.50	4,998		March 2021	March 2022	\$ 11.50	4,998	\$ 76
Private Placement Warrants	March 2021	March 2022	\$ 11.50	20		March 2021	March 2022	\$ 11.50	20	12
FP Combination Warrants	March 2021	March 2022	\$ 10.00	19,486		March 2021	March 2022	\$ 10.00	19,486	20,066
2027 Warrants	October 2021	October 2022	\$ 2.898	16,369		October 2021	October 2022	\$ 2.898	16,369	11,876

Conversion Option Derivative <sup>(2)</sup>		October 2022	October 2022			October 2022	October 2022		
	35,956,013	2	7	\$ 2.898	8,532	36,852,685	2	7	2.898
<b>Warrant and derivative liabilities</b>	<b>80,800,956</b>				<b>49,405</b>	<b>81,697,628</b>			<b>37,919</b>

(1) - Holders have the right to exchange the warrants for a \$25 million cash payment on March 25, 2025.

(2) - Represents the bifurcated embedded derivative associated with the Convertible Notes due 2027's conversion option.

In connection with the Tailwind Two Merger, we issued 2.8 million warrants to Lockheed Martin and Beach Point Capital at a strike price of \$10.00 per share expiring on March 25, 2027 (the "Combination Warrants"). The Combination Warrants represent equity-classified financial instruments and are excluded from the table above.

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There were no significant changes in our liability-classified warrants and derivatives during the three six months ended March 31, 2023 June 30, 2023.

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### Equity-classified Warrants and Derivatives

As of June 30, 2023, our equity-classified warrants and derivatives were comprised of the following:

(in thousands, except share and per share amounts)	Number of Issuable Shares	Issuance	Maturity	Exercise Price
Combination Warrants	2,763,902	March 2022	March 2027	\$ 10.00
Pre-Funded Warrants	9,035,000	May 2023	N/A	0.0001
RDO Warrants	29,000,000	May 2023	November 2028	1.43
Placement Agent Warrants	2,030,000	May 2023	May 2028	1.60
<b>Total equity-classified warrants and derivatives</b>	<b>42,828,902</b>			

There were no significant changes to our equity-classified warrants and derivatives during six months ended June 30, 2023, except as discussed below.

#### *Registered Direct Offering*

On May 30, 2023, we completed a registered direct offering (the "Registered Direct Offering") with an institutional investor in which we received proceeds of \$37.1 million for the sale and issuance of (i) 16 million shares of our common stock, (ii) 13 million warrants to purchase shares of our common stock at an exercise price of \$0.0001 (the "Pre-Funded Warrants"), and (iii) 29 million warrants to purchase shares of our common stock at an exercise price of \$1.43 (the "RDO Warrants"). In connection with the Registered Direct Offering, we incurred third-party issuance costs of \$4.5 million, inclusive of the \$1.5 million fair value recognized associated with 2 million warrants issued to purchase shares of our common stock at an exercise price of \$1.60 (the "Placement Agent Warrants"). We allocated the \$37.1 million proceeds received and the \$4.5 million of third-party issuance costs between the issued common stock, the Pre-Funded Warrants, and the RDO Warrants based on relative fair value. Accordingly, we allocated proceeds of \$12.2 million and issuance costs of \$1.5 million to common stock and proceeds of \$24.9 million and issuance costs of \$3.0 million to equity-classified warrants and derivatives.

#### *Committed Equity Facility*

On July 5, 2022, we entered into a common stock purchase agreement (the "Committed Equity Facility") with B. Riley Principal Capital II, LLC ("B. Riley") an institutional investor giving us the right, but not the obligation, to sell to B. Riley the investor over a 24-month period up to the lesser of (i) \$100 million of newly issued shares of our common stock and (ii) 27,500,000 shares of our common stock. The price per share of common stock sold by us to B. Riley is determined by reference to the volume weighted average price of our common stock as defined within the Committed Equity Facility less a 3% discount, subject to certain limitations and conditions. The total net proceeds that we will receive under the Committed Equity Facility will depend on the frequency and prices at which we sell common stock.

As part of the Registered Direct Offering, we are restricted from selling common stock to B. Riley under the Committed Equity Facility for a period of twelve months.

As of March 31, 2023 June 30, 2023, the remaining availability under the Committed Equity Facility was the lesser of 27,077,304 shares of common stock or \$98.2 million of proceeds from the sale and issuance of common stock.

#### *Dividends*

We intend to retain future earnings, if any, for future operations, expansion, and debt repayment (if any) and there are no current plans to pay any cash dividends for the foreseeable future. In addition, our ability to pay dividends is limited by covenants of our existing and outstanding indebtedness and may be limited by covenants of any future indebtedness. There are no current restrictions in the covenants

of our existing and outstanding indebtedness on our wholly-owned subsidiaries from distributing earnings in the form of dividends, loans, or advances and through repayment of loans or advances to Terran Orbital Corporation.

Following the Tailwind Two Merger, our existing and outstanding indebtedness allows for the declaration and payment of dividends or prepayment of junior debt obligations in cash subject to certain limitations.

## Other Material Cash Requirements

In addition to debt service requirements on our long-term debt and any payment obligations on our warrants and derivatives, we have certain short-term and long-term cash requirements under operating leases and certain other contractual obligations and commitments.

### Operating Leases

Refer to Note 14 "Leases" "Leases" to the condensed consolidated financial statements for further information regarding our operating leases.

### Purchase Commitments

Our material cash requirements for purchases of goods or services entered into in the ordinary course of business, including purchase orders and contractual obligations, primarily relate to materials and services required to manufacture, assemble, integrate, and test satellites and satellite buses in connection with satisfying our customer contracts.

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Refer to Note 12 "Commitments" "Commitments" and "Contingencies" "Contingencies" to the condensed consolidated financial statements for further information regarding our purchase commitments.

### Off-Balance Sheet Arrangements

As of March 31, 2023 June 30, 2023, we do not have any material off-balance sheet arrangements other than the Combination Warrants, our equity-classified warrants and derivatives, which are described discussed above. The Combination Warrants Our equity-classified warrants and derivatives are both indexed to and classified as equity under GAAP.

## Cash Flow Analysis

The following table is a summary of our cash flow activity for the three six months ended March 31, 2023 June 30, 2023 and 2022:

	Three Months Ended March 31,			Six Months Ended June 30,		
	2023	2022	\$ Change	2023	2022	\$ Change
(in thousands)						
Net cash used in operating activities	(32,82	(29,3		(64,4	(32,5	(31,86
	\$ 3)	\$ 00)	\$ (3,523)	\$ 33)	\$ 70)	\$ 3)
Net cash used in investing activities		(4,03		(12,3	(9,36	
	(3,162)	0)	868	72)	3)	(3,009)

Net cash (used in) provided by financing activities	(179)	82,687	(82,866)			
Net cash provided by financing activities				31,746	77,197	(45,451)
Effect of exchange rate fluctuations on cash and cash equivalents	30	(28)	58	52	(290)	342
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(36,134)</b>	<b>49,329</b>	<b>(85,463)</b>	<b>(45,007)</b>	<b>34,974</b>	<b>(79,981)</b>

### Cash Flows from Operating Activities

The increase in net cash used in operating activities was primarily due to an increase in selling, general, and administrative expenses related to research and development, labor and benefits, technology costs, facilities expense, and other operating costs working capital expenditures as a result of our growth initiatives, and the buildup of raw materials to minimize the impact of supply chain challenges, partially offset by an increase in cash received from customers and a decrease in cash interest payments due to the accumulated interest payments that occurred in connection with the Tailwind Two Merger. customers.

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The remainder of the activity in net cash used in operating activities is related to changes in assets and liabilities due to the volume and timing of other operating cash receipts and payments with respect to when the transactions are reflected in earnings.

Refer to the discussions above under “Results of Operations” for further details.

### Cash Flows from Investing Activities

The decrease increase in net cash used in investing activities was primarily driven by an increase in spending associated with the expansion of our manufacturing facilities and equipment in connection with our growth initiatives, partially offset by a decrease in spending of \$2.7 million \$5.3 million associated with the development of company-owned satellites as we are no longer developing our Earth observation constellation, partially offset by an increase in spending associated with the expansion of our manufacturing facilities in connection with our growth initiatives. constellation.

### Cash Flows from Financing Activities

During the three six months ended March 31, 2023 June 30, 2023, net cash used in provided by financing activities was not material. primarily consisted of \$24.9 million of proceeds received allocated to the issuance of warrant and derivative instruments and \$12.2 million of proceeds received allocated to the issuance of common stock. These increases were partially offset by \$3.8 million related to the repayment of long-term debt, inclusive of prepayments on finance leases, and \$2.9 million related to the payment of issuance costs related to our financing transactions.

During the three six months ended March 31, 2022 June 30, 2022, net cash provided by financing activities primarily consisted of \$58.4 million of proceeds received from the Tailwind Two Merger and the PIPE Investment, \$42.2 million of proceeds received allocated to warrant and derivative instruments, \$35.9 million of proceeds received allocated to the issuance of debt, and \$14.8 million of proceeds received allocated to the issuance of common stock in relation to our financing transactions. These increases were partially offset by \$41.7 million

\$45.3 million of payments of issuance costs related to our equity and debt transactions coupled with \$27.1 million \$29.0 million related to the repayment of long-term debt.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Refer to the "Critical Accounting Policies and Estimates" section of "Terran Orbital's Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2022 Annual Report. There were no material changes to these policies and estimates during the three six months ended March 31, 2023 June 30, 2023.

## ACCOUNTING PRONOUNCEMENTS

Refer to Note 1 "Organization and Summary of Significant Accounting Policies" to the condensed consolidated financial statements for further information about recent accounting pronouncements and adoptions.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report on Form 10-Q may constitute "forward-looking statements" for purposes of the federal securities laws. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. All statements, other than statements of present or historical fact included in this report, regarding Terran Orbital's future financial performance, as well as Terran Orbital's business strategy, future operations, financial position, estimated revenues, and losses, projected costs, earning outlooks, prospects, expectations, plans and objectives of management are forward-looking statements. When used in this report, the words "plan," "believe," "expect," "anticipate," "intend," "outlook," "estimate," "forecast," "project," "continue," "could," "may," "might," "will," "possible," "potential," "predict," "should," "would" and other similar words and expressions are intended to identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. These forward-looking statements are based on management's current expectations, forecasts, assumptions, hopes, beliefs, intentions and strategies regarding future events and are based on currently available information as to the outcome and timing of future events. We caution you that these forward-looking statements are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond our control, incident to our business.

These forward-looking statements are based on information available as of the date of this report, and current expectations, forecasts and assumptions, and involve a number of risks and uncertainties. There can be no assurance that future developments will be those that have been anticipated. Accordingly, forward-looking statements in this report should not be

relied upon as representing our views as of any subsequent date, and we do not undertake any obligation to update forward-looking statements to reflect events or circumstances

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after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

As a result of a number of known and unknown risks and uncertainties, Terran Orbital's actual results or performance may be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to:

- expectations regarding our strategies and future financial performance, including our future business plans or object anticipated cost, timing and level of satellite orders and deliveries thereof, prospective performance and commercial opportunities, the timing of obtaining regulatory approvals, the ability to finance our operations, research development activities and capital expenditures, reliance on government contracts and a strategic cooperation agreement with a significant customer, retention and expansion of our customer base, product and service offerings, pricing, marketing plans, operating expenses, market trends, revenues, margins, liquidity, cash flows and uses of cash, capital expenditures, and our ability to invest in growth initiatives;
- the ability to implement business plans, forecasts, and other expectations, and to identify and realize additional opportunities;
- risks associated with expansion into new and adjacent markets;
- anticipated timing, cost, financing, and development of our satellite manufacturing capabilities;
- increases in costs, which we may not be able to react to due to the nature of our U.S. Government contracts;
- the potential termination of U.S. Government contracts and subcontracts and the potential inability to recover termination costs;
- our ability to finance our operations, research and development activities, growth initiatives and capital expenditures;

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- our expansion plans and opportunities;
- laws, rules and regulations applicable to us, including procurement and import-export control;
- the costs and ultimate outcome of litigation matters, government investigations and other legal proceedings;
- the ability to maintain the listing of our common stock and publicly-traded warrants on the NYSE and the possibility of limited liquidity and trading of such securities;
- geopolitical risk and changes in applicable laws or regulations;
- security threats, including cybersecurity and other industrial and physical security threats, and other disruptions;
- government investigations and audits;
- the possibility that we may be adversely affected by other economic, business, and/or competitive factors;
- that we have identified material weaknesses in our internal control over financial reporting which, if not corrected, could affect the reliability of our condensed consolidated financial statements;

- the possibility that the COVID-19 Pandemic, or another major disease, natural disaster, or threat to the physical security of our facilities or employees disrupts our business;
- supply chain disruptions, including delays, increased costs, and supplier quality control challenges;
- our ability to attract and retain qualified employees, including senior management and other key employees, technicians, engineers, and other professionals;
- our ability to achieve profitability and meet expectations regarding cash flow from operations and investments;
- our leverage and our ability to service cash debt payments and comply with debt maintenance covenants, including meeting minimum liquidity and operating profit covenants;
- our ability to access invested cash or cash equivalents upon failure of any financial institution we bank with;
- our ability to access, or ability to access on favorable terms, equity and debt capital markets and other funding sources that will be needed to fund operations and make investments in capital-intensive strategic initiatives including expansion and improvement of our manufacturing facilities and development of new lines of business;

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- delays and costs associated with our business initiatives, whether due to changes in demand, lack of funding, demand changes, or other conditions or circumstances; and
- the other risk factors disclosed in our filings with the SEC from time to time including our Annual Report on Form 10-K for the year ended March 23, 2023 and our Post-effective Amendment No. 1 to Form S-1 on Form S-3 (File No. 333-264447), as amended, which was declared effective by the SEC on April 28, 2023.

These forward-looking statements are based on our current expectations, plans, forecasts, assumptions, and beliefs concerning future developments and their potential effects. There can be no assurance that the future developments affecting us will be those that we have anticipated and we may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. New risk factors and uncertainties may emerge from time to time and it is not possible to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. You should read this Quarterly Report on Form 10-Q with the understanding that our actual future results may be materially different from the expectations disclosed in the forward-looking statements we make. All forward-looking statements we make are qualified in their entirety by this cautionary statement. The forward-looking statements contained in this Quarterly Report on Form 10-Q are made as of the date of this report, and we do not assume any obligation to update any forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as required by law.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable to smaller reporting companies.

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### ITEM 4. CONTROLS AND PROCEDURES.



## ***Evaluation of Disclosure Controls and Procedures***

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of **March 31, 2023** **June 30, 2023**. Based upon their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were not effective as the material weaknesses in our internal control over financial reporting that were previously reported in the 2022 Annual Report continued to exist as of **March 31, 2023** **June 30, 2023**. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As a result, we performed additional analysis as deemed necessary to ensure that our condensed consolidated financial statements were prepared in accordance with GAAP. Accordingly, management believes that the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q present fairly in all material respects our financial position, results of operations, and cash flows for the periods presented.

## ***Changes in Internal Control Over Financial Reporting***

There have been no changes in our internal control over financial reporting during the three months ended **March 31, 2023** **June 30, 2023** that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting, other than changes related to the remediation of material weaknesses as described below.

We are actively working to remediate our previously identified material weaknesses. These remediation measures are ongoing and include (i) hiring additional accounting and IT personnel to bolster our technical reporting, transactional accounting, internal controls and IT capabilities; (ii) designing and implementing controls to formalize roles and review responsibilities and designing and implementing formal controls over segregation of duties; (iii) designing and implementing a formal risk assessment process to identify and evaluate changes in our business and the impact on our internal controls; (iv) designing and implementing controls to formally assess complex accounting transactions and other technical accounting and financial reporting matters; (v) designing and implementing formal processes, accounting policies, procedures, and controls supporting our financial close process, including completion of business performance reviews, creating standard balance sheet reconciliation templates and journal entry controls; and (vi) designing and implementing IT general controls, including controls over change management, the review and update of user access rights and privileges, controls over data backups, and controls over program development efforts. We implemented a new enterprise resource planning system beginning on January 1, 2023 in connection with our remediation efforts.

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## **PART II—OTHER INFORMATION**

## ITEM 1. LEGAL PROCEEDINGS.

See Note 12 "Commitments" and "Contingencies" to the condensed consolidated financial statements under the heading "Litigation and Other Legal Matters" included in this Quarterly Report on Form 10-Q for legal proceedings and related matters.

## ITEM 1A. RISK FACTORS.

There have been no material changes to the risk factors previously disclosed in Part I, Item 1A of our 2022 Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on March 23, 2023, Report. These risks and uncertainties described in our risk factors have the potential to materially affect our business, results of operations, financial condition, cash flows, projected results and future prospects. These risks are not exclusive and additional risks to which we are subject include the factors mentioned under "Forward-Looking Statements" and the risks described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Quarterly Report on Form 10-Q.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

We have not made any sales of unregistered equity securities that were not previously reported in a Quarterly Report on Form 10-Q or in a Current Report on Form 8-K.

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## ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

## ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

## ITEM 5. OTHER INFORMATION.

None.

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## ITEM 6. EXHIBITS.

The exhibits listed on the accompanying Exhibit Index are filed/furnished or incorporated by reference as part of this report.

### Exhibits Index

The information required by this Item is set forth on the exhibit index below.

Exhibit Number	Incorporated by Reference				Incorporated by Reference			
	Description	Form	Exhibit	Filing Date	Description	Form	Exhibit	Filing Date
<a href="#">2.1†</a>	<a href="#">Agreement and Plan of Merger, dated as of October 28, 2021, by and among the Terran Orbital Corporation, Tailwind Two Acquisition Corp. and Titan Merger Sub, Inc.</a>	8-K	2.1	10/28/2021	<a href="#">Agreement and Plan of Merger, dated as of October 28, 2021, by and among the Terran Orbital Corporation, Tailwind Two Acquisition Corp. and Titan Merger Sub, Inc.</a>	8-K	2.1	10/28/2021
<a href="#">2.2</a>	<a href="#">Amendment No. 1 to the Agreement and Plan of Merger, dated as of February 8, 2022, by and among Tailwind Two Acquisition Corp., Titan Merger Sub, Inc., and Terran Orbital Corporation</a>	S-4/A	2.2	2/10/2022	<a href="#">Amendment No. 1 to the Agreement and Plan of Merger, dated as of February 8, 2022, by and among Tailwind Two Acquisition Corp., Titan Merger Sub, Inc., and Terran Orbital Corporation</a>	S-4/A	2.2	2/10/2022

<a href="#">2.3</a>	<a href="#">Amendment No. 2 to the Agreement and Plan of Merger, dated as of March 9, 2022, by and among Tailwind Two Acquisition Corp., Titan Merger Sub, Inc., and Terran Orbital Corporation</a>	8-K	2.1	3/15/2022	<a href="#">Amendment No. 2 to the Agreement and Plan of Merger, dated as of March 9, 2022, by and among Tailwind Two Acquisition Corp., Titan Merger Sub, Inc., and Terran Orbital Corporation</a>	8-K	2.1	3/15/2022
<a href="#">3.1</a>	<a href="#">Amended and Restated Certificate of Incorporation</a>	8-K	3.1	5/5/2023	<a href="#">Amended and Restated Certificate of Incorporation</a>	8-K	3.1	5/5/2023
<a href="#">3.2</a>	<a href="#">Bylaws of Terran Orbital Corporation</a>	8-K	3.2	3/28/2022	<a href="#">Bylaws of Terran Orbital Corporation</a>	8-K	3.2	3/28/2022
<a href="#">10.1#1</a>	<a href="#">Procurement Contract, dated February 21, 2023, by and between Tyvak Nano-Satellite Systems, Inc. and Rivada Space Networks GmbH.</a>	10-K	10.37	3/23/2023				

<a href="#">4.1</a>		<a href="#">Form of Common Warrant</a>	8-K	4.1	5/30/2023
<a href="#">4.2</a>		<a href="#">Form of Pre-Funded Warrant</a>	8-K	4.2	5/30/2023
<a href="#">4.3</a>		<a href="#">Form of Placement Agent Warrant</a>	8-K	4.3	5/30/2023
<a href="#">10.1</a>		<a href="#">Form of Securities Purchase Agreement dated as of May 24, 2023, by and among the Company and the Purchaser party thereto</a>	8-K	10.1	5/30/2023
<a href="#">10.2*+</a>	<a href="#">Employment Agreement, dated as of March 31, 2021, by and between Gary Hobart and Terran Orbital Corporation</a>	<a href="#">Offer Letter, dated as of May 25, 2023, by and between Tony Gingiss and Terran Orbital Corporation</a>			

31.1\*

Certification  
of Principal  
Executive  
Officer  
Pursuant to  
Rules 13a-  
14(a) and  
15d-14(a)  
under the  
Securities  
Exchange Act  
of 1934, as  
Adopted  
Pursuant to  
Section 302  
of the  
Sarbanes-  
Oxley Act of  
2002.

Certification  
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Executive  
Officer  
Pursuant to  
Rules 13a-  
14(a) and  
15d-14(a)  
under the  
Securities  
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of 1934, as  
Adopted  
Pursuant to  
Section 302  
of the  
Sarbanes-  
Oxley Act of  
2002.

31.2\*

Certification  
of Principal  
Financial  
Officer  
Pursuant to  
Rules 13a-  
14(a) and  
15d-14(a)  
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Securities  
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of 1934, as  
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Section 302  
of the  
Sarbanes-  
Oxley Act of  
2002.

[32.1\\*\\*](#)

[Certification](#)  
[of Principal](#)  
[Executive](#)  
[Officer](#)  
[Pursuant to](#)  
[18 U.S.C.](#)  
[Section 1350,](#)  
[as Adopted](#)  
[Pursuant to](#)  
[Section 906](#)  
[of the](#)  
[Sarbanes-](#)  
[Oxley Act of](#)  
[2002.](#)

[Certification](#)  
[of Principal](#)  
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[Pursuant to](#)  
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[Section 1350,](#)  
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[Pursuant to](#)  
[Section 906](#)  
[of the](#)  
[Sarbanes-](#)  
[Oxley Act of](#)  
[2002.](#)

[32.2\\*\\*](#)

[Certification](#)  
[of Principal](#)  
[Financial](#)  
[Officer](#)  
[Pursuant to](#)  
[18 U.S.C.](#)  
[Section 1350,](#)  
[as Adopted](#)  
[Pursuant to](#)  
[Section 906](#)  
[of the](#)  
[Sarbanes-](#)  
[Oxley Act of](#)  
[2002.](#)

[Certification](#)  
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[Officer](#)  
[Pursuant to](#)  
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[Section 1350,](#)  
[as Adopted](#)  
[Pursuant to](#)  
[Section 906](#)  
[of the](#)  
[Sarbanes-](#)  
[Oxley Act of](#)  
[2002.](#)

101	XBRL Instant Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	XBRL Instant Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document

\* Filed herewith.

\*\* Furnished herewith.

+ Indicates a management contract or compensatory plan.

# Certain confidential portions (indicated by brackets and asterisks) have been omitted from this exhibit.

† Schedules and exhibits to this Exhibit omitted pursuant to Item 601(b)(2) of Regulation S-K. The Registrant hereby agrees to furnish supplementally a copy of any omitted schedule or exhibit to the SEC upon request.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.



**TERRAN ORBITAL CORPORATION**

Date: May 15, 2023 August 14, 2023

By: /s/ Gary A. Hobart

Gary A. Hobart

Chief Financial Officer, Executive Vice President and Treasurer  
(Principal Financial Officer)

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**Exhibit 10.2**

May 25, 2023

**EMPLOYMENT AGREEMENT**

Anthony Gingiss

DELIVERED VIA EMAIL

Dear Tony,

On behalf of Terran Orbital Corporation (the "Company"), we are pleased to offer you employment per the conditions below.

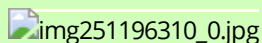
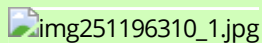
As a member of the Terran Orbital family, your anticipated start date will be June 12, 2023. Your position will be Chief Operating Officer (LCAT: EXEC), reporting to Marc Bell, Chief Executive Officer, in our Irvine, CA office at 15330 Barranca Parkway, Irvine, CA 92618. Your job duties will include but not be limited to overseeing ongoing business operations and Gary A. Hobart ("Executive") (collectively, leading the "execution of strategies developed by you and the other Executive Leadership Team members. This position is a full-time position with regularly scheduled hours of forty (40). Of course, actual hours may vary depending on the Company's business needs.

Parties") agree Your annualized salary is \$440,000, subject to enter into this Employment Agreement ("Agreement"), effective appropriate tax withholdings and deductions. As an exempt employee, you will not be entitled to overtime pay, and your salary is intended to cover all hours worked, including any hours worked in excess of 40 in a workweek or overtime as otherwise mandated by applicable state law. You are eligible to earn a discretionary performance bonus on an annual basis. The annual target bonus will be 75% of base salary for each full calendar year of employment. While whether to pay a bonus and the amount of any such bonus rests in the Company's sole discretion, the Company generally will provide you with basic goals on an

annual basis and, in its discretion, analyze whether the goals were achieved as part of its determination of potential annual bonus payment. Subject to applicable law, in order to earn any bonus, you must be employed as of **March 31, 2021** ("Effective Date"), as follows: the date of payment.

**1. EMPLOYMENT**

The Company hereby agrees will also advance you a one-time signing bonus of \$50,000 subject to employ Executive, applicable taxes and Executive hereby agrees to be employed with withholdings. Earning of this bonus is conditional on your satisfactory employment with the Company for at least twenty-four (24) months. In the event that you resign, quit, or are terminated for cause (as determined by the Company in its reasonable discretion) within your



initial twenty-four (24) months of employment, you agree to repay the signing bonus to the Company in full immediately upon the end of your employment.

During your employment, you will be eligible for employee benefits consistent with the Company's practices and applicable law and in accordance with the terms of the applicable benefit plans and/or Company policies, as they currently exist and subject to any future modifications in the conditions set forth in this Agreement.

**2. TERM COMPANY'S DISCRETION, TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW. THESE BENEFITS CURRENTLY INCLUDE HEALTH INSURANCE AND OTHER INSURANCE AND RELATED BENEFITS AS WELL AS PAID TIME OFF BENEFITS SUCH AS PAID HOLIDAYS, UNPTO AND 3 DAYS (24 HOURS) OF EMPLOYMENT**

paid sick leave, to be awarded on date of hire and subsequently annually.

This Agreement shall become effective, if at all, only upon Within ninety (90) days of the Effective Date. The period date hereof, you will receive a grant of Executive's employment 300,000 restricted stock units ("RSUs") issued under this Agreement shall begin upon the Effective Date and shall continue for a period of five (5) Terran Orbital Corporation 2021 Omnibus Incentive Plan ("Plan"). Vesting will be annually over four (4) years following the Effective Date (the "Expiration Date"), unless terminated in accordance with Section 5 below. As used in this Agreement, the phrase "Employment Term" refers to Executive's period of employment from the date of this Agreement until the date his employment is terminated or terminates.

**3. DUTIES GRANT AND RESPONSIBILITIES**

**(a)** Executive agrees to serve as the Company's Executive Vice President and Chief Financial Officer during

the Employment Term, pursuant such grant will be subject to the terms approval of this Agreement. In such capacity, Executive shall perform the customary duties and have the customary responsibilities of such positions and such other duties as may be assigned to Executive from time to time by the Board of Directors of the Company (the "Board") or the Chief Executive Officer of the Company ("CEO"). Unless mutually agreed by Executive and CEO, Executive shall oversee the following functions and personnel of the Company and its subsidiaries: Finance, Treasury, Banking, Accounting, Audit, Financial Controls, Mergers and Acquisitions, Capital Markets (equity, debt, leasing and other), Investor Relations, Taxes, Financial Reporting, Budgeting, Financial Planning and Analysis, KPI development and monitoring, and other matters related to the overall financial health of the Company and its subsidiaries.

- (b) Executive's primary work location will be in Boca Raton, Florida.
- (c) Executive agrees to faithfully serve the Company, devote his full working time, attention and energies to the business of the Company and its subsidiaries, and perform the duties under this Agreement to the best of his abilities. Executive may participate in other outside business, charitable and/or civic activities, if Executive provides advance written notice to the CEO or Board, and either the CEO or the Board consents to such activities in writing and provided they are not inconsistent with Executive's duties under this Agreement. Executive will not be disadvantaged to the Company. Executive may also act as an agent of the U.S. government and may provide advisory services to the U.S. government, as may be required in his agreements, if any, with the U.S. Government.
- (d) Executive agrees (i) to comply with all applicable laws, rules and regulations; (ii) to comply with the Company's rules, procedures, policies, requirements, and directions; and (iii) not to engage in any other business that competes with the Company's employment or employment, whether a competing business or otherwise, without the advanced written consent of an officer or director of the Company, except as may be otherwise specifically provided for herein.

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#### 4. COMPENSATION AND BENEFITS

- (a) **Base Salary.** During the Employment Term, the Company shall pay Executive a base salary at the annualized rate of \$425,000 or such higher rate as may be determined from time to time by the Company ("Base Salary"). Such Base Salary shall be paid in accordance with the Company's standard payroll practice for executives, which may change prospectively from time to time as may be determined by the Company.
- (b) **Annual Bonus.** During the Employment Term, Executive will be eligible to earn an annual

performance-based bonus for each calendar year based on the achievement of goals set by the CEO for each calendar year. Executive's target annual bonus will be 75% of Base Salary ("Target Annual Bonus"). To earn an annual bonus Executive must remain employed by the Company through December 31<sup>st</sup> of the applicable performance year. Any annual bonus will be paid in the calendar year immediately following the end of the applicable performance year, but in no event later than March 15<sup>th</sup> of such year.

**(c) Expense Reimbursement.** The Company shall promptly reimburse Executive for the ordinary and necessary business expenses reasonably incurred by Executive in the performance of his duties under this Agreement in accordance with the Company's customary practices applicable to executives, including but not limited to business related travel expenses. Executive will be permitted to fly business class or better, if business class is not available, and Executive will be permitted to stay in non-leisure class hotels for business travel. Such expenses are incurred and accounted for in accordance with the Company's policy and applicable laws.

**(d) Restricted Stock Unit Grant.** Executive shall be granted thirty-five thousand (35,000) Restricted Stock Units under the Amended and Restated Terran Orbital Corporation 2014 Equity Incentive Plan ("Plan"), pursuant to and subject to the terms and conditions of the Terran Orbital Corporation Notice of Grant of Restricted Stock Units attached hereto and made a part hereof (the "Award").

**(e) Signing and Relocation Bonus:** The Company shall pay Executive a one-time signing and relocation bonus of \$200,000 within thirty (30) days following Plan, the Effective Date.

**(f) Other Benefit Plans, Fringe Benefits and Vacations.** During the Employment Term, Executive shall be eligible to participate in or receive benefits under any 401(k) savings plan, nonqualified deferred compensation plan, supplemental executive retirement plan, medical and dental benefits plan, life insurance plan, short-term and long-term disability plans, supplemental and/or incentive compensation plans, or applicable award agreement governing RSUs, any other employee benefit documents evidencing or fringe benefit plan, generally made setting out the terms of the award

and applicable securities laws. Plan awards and the underlying equity have been registered on Terran Orbital's Form S-8, which is on file with the U.S. Securities and Exchange Commission and available on our website at [www.terranorbital.com](http://www.terranorbital.com).

During your employment, you will be subject to all of the policies, rules and regulations applicable to employees of the Company, as they currently exist and subject to any future modifications in the Company's discretion including, without limitation, maintaining as confidential proprietary information of the Company consistent with the **AT WILL EMPLOYMENT, INVENTIONS ASSIGNMENT, NON-DISCLOSURE, AND ARBITRATION AGREEMENT** you will be required to sign as a condition of employment.

Your employment will be "at will," and as such you will be free to leave your employment with the Company at any time. Similarly, the Company may terminate your employment at any time and for any or no reason, with or without cause or notice. At-will status may only be modified on an individual or collective basis via a written contract or agreement signed by the Company's General Counsel

Notwithstanding the foregoing, the Company to executives in accordance with the eligibility and participation requirements of such plans, as well as vacation and sick time in accordance with Company policy, and may terminate your employment subject to the extent that there is any variance between the language of the relevant plan and this Agreement, the plan language shall control. following conditions:

## **5. TERMINATION OF EMPLOYMENT**

Executive's employment under this Agreement may be terminated under any of the circumstances set forth in this Section 5. Upon termination, Executive (or his beneficiary or estate, as the case may be) shall be entitled to receive the compensation and benefits described in Section 6 below, and, if applicable, Section 7 below. Upon any termination of employment hereunder, the Company's acting Facilities Security Officer shall notify Executive's security clearance sponsor, if any, of Executive's change in status.

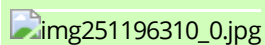
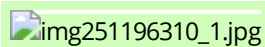
**(a) Death.** Executive's employment shall terminate upon Executive's death.

Page 2

**(b) Total Disability.** The Company may terminate Executive's employment upon him becoming "Totally Disabled." For purposes of this Agreement, the term "Totally Disabled" means the Executive is unable

to perform the normal duties and responsibilities he was performing prior to the onset of any sickness, injury or disability, with or without reasonable accommodation, for a period of one hundred eighty (180) consecutive days with no reasonable prospect of returning to a normal work schedule within a reasonable period of time. A determination of whether the Executive is Totally Disabled shall be made by the Company in its sole discretion, based on then-available information provided by Executive. If the Company has short-term and long-term disability plans, then the Executive's compensation during the period in which he is Totally Disabled shall be exclusively governed by such plans.

**(c) Termination by the Company for Cause.** The Company may terminate Executive's your employment for Cause at any time after providing written notice to Executive, you, if after providing Executive you with notice of the breach, Executive fails you fail to cure the breach, if curable, within seven (7) days after receipt of the notice of breach. For purposes of this Agreement, the term "Cause" shall mean:



- (i) conviction or plea of no lo nolo contendere of any felony; felony, serious violation of law, or crime involving moral turpitude;
- (ii) deliberate and repeated refusal to perform the customary and legal employment duties reasonably related to his Position position or follow the lawful direction of the CEO (other than a result of vacation, sickness, illness or injury);
- (iii) neglect or poor performance of duties, if not remedied to the satisfaction of the Company after written notice has been given;
- iv. in the good faith judgment of the Company, fraud or embezzlement of Company property assets;
- (iv) willful misconduct or gross negligence with respect to the Company or any of its subsidiaries that may, in the good faith judgment of the Company, result in a breach of trust or have a material adverse effect on the Company; or
- (v) a breach or violation of any provision of this Agreement. Agreement, any other agreement with

the Company, or any established policy of the Company.

**(d) Termination**

If the company terminates you without Cause or you terminate with Good Reason, the company shall pay you an amount equal to twelve (12) months of your then current base salary, paid over a twelve (12) months period following your termination. You will receive the additional compensation set forth in this section if you execute (and do not revoke) a separation agreement and release in a form reasonably satisfactory to the Company on or after your employment termination date, but no later than the date required by the Company without Cause. The Company may terminate Executive's employment without Cause at any time after providing written notice to Executive. A termination of employment upon the Expiration Date (which shall not be deemed to be a termination without Cause.

**(e) Termination by Executive without Good Reason.** Executive may terminate his employment under this Agreement without Good Reason after providing not less later than sixty (60) days' advance written notice to the Company.

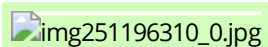
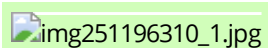
60 days following your termination).

**(f) Termination by Executive with Good Reason.** Executive may terminate his employment under this Agreement for Good Reason. For purposes of this Agreement, Offer Letter, "Good Reason" shall mean termination by the Executive you within ninety (90) days of the initial existence of one of the conditions described below which occurs without the Executive's your consent: (i) a material diminution in the Executive's Base Salary; your base salary; (ii) material diminution in the Executive's your authority, duties, or responsibilities as compared to those on the date of this Agreement; (iii) a change of more than 75 miles in the geographic location at which the Executive you must perform the services under this Agreement; (iv) any other action or inaction that constitutes a material breach of the Agreement by the Company. In order to terminate for Good Reason, the Executive you must provide notice to the Company of the existence of the applicable condition described above within thirty (30) days of the initial existence of the condition, upon the notice of which the Company must be provided a

period of sixty (60) days during which it may remedy the condition and not be required to pay any amounts as set forth in Section 6 below for a Termination by Executive you with Good Reason. A termination of employment upon the Expiration Date shall not be deemed to be a termination by Executive for Good Reason.

**(g) You Termination Upon Expiration of the Agreement.** Unless terminated earlier pursuant to this terminate

Agreement, this Agreement shall automatically expire on the Expiration Date and Executive's employment shall terminate as of such date. For the avoidance of doubt, no severance or other termination benefits shall be payable to Executive in connection with termination of



his employment or expiration of this Agreement, in either case, as of the Expiration Date, except for those payments and benefits set forth in Section 6 below.

**6. COMPENSATION FOLLOWING TERMINATION OF EMPLOYMENT**

Upon termination of Executive's employment under this Agreement Executive (or his designated beneficiary or estate, as the case may be) shall be entitled to receive the following compensation:

**(a) Earned but Unpaid Compensation, Expense Reimbursement.** The Company shall pay Executive any accrued but unpaid Base Salary for services rendered without Good Reason after providing not less than sixty (60) days' advance written notice to the date Company.

In the event of a termination any accrued but unpaid expenses required to be reimbursed under this Agreement, and any vacation accrued but unused to the date of termination.

**(b) Other Compensation and Benefits.** Except as may be provided under this Agreement,

(i) any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements referred to in Section 4 above shall be determined and paid in accordance with the terms of such plans, policies and arrangements, and

(ii) Executive shall have no right to receive any other compensation, without Cause or to participate in any other plan, arrangement or benefit, with respect to future periods after such termination or resignation.



**7. ADDITIONAL COMPENSATION PAYABLE FOLLOWING TERMINATION WITHOUT CAUSE OR BY EXECUTIVE FOR GOOD REASON PRIOR TO THE EXPIRATION DATE**

**(a) Requirements for Additional Compensation.** In addition to the compensation set forth within six (6) months following a Change in Section 6 above, Executive will receive the additional compensation set forth in subsection (b) below, if the following requirements are met:

- (i) Executive's employment is terminated prior to the Expiration Date by the Company without Cause pursuant to Section 5(d) or prior to the Expiration Date Executive terminates employment for Good Reason pursuant to Section 5(f);
- (ii) Executive strictly abides by the restrictive covenants set forth in Section 8 below; and
- (iii) Executive executes (and does not revoke) a separation agreement and release in a form reasonably satisfactory to the Company on or after his employment termination date, but no later than the date required by the Company (which shall not be later than 60 days following Executive's termination).

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**(b) Additional Compensation.** The Company shall provide Executive with the following compensation and benefits:

- (i) An amount equal to twenty four (24) months Control, 100% of Executive's then current Base Salary, paid in a lump sum within seventy (70) days following Executive's termination;
- (ii) An amount equal to Executive's Target Annual Bonus for the year in which the termination occurs, paid in a lump sum within seventy (70) days following Executive's termination;
- (iii) All the outstanding equity awards granted to Executive you by the Company or any affiliates (the "Equity Awards") shall become immediately vested in full as of the date of Executive's termination, provided that this acceleration provision your termination. The foregoing clause shall not apply to any equity award that has not been a Change in Control where the Equity Awards outstanding for at least twelve (12) months as of on the date of Executive's termination of employment; plus
- (iv) Subject to (x) Executive's timely election of continuation coverage under COBRA, and (y) Executive's continued copayment of premiums at the same level and cost to Executive as if Executive were an employee of the Company (excluding, for purposes of calculating cost, an employee's ability to pay premiums with pre-tax dollars), continued payment by the Company of his health, dental, and vision insurance coverage during the eighteen (18) month period following the date of termination to the same extent that the Company paid for such coverage day immediately prior to the date of termination, Change in a manner intended to avoid any excise tax under Section 4980D of the Internal Revenue Code, subject to the eligibility requirements and other terms and conditions of such insurance plans then in place.

## **8. RESTRICTIVE COVENANTS**

Executive agrees that during the course of employment with the Company, Executive has and will come into contact with and have access to various forms of confidential information and trade secrets, which are the property of the Company. Executive agrees to comply with terms of any confidentiality, non-disclosure or similar agreements between Executive and the Company and any affiliates.

## **9. WITHHOLDING OF TAXES**

The Company shall withhold from any compensation and benefits payable under this Agreement all applicable federal, state, local, or other taxes.

## **10. NO CLAIM AGAINST ASSETS**

Nothing in this Agreement shall be construed as giving Executive any claim against any specific assets of the Company or as imposing any trustee relationship upon the Company in respect of Executive. The Company shall not be required to establish a special or separate fund or to segregate any of its assets in order to provide for the satisfaction of its obligations under this Agreement. Executive's rights under this Agreement shall be limited to those of an unsecured general creditor of the Company and its affiliates.

## **11. SUCCESSORS AND ASSIGNS**

Except as otherwise provided in this Agreement, this Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective heirs, representatives, successors and assigns. The Company agrees that in the event the Company engages in any corporate transaction in which it is not the surviving

Page 5

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entity, it will require any successor to the Company to be bound by this Agreement. The rights and benefits of Executive under this Agreement are personal to him and no such right or benefit shall be subject to voluntary or involuntary alienation, assignment or transfer; provided, however, that nothing in this Section 11 shall preclude Executive from designating a beneficiary or beneficiaries to receive any benefit payable on his death.

## **12. ENTIRE AGREEMENT; AMENDMENT**

Other than the Confidentiality Agreement signed by Executive and annexed hereto, and any agreements and plans related to any equity granted to Executive by the Company or an affiliate, all of which shall remain **Control were accelerated** in full force and effect, this Agreement shall supersede any and all existing oral or written agreements, representations, or warranties between Executive and the Company or any of its subsidiaries or affiliated entities relating **pursuant** to the terms of Executive's employment. This Agreement supplements the **Plan agreement triggering such Change in Control**.

By signing below, you acknowledge, represent and warrant to the Company that you are not now under any Restricted Stock Unit Agreement obligation of a contractual nature to any person, business or other documents entity which is inconsistent or in conflict with this letter or which would prevent you from performing your obligations for the Company.

Employment with the Company is contingent upon your successful completion of all of the Company's lawful pre-employment checks, which may include a background check. Consideration of any background check will be tailored to the requirements of the job as well as any limitations pursuant to applicable law. By signing below, you acknowledge that may you will be executed in connection with it. This Agreement may not be amended except by a written agreement signed by both Parties and, required to execute any necessary consents to perform such checks.

The Company participates in the case of the Company, signed by an officer or director of the Company.

### **13. GOVERNING LAW**

This Agreement shall be governed by and construed in accordance with the domestic substantive laws of the State of Florida, without giving effect to any conflicts or choice of laws rule or provision that would result in the application of the domestic substantive laws of any other jurisdiction. Any dispute under this Agreement shall be brought in state or federal court in Palm Beach County, Florida. Executive agrees and acknowledges that this is a proper and convenient forum and will not raise objections to this venue based on inconvenient forum, improper venue or similar grounds.

### **14. SECTION 409A**

- (a) Although the Company does not guarantee the tax treatment of any payments under the Agreement, the intent of the Parties is that the payments and benefits under this Agreement be exempt from, or comply with, Section 409A of the Internal Revenue Code of 1986, as amended, and all Treasury Regulations and guidance promulgated thereunder ("Code Section 409A") and to the maximum extent permitted the Agreement shall be limited, construed and interpreted in accordance with such intent. In no event whatsoever shall the Company or its affiliates or their respective officers, directors, employees or agents be liable for any additional tax, interest or penalties that may be imposed on Executive by Code Section 409A or damages for failing to comply with Code Section 409A.
- (b) Notwithstanding any other provision of this Agreement to the contrary, to the extent that any reimbursement of expenses constitutes "deferred compensation" under Code Section 409A, such reimbursement shall be provided no later than December 31 of the year following the year in which the expense was incurred. The amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement

subsequent year. The amount of any in-kind benefits provided in one year shall not affect the amount of in-kind benefits provided in any other year.

- (c) United States Government E-Verify program. For purposes of Code Section 409A (including, without limitation, Federal Immigration Law, you will be required to provide to the Company documentary evidence of your identity and eligibility for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), the right to receive payments for employment in the United States. Such documentation must be provided to us within the business days of installment payments shall be treated as a right to receive a series of payments and, accordingly, each installment payment shall at all times be considered a separate and distinct payment. Whenever a payment under this Agreement is made to you, whether by direct payment or otherwise, it shall be paid within a specified period, terminated.

This letter supersedes any prior or subsequent oral or written representations regarding the actual terms of potential employment with the Company. By signing below, you acknowledge that you are not relying on any representations other than those set forth in this letter.

If the terms set forth in this letter are acceptable to you, please sign and date of payment with the specified period shall be within the sole discretion of the Company.

Page 6

- (d) Notwithstanding any other provision of this Agreement, if the Executive, if attention of Santina Michel, SVP and CHRO, at the time of Executive's separation from service (as defined in Code Section 409A), Executive is a "Specified Employee," then the Company will defer the payment or commencement of any nonqualified deferred compensation subject to Code Section 409A payable upon separation from service (without any reduction in such payments or benefits ultimately paid or provided to Executive) until the date that is six (6) months following separation from service or, if earlier, the earliest other date as is permitted under Code Section 409A (and any amounts that otherwise would have been paid during this deferral period will be paid in a lump sum on the day after the expiration of the six (6) month period or such shorter period, if applicable). Executive will be a "Specified Employee" for purposes of this Agreement if, on the date of Executive's separation from service, Executive is an individual who is, under the method of determination adopted by the Company designated as, or within the category of employees deemed to be, a "Specified Employee" within the meaning and in accordance with Treasury Regulation Section 1.409A-1(i). The Company shall determine in its sole discretion all matters relating to who is a "Specified Employee" and the application of and effects of the change in such determination.

- (e) Notwithstanding anything in this Agreement or elsewhere to the contrary, a termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits that constitute "non-qualified deferred compensation" within the meaning of Code Section 409A upon or following a termination of the Employee's employment unless such termination is also a "separation from service" within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like

terms shall mean “separation from service” and the date of such separation from service shall be the date of termination for purposes of any such payment or benefits.

## **15. LIMITATION ON PAYMENTS**

**(a)** In the event that any payments and other benefits provided for in this Agreement or otherwise payable to Executive (i) constitute “parachute payments” within the meaning of Section 280G of the Code, and (ii) but for this Section 15, would be subject to the excise tax imposed by Section 4999 of the Code, then any post-termination severance benefits payable under this Agreement or otherwise will be either:

(i) delivered in full, or

(ii) delivered as to such lesser extent which would result in no portion of such benefits being subject to excise tax under Section 4999 of the Code,

(iii) whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by Executive on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code.

**(b)** If a reduction in severance and other benefits constituting “parachute payments” is necessary so that benefits are delivered to a lesser extent, reduction will occur in the following order: (i) reduction of cash payments; (ii) cancellation of accelerated vesting of equity awards (by cutting back performance-based awards first and then time-based awards, based on reverse order of vesting dates (rather than grant dates)), if applicable; and (iii) reduction of employee benefits.

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**(c)** Unless the Company and Executive otherwise agree in writing, any determination required under this Section 15 will be made in writing by the Company’s independent public accountants or by such other person or entity to which the parties mutually agree (the “Firm”), whose determination will be conclusive and binding upon Executive and the Company. For purposes of making the calculations required by this Section 15, the Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and Executive will furnish to the Firm such information and documents as the Firm may reasonably request in order to make a determination under this Section. The Company will bear all costs the Firm may incur in connection with any calculations contemplated by this Section 15.

## **16. NOTICES**

Any notice, consent, request or other communication made or given in connection with this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by nationally recognized overnight courier services, by registered or certified mail, return receipt

requested, by facsimile or by hand delivery, to those listed below at their following respective addresses or at such other address as each may specify by notice to the others:

To the Company:

[gc@terranorbital.com](mailto:gc@terranorbital.com)

Attention: Office of the General Counsel

To Executive:

## **17. MISCELLANEOUS**

**(a) Waiver.** The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver thereof or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

**(b) Separability** [santina.michel@terranorbital.com](mailto:santina.michel@terranorbital.com). If you have any term or provision questions, please do not hesitate to e-mail me. Otherwise, this offer is valid only if it is accepted, signed, and returned to us by May 26, 2023.

We look forward to having you as a member of this Agreement above is declared illegal or unenforceable by any court of competent jurisdiction and cannot be modified to be enforceable, such term or provision shall immediately become null and void, leaving the remainder of this Agreement in full force and effect.

**(c) Headings.** Section headings are used herein for convenience of reference only and shall not affect the meaning of any provision of this Agreement.

**(d) Rules of Construction.** Whenever the context so requires, the use of the singular shall be deemed to include the plural and vice versa.

**(e) Counterparts.** This Agreement may be executed via electronic signature, PDF, transmitted by hand delivery, regular or overnight mail, facsimile or e-mail, and in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts will together constitute but one Agreement.

**IN WITNESS WHEREOF**, the Parties hereto have duly executed this Agreement as of the day and year set forth below.

**TERRAN ORBITAL CORPORATION**

By: /s/ Marc Bell

Name: Marc Bell

Print Title: Chief Executive Officer

Date: March 17, 2021

**GARY A. HOBART**

By: /s/ Gary A. Hobart

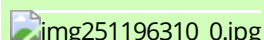
Name: Gary A. Hobart

Date: March 17, 2021

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EXHIBIT A our team.

Form of Restricted Stock Unit Agreement 



Sincerely,

ATTACHMENT /s/ Santina Michel

Santina Michel

SVP and CHRO

Accepted by:

Terran Orbital Corporation Notice of Grant of Restricted Stock Units /s/ Anthony Gingiss

Anthony (Tony) Gingiss

for the Executive first set forth above 5/26/2023

Date

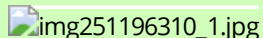
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Exhibit 31.1

**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Marc H. Bell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Terran Orbital Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material necessary to make the statements made, in light of the circumstances under which such statements were made, not mislead with respect to the period covered by this report;



3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period covered by this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2023 August 14, 2023

By: /s/ Marc H. Bell

Marc H. Bell

*Chairman and Chief Executive Officer*

**Exhibit 31.2**

**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Gary A. Hobart, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Terran Orbital Corporation;



2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2023 August 14, 2023

By: /s/ Gary A. Hobart

Gary A. Hobart

Chief Financial Officer, Executive Vice President and Treasurer

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Terran Orbital Corporation (the "Company") on Form 10-Q for the period ending **March 31, 2023** **June 30, 2023** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Marc H. Bell, Chairman and Chief Executive Officer, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result operations of the Company.

Date: **May 15, 2023** **August 14, 2023**

By: /s/ Marc H. Bell

Marc H. Bell

*Chairman and Chief Executive Officer*

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 1350 of Title 18 of the United States Code and, accordingly, is not being filed with the U.S. Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Terran Orbital Corporation (the "Company") on Form 10-Q for the period ending **March 31, 2023** **June 30, 2023** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gary A. Hobart, Chief Financial Officer, Executive Vice President and Treasurer, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result operations of the Company.

Date: **May 15, 2023** **August 14, 2023**

By: /s/ Gary A. Hobart

Gary A. Hobart

*Chief Financial Officer, Executive Vice President and Treasurer*

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 1350 of Title 18 of the United States Code and, accordingly, is not being filed with the U.S. Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).

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