Section 1

MANAGEMENT REPORT

Dear Shareholders,

In accordance with legislation and the articles of association, we have brought you together for a General Meeting to report to you on the position and business of the company LUMIBIRD SA ("LUMIBIRD" or the "Company") and the LUMIBIRD Group (the "Group") during the year ended 31 December 2021 and to submit the Company's corporate and consolidated financial statements for this year for your approval.

During the General Meeting, the following reports will also be presented to you:

- Board of Directors' report on the proposed resolutions submitted to your General Meeting;
- Board of Directors' corporate governance report as provided for in Article L.225-37 of the French commercial code;
- Board of Directors' special report on stock options in accordance with Article L.225-184 of the French commercial code;
- Board of Directors' special report on free share awards in accordance with Article L.225-197-4 of the French commercial code;
- The Statutory Auditors' various reports.

The aforementioned reports, this management report on the activities of the Company and the Group during the past year, and the annual and consolidated accounts and any other documents relating to them have been made available to you at the Company's registered office under the legal conditions and timeframes applicable so that you can consult them.

We will provide you with any clarifications or any further information concerning these reports and documents.

The accounts that are presented to you have been prepared in accordance with the provisions from the chart of accounts, while observing the principles of conservatism and honesty.

1. WHAT HAPPENED IN FISCAL YEAR 2021

1.1. Key events in fiscal year 2021

1.1.1 Activity

2021 was a year of consolidation for the Group's activities, following two intense years in terms of external growth: Lumibird successively acquired Optotek and Halo-Photonics in 2019, then the Essmed group's Scandinavian subsidiaries and Ellex's Laser and Ultrasound branch in 2020. In 2021, it signed an agreement to acquire the defense rangefinder business of the Swedish operator Saab in 2022.

This year of consolidation was complicated by the Covid-19 health crisis: travel remained limited, particularly between the countries where the Group operates; the Group adopted measures for staff to work from home when possible; many major international shows (primarily in the medical division) were not held in person in their pre-Covid forms. The pressure on component supplies led the teams to increase the safety stocks in place and ramp up double sourcing.

Nevertheless, during this period, the Group showed its adaptability. None of the sites were closed, the synergies expected from the business combinations with Ellex and Essmed were deployed, and the Group's robust commercial development continued to move forward.

The growth in business over 2021 (+28% based on reported data, 11% proforma) is reflected in:

- €32.6m of EBITDA (20.1% of revenues), up €8.9m (+37.9%) compared with 2020 based on reported data (25.1% proforma);
- €19.8m of income from ordinary operations (12.2% of revenues), up +€5.6m (+39.8%) year-on-year based on reported data (+27% proforma);
- €14.9m of net financial debt (including a positive net cash position of €97.1m under one year), enabling it to cover its short and medium-term maturities without any difficulty.

1.1.2 Financial structure

The Lumibird Group, building on its sound financial structure, continued moving forward with its policy to optimize the financial flexibility and maturity of its installments. This ensures that it has the resources needed to support its development and ambitions.
During 2021, the Group:

- set up several financing lines:
  - two lines for €5m each with Bpifrance Financement, with a term of nine years and nine months and then 10 years for the second line, with both including a deferred repayment period covering eight quarters, based on a rate of 1.27% and 1.02% respectively, and combined with cash collateral for a total of €0.5m;
  - A €4m line intended to finance a dedicated asset;
- drew down the remaining amount on its bond acquisition line. This drawdown, for €22.5m, took the amount of bond debt under liabilities on the balance sheet up to €40m at end-2021.

1.2. Business for the year

N.B. Taking into account the integrated commercial organization rolled out since the acquisition of Ellex's Laser and Ultrasound branch and the EssMed group's commercial companies in Scandinavian countries, the comparative information presented on a proforma basis (rather than like-for-like) appears to be most relevant, in addition to the comparative information on a reported basis.

Extract of the consolidated income statement (in million euros)	2020 published	2021	Reported published		2020 Pro-forma	Reported Pro-forma	
Revenues	126.7	162.5	+35.7	+28%	146.7	+15.8	+11%
EBITDA (1)	23.7	32.6	+9.0	+38%	26.1	+6.6	+25%
% of revenue	18.7%	20.1%	1.4%		17.8%		
Current operating income	14.1	19.8	+5.6	+40%	15.6	+4.2	+27%
% of revenue	11.2%	12.2%	1.0%		10.6%		
Operating income	8.7	19.1	+10.5	+121%	10.1	+9.1	+90%
Financial income	-1.5	-1.5	-0.1	+4%	-2.0	+1.5	-49%
Taxes	-1.6	-3.7	-2.1	+135%	-2.7	-1.1	+41%
CONSOLIDATED NET INCOME	**5.6**	**13.9**	**8.2**	**+147%**	**4.4**	**+9.5**	**+215%**

(1) Earning Before Interest, Taxes Depreciation and Amortization (EBITDA) corresponds to current operating profit adjusted for charges to provisions and depreciation net of reversals and expenses covered by such reversals.

1.2.1. Revenues

The Lumibird Group's consolidated revenues for 2021 climbed to €162.5m, up 28.2% from 2020 based on reported data.
At constant exchange rates(1) and on a pro-forma scope (considering Ellex's acquisition on June 30, 2020 to have taken place on January 1, 2020), it is up 11% to €164.0m. This full-year growth based on proforma data and constant exchange rates is strong for both divisions, with 11.6% for the Photonics division and 10.5% for the Medical division.

(1) Considering the rates for FY 2020 applied to revenues for 2021

Revenues (in million euros)	2020	2021	Reported change (1)	Organic change(2)	Proforma change at constant exchange rate taux constant(3)
First quarter	21.9	33.8	+54.3%	+3.2%	+5.0%
Second quarter	23.9	41.6	+74.7%	+23.2%	+26.2%
Third quarter	32.7	37.2	+ 13.4%	+13.3%	+13.7%
Fourth quarter	48.2	49.8	+3.3%	+3.2%	+2.7%
TOTAL	**126.7**	**162.5**	**+ 28.2%**	**+10.7%**	**+11.0%**
Of which Photonics	68.8	76.4	+10.9%	+10.9%	+11.6%
Of which Medical	57.9	86.1	+48.8%	+10.6%	+10.5%

(1) Taking into account the acquisition of Ellex on 30 June 2020
(2) Considering the acquisition of Ellex as of 1 January 2020
(3) Considering the acquisition of Ellex as occurring on 1 January 2020 and at constant rate (2020 rates applied to 2021 sales)

1.2.1.1. Photonics

Business for the Photonics division is up +10.9% to €76.4m based on reported data.

- The Industrial and Scientific business, with 34.7% growth based on reported data, was buoyed by the medical and OEM activities for flat and medical screens, following a year affected by the consequences of the health crisis in 2020;
- The Defense / Space business is down -7.2% based on reported data: it was affected by the planned scaling down of contract deliveries, partially offset by the growth in non-contract sales;
- The LIDAR business, up +1.3% based on reported data, benefited from strong growth over the last quarter, making up for the delay sustained at the start of the year for the systems business.

1.2.1.2. Medical

The Medical division generated €86.1m of revenues in 2021, up +48.8% based on reported data. This growth was partly driven by the integration of Ellex and the EssMed group companies, at June 30, 2020 and July 31, 2020 respectively. Based on proforma data (considering Ellex's integration from January 1, 2020), the division's growth came to 9.3%. It was driven by the positive impacts of the synergies developed throughout the division, including the penetration of Quantel Medical's products on the world's top two markets for this sector: the United States and Japan.

1.2.2. Current operating profitability

Buoyed by this robust commercial development, and despite the economic context continuing to be disrupted by the global health crisis, Lumibird successfully rolled out the synergies expected from the external growth operations carried out in 2020, while consolidating its operational profitability: For the full year, the Group's income from ordinary operations came to €19.8m, compared with €14.1m one year earlier based on reported data (including Ellex over just six months), up €5.6m (+39.9%).

Based on proforma data for 2020 (taking into account 12 months of business for Ellex, as in 2021), the Group recorded €26.1m of income from ordinary operations. Proforma growth for 2021 came to €4.2m (+27%), with the following breakdown:

Effect of organic growth on gross margin (1)	15.6 M€
Change in net external expenses	-1.2 M€
Change in net personnel costs (3)	-7.9 M€
Increase in depreciation and amortization(4)	-1.5 M€
Increase in other current operating expenses net of provisions	-0.8 M€

(1) The +€15.6m (+17.8%) improvement in the Group's gross margin in terms of value, driven by the improvement in business (+10.7%), was also accompanied by an improvement in terms of the rate achieved: this climbed from 59.8% proforma for 2020 to 63.6% based on actual data in 2021). This improvement in the margin rate reflects:

- the optimization of the product mix for the photonics business over the year;
- the improvement in the margin for the medical activities, thanks to the synergies achieved on the distribution channels (integration of the margin), as well as the alignment - concerning the Ellex scope – around the methods for recognizing the gross margin in the accounts, resulting in a €2.1m transfer between the "gross margin" and "staff costs" without any impact on income from ordinary operations;

(2) The Group kept its external expenses and other operating expenses (fees, marketing, travel, outsourced research) under control, reflected in a limited increase in these items despite a strong upturn in business. This progress can primarily be seen in terms of commissions for distributors and equipment hire costs (SaaS), as well as fees for providers supporting the drive to structure the Group;

(3) With regard to staff costs, the increase recorded is linked primarily to:

- An increase in the headcount for production (+14%) and R&D (+17%), to support the growth in business and the innovation plan, as well as corporate staff, with a view to consolidating the Group's organization and supporting its strategy;
- The sharing of the benefits of growth (profit-sharing reserve for the French scope, new bonus share plan, variable compensation for the sales forces, exceptional compensation for the production and R&D teams at the Bozeman and Lannion sites to reward their commitment and performance);
- Ellex's alignment with the Group's gross margin recognition methods, leading to a transfer between the gross margin and staff costs for €2.1m.

(4) The increase in depreciation and amortization is due to investments in property, plant and equipment to increase the capacity of the facilities, and to the amortization of development projects according to plan.

1.2.3. Operational profitability

In 2021, the Group's EBIT came to €19.1m, compared with €8.7m one year earlier.
This change (+€10.5m) primarily reflects:

- For +€5.6m, the strong progress with the Group's operational profitability over the year;
- For +€3.8m, the non-recurring expense recorded by the Group in 2020 as a result of a payment fraud affecting Lumibird's UK subsidiary (Halo-Photonics) in May 2020;
- For +€0.9m, the reduction in acquisition costs for business combinations.

1.2.4. Financial result

Financial income and expenses came to -€1.5m in 2021, compared with -€1.5m in 2020. This stability reflects the offsetting of the following net changes:

- -€0.7m: increase in the debt quantum; average gross debt rose from €60.2m in 2020 to €100.3m in 2021;
- -€0.2m: increase in the average cost of financial debt, up from 1.82% in 2020 to 2.55% in 2021;
- +€0.9m: net foreign exchange gains on financial operations.

1.2.5. Net income

Taking into account the improvement in income from ordinary operations on the one hand, and the absence of any significant unfavorable events on the other hand, as well as the change in financial income and expenses and the tax expense (change in line with the increase in operational profitability), the Group's net income for 2021 came to €13.9m (representing 8.5% of revenues).

1.3. Balance sheet structure

Extract from the consolidated balance sheet (in million euros)	2020	2020 restated (1)	2021	Change (2021/2020 restated)
Non-current assets	143.3	143.1	164.8	+21.7
Current assets (excluding cash and cash equivalents)	82.0	82.0	85.7	+3.7
Cash and cash equivalents	80.3	80.3	97.1	+16.8
TOTAL ASSETS	**305.6**	**305.4**	**347.6**	**42.2**
Shareholders' equity (incl. minority interests)	163.8	164.1	181.3	17.2
Non-current liabilities	84.4	84.0	108.4	24.4
Current liabilities	57.4	57.3	57.9	0.5
TOTAL LIABILITIES	**305.6**	**305.4**	**347.6**	**42.2**

(1) The amounts on the opening balance sheet are restated for the impact of the change of accounting method on employee benefits. This change factors in the application of the provisions published by the IFRS Interpretations Committee concerning the change to the breakdown of entitlements to benefits and following the deferral period for retirement benefits under the defined benefit plans.

1.3.1. Non-current assets

Non-current assets primarily consist of fixed assets and deferred tax assets.
In comparison with the restated data from 31 December 2020, the total non-current assets rose €21.7 million. This increase is primarily broken down as follows:

- €1.0 million due to the change in historic goodwill contributed by Lumibird, half due to the impact of the Australian dollar rate change on Ellex' goodwill and the other half to the change in the rate of the British pound on Halo-Photonics' goodwill;
- A €10.8 million increase in net tangible and intangible fixed assets, with the net investment flows for the period (+€21.7 million) being partially offset by net allocations to amortisations (-€12 million) and net exchange differences (-€0.9 million);
- A €8.3 million increase in non-current financial assets, primarily corresponding to:
    - Cilas securities acquired in 2021 for €7.5m;
    - €0.5m of cash collateral granted to Bpifrance Financement within the context of establishing the two financing lines;
- A €2.5 million increase in non-current tax credits (excluding deferred tax assets), due to recording the Group's 2021 R&D tax credit [*CIR*], and the change in the age of prior R&D tax credits given the order of priority in the allocation of advance payments of corporate income tax;
- A €1.0 million decrease in deferred tax assets, due to the use of French tax consolidation deficits in the amount of -€3.3 million, and the recording of new temporary differences in the amount of €1.3 million, in line with the year's operations.

1.3.2. Current assets

The current assets, excluding cash, came to €85.7m, up €3.7 million from 31 December 2020. This shift, as for that of the "other current assets," should be compared to the change in activity and control of WCR, which is commented on under paragraph 1.4.1 of this report.

1.3.3. Shareholders' equity

The change in shareholders' equity (Group share) over the year gives the following breakdown:

Change in shareholders' equity in million euros	Group
Shareholders' equity at 1 January 2021	164.1
Income– Group share	13.9
Translation differences	2.0
Actuarial differences	-0.2
Treasury shares	0.3
Free shares	1.3
Other change	-
SHAREHOLDERS' EQUITY AT 31 DEC 2021	181.3

1.3.4. Current and non-current liabilities

In million euros	2020			2021		
	Non current	Current	Total	Non current	Current	Total
Financial debts	71.5	16.8	88.3	97.9	14.2	112.0
Provisions (excluding employee benefits)	0.4	0.7	1.1	-	1.3	1.3
Employee benefits	2.6		2.6	3.1		3.1
Deferred tax liabilities	0.6		0.6	0.9		0.9
Other liabilities	8.8	39.1	47.9	6.5	41.6	48.1
Tax payable		0.7	0.7		0.9	0.9
TOTAL CURRENT AND NON-CURRENT LIABILITIES	84.0	57.4	141.4	108.4	58.0	166.4

Current and non-current liabilities amounted to €166.4 million, an increase compared to 31 December 2020 of +25 million euros. This increase is mainly due to the change in financial debts explained below.

The changes in the Group's net financial debt, for each category, are presented below:

Net financial debt in million euros	2020	2021
Debts from credit institutions	61.5	63.1
Bonds	17.0	39.5
Financial lease and lease debts	5.6	7.2
Aid/ Repayable advances	0.8	0.9
Tax credits financing	2.0	-
Short-term bank borrowings and overdrafts	1.2	1.2
Other financial debts	0.2	0. 2
TOTAL FINANCIAL DEBTS (current and non-current)	**88.3**	**112.0**
Cash assets	-80.3	-97.1
NET FINANCIAL DEBT	**8.0**	**14.9**
Of which less than one year (1)	-63.5	-83.0
Of which over one year	71.5	97.9

(1) Cash assets are considered to be at less than one year.

The Group posted, as at 31 December 2021, gross financial debt of €112.0 million, i.e., an increase of €23.7 million, primarily due to the following:

- +€14.0 million to the establishment of:
  - two lines of €5 million at Bpifrance Financement for a term of nine years and nine months for one and ten years for the other, both including an eight-quarter grace period, repaid at the rate of, respectively, 1.27% and 1.02% and accompanied by cash collateral totalling €0.5 million;
  - A €4 million credit line backed by the acquisition of specific assets.

These debts are not accompanied by any ratios or interest increase clauses, early repayment clauses, or security.

- €22.5 million in additional drawdowns on the bond line put in place in 2020. It is reminded that this debt of a total amount of €40 million, drawn down for €17.5 million in 2020 and €22.5 million in 2021 is repayable at maturity (1 December 2027) and bears interest at 3.3%;
- €1.8 million of additional and final drawdown of the real estate debt put in place to finance the construction on the Quantel Médical building in Cournon d'Auvergne, completed in 2021;
- €4.9 million related to the implementation of new finance leases
- €18.6 million in debt repayments (of which -3.5 million in respect of finance leases);
- €0.9 million euros for the transformation of the American "Covid" loans into non-refundable advances;

It should be noted that the Group's acquisition debt (bank and bond, amounting to respectively €17.5 million and €40.0 million on the Group's balance sheet at 31 December 2021) is subject to two ratios, tested annually at 31 December, failure to comply with which will result in the debt becoming payable:

- A leverage ratio (ratio of the net consolidated debt to consolidated EBITDA) must not exceed a declining maximum, gradually moving from 3.50 (high limit) at 31 December 2020 to 2.75 (low limit) at 31 December 2026;
- A coverage ratio (ratio of the net consolidated cash flow to the servicing of the debt) which must be greater than one throughout the term of the credit;

As at 31 December 2021, the Group was complying with all of its financial ratios.

1.4. Cash flow

In 2020, the Group recorded a net cash flow of +16.8 million euros. The Group's cash flow statement is presented below:

Cash flow in million euros	2020	2021
Cash flow from operations	13.1	26.6
Cash flow from investments	-67.1	28.6
Cash flow from financing	84.8	18.2
Impact of exchange rate variations	-0.6	0.6
CHANGE IN CASH	**30.1**	**16.8**

1.4.1. Cash flow from operations

Over the year, the Group generated €26.6 million of cash flow from operations, broken down as follows:

- +33.6 million euros in operating cash flow before tax and financial expenses, generated almost exclusively by the Group's EBITDA, net of expenses directly related to the scope of consolidation;
- -8.8 million euros change in working capital requirements, mainly due to the increase in inventories, the company having addressed the supply tension by increasing the minimum security thresholds;
- + 1.8 million euros in taxes received related in particular to the allocation of research tax credits to advance payments of corporate income tax.

1.4.2. Cash flow from investments

1.4.2.1. Investments carried out

Investments carried out in million euros	2020	2021
Industrial investments	12.7	24.0
Financial investments (excluding acquisitions)	0.6	8.3
INVESTMENTS RECORDED	**13.3**	**32.3**
Disbursement on acquired industrial investments	12.4	20.1
Cash from disposals of industrial investments	-0.1	-1.9
Disbursement on acquired financial investments	0.6	8.3
Cash from disposals of financial investments	-	-
INVESTMENTS PAID OUT	**12.9**	**26.5**
Acquisition of subsidiaries – Net cash	***54.2***	***2.1***

The difference between the investments recorded in the accounts and the investments paid out corresponds

- to financial leases contracts (included in recorded investments but excluded from disbursed investments), and
- to the change in trade payables for fixed assets.

The following table presents the various investments carried out by the Group in 2020 and 2021:

Investments carried out in million euros	2020	2021
Intangible investments	7.1	15.9
Investments in tangible assets	5.6	8.1
Financial investments	0.6	8.3
TOTAL	**13.3**	**32.3**

In 2021, the industrial investments recorded by the Group amounted to 24.0 million. They primarily concern:

- research and development fees capitalised for €10.7 million;
- the completion of the new real estate complex in Cournon d'Auvergne, headquarters of the Group's "Medical" activity, delivered in 2021, for €0.9 million;
- the acquisition of a private plane, for €3.9 million, to transport employees between the Group's various European sites;
- arrangement of industrial facilities to match the Group's industrial development, in the amount of €3.3 million;
- new rights of use (through leases) for €4.7 million, of which €4.0 million in property use rights following the end of the lease on the Les Ulis site;

The acquisitions of subsidiaries concern the amounts withdrawn to purchase Halo-Photonics shares (payment spread over 3 instalments after the initial payment in 2019).

1.4.2.2. Ongoing investments

As at 31 December 2021, the amount of ongoing investments recorded is €0.5 million and mainly concern the extension of the Lannion site.

1.4.2.3. Investments to be made

An extension to the building at the Lannion site has been launched to house new production lines and a drawing tower. Future investments amount to €13 million. The commissioning date is planned for the first half of 2023.

The other planned investments concern current investments in R&D and in manufacturing equipment, noting that manufacturing requires very few specific investments.

1.4.3. Cash flow from financing

The Group's financing cash flow stems from:

- Its debt (new loans, repayment of loans, interest paid). Over the year, the Group:
  - drew down €38.3 million from new bank loans or from existing credit lines, which is more extensively described in paragraph 1.3.4 of this report;
  - repaid its financial debts as scheduled (€15.1 million).
  - repaid €3.0 million in finance lease liabilities;
  - the Group has paid €2.2 million in financial charges.

2. 2021 activity of Group companies

2.1. Result of LUMIBIRD SA

Within the Group, Lumibird SA acts as:

- an entrepreneur for all of the Group's business activities, guiding research, production, and sales activities, and providing management teams, and more generally bearing all expenses linked to the Group's development;
- a main player within the framework of a specific contract linking the Group to a defence developer;
- the main sales subsidiary for laser products in the EMEA zone;
- a financial holding company, bearing equity interests and financial debts. To that end, its handles the financing of its subsidiaries.

A summary of LUMIBIRD's results is presented below:

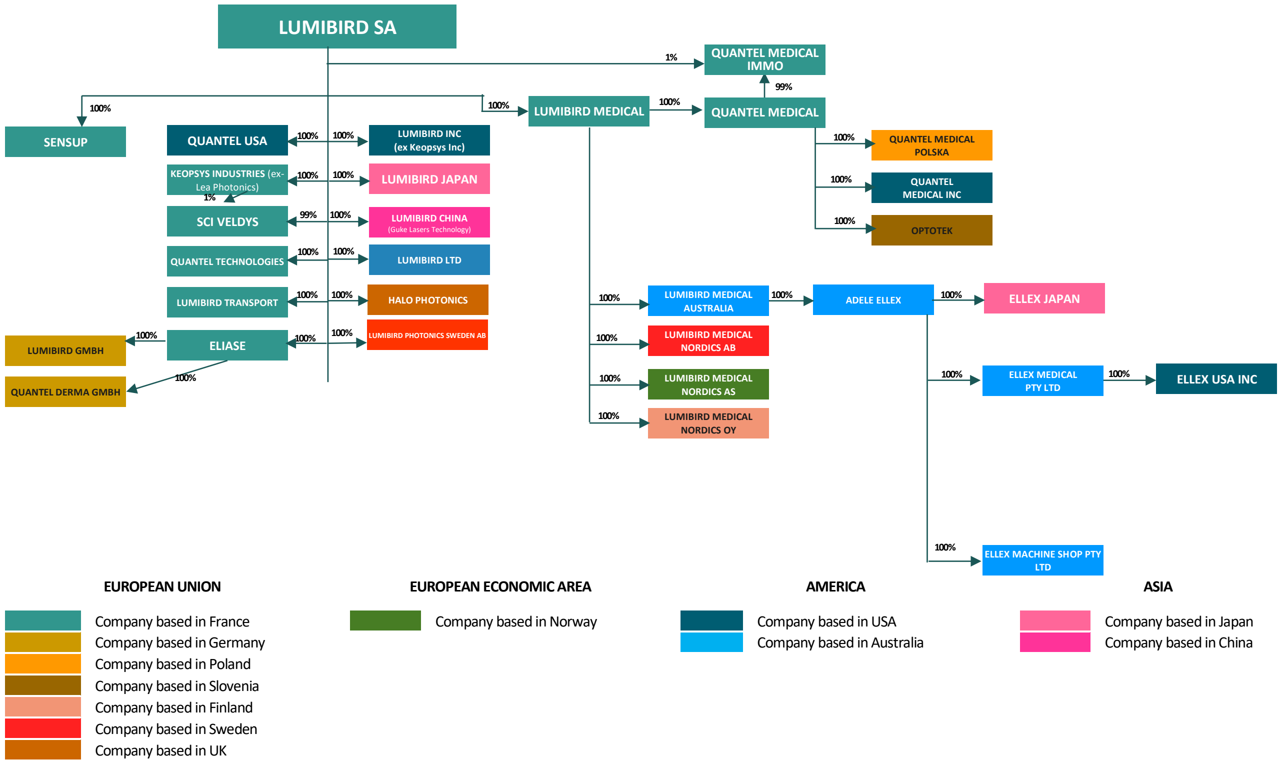
In millions d'euros	31/12/2020	31/12/2021	Change
Revenues	65.0	75.0	+10.0
Operating income	0.1	1.3	+1.2
Financial income	5.3	1.3	-4.0
Extraordinary income	70.1	0.2	-69.9
Profit sharing	-	-	
Income tax (including tax consolidation)	0.4	1 .2	+0.8
NET INCOME	**75.9**	**3.9**	**-72.0**

Net income came to €3.9m, down -€72.0m, after 2020 recorded non-recurring income linked to the transfer of Quantel Medical securities to Lumibird Medical (€69.8m capital gain). Excluding this non-recurring item, the year-on-year change in net income represents -€2.1m, with the following breakdown:

- **+€1.2m** improvement in EBIT: the increase in its overall business and its effective control over operating expenditure enabled Lumibird to absorb the development costs within the Photonics division, while deploying sales forces in the commercial subsidiaries;
- **-€4.0m** change in financial income and expenses, with:
  - €2.1m for the recognition of the current account write-off granted to the Group's subsidiaries;
  - -€0.8m for the increase in financial expenses linked to debt and cash management, net of the cost of hedging operations;
  - -€2.3m for the change in net foreign exchange gains relating to financial operations;
  - +€1.2m for the increase in dividends received from Group subsidiaries.
- **€0.2m** reduction in non-recurring items;
- **+€0.8m** of tax income, linked to the improvement in the tax consolidation group's results.

2.2. Subsidiaries' business

2.2.1. Group structure at 31 December 2021



The structure presented above reflects the Group at 31 December 2021. For all the companies presented, the percentage of voting rights is not different from the percentage of capital

The Group's structure aims to reflect the Group's industrial and managerial organization:

For the photonics market:

The laser production activities are organized around the dedicated production companies:

- **KEOPSYS INDUSTRIES**, based in Lannion, France, which houses the design and manufacturing activities for the fiber lasers and fiber amplifiers developed initially by Keopsys and LEA Photonics. LEA Photonics has developed a range of fiber lasers and optical amplifiers for telecoms networks adapted for very long distances, for complex networks in urban environments and for fiber to the home (FTTH). This range uses various components developed and produced in-house that make it possible to guarantee adapted performance features for industrial and medical applications.
  Keopsys has developed a range of high-power and compact pulsed fiber lasers using components developed and produced in-house and making it possible to guarantee performance features that are particularly well adapted for the LIDAR market, enabling it to become a recognized specialist for LIDAR technologies in the defense, industrial, scientific research and space sectors.

The range of pulsed lasers offered by KEOPSYS INDUSTRIES includes:

- Mid-infrared (eye-safe 1.5 micron wave-length);
- Visible wavelength (green) for obstacle detection for the marine sector;
- Ultraviolet for aerosol detection;
- Mid-infrared wavelengths (2 microns and higher) for pollutant detection and defense applications.

Keopsys Industries has put in place high-performance industrial facilities enabling it to manufacture complex products with high volumes and effective cost control.

- **QUANTEL USA**, company registered in Montana, USA, which, in its laser branch, designs nanosecond lasers that complement the lasers produced by LUMIBIRD in Les Ulis.
- **QUANTEL TECHNOLOGIES**, whose production plant is based in Les Ulis, France, which designs solid-state lasers and laser diodes for industrial and scientific applications and the defense and space sectors.

The production of LIDAR systems (which uses optical components - fiber lasers and optical amplifiers - developed and manufactured by Keopsys Industries) is supported by the following companies, dedicated to production:

- **HALO-PHOTONICS**, a British company based in Leigh, a purchased company which manufactures Lidar systems to measure wind;
- **LUMIBIRD LTD**, a Canadian company based in Ottawa, structured around a team of R&D engineers focused on Lidar design work.
- **SENSUP**, the company based in Rennes, France, and created in 2013, develops unique and innovative technical solutions with a multidisciplinary team specialized in optics, electronics, mechanics, software and signal processing for a series of compact, long-range and eye-safe LIDARs

Marketing activities for laser products are now headed up by LUMIBIRD, which manages:

- The EMEA market directly, or through its subsidiary LUMIBIRD GMBH for after-sales service activities in Germany;

- The Asian market directly or through its subsidiaries LUMIBIRD Japan (longstanding partner acquired on 24 March 2017) and LUMIBIRD China (created in July 2018); on this market, a local presence and local relationships are key factors for development;
- The American market, through LUMIBIRD Inc., based in Pennsylvania, comprising technical sales engineers who market the entire laser range and support clients and prospects with defining their needs and the technical responses that can be developed;

The "Medical" division's activities are led by QUANTEL MEDICAL, the subsidiary created in 1994 and based in Cournon d'Auvergne, which designs the ophthalmology products (lasers for treatment and ultrasounds for diagnosis), and markets them through its global network of over 100 distributors. In addition to this distribution network, QUANTEL MEDICAL is supported by:

- **OPTOTEK MEDICAL**, a Slovenian company acquired in 2019, specialized in the development of laser and optical solutions for medical applications;
- **QUANTEL MEDICAL Inc.**, that sells on the American market, the lasers and ultrasounds manufactured and distributed by Quantel Médical;
- **QUANTEL MEDICAL POLSKA**, a distribution company created in 2018 to serve the Eastern European markets.
- **LUMIBIRD MEDICAL OY** (former EssMed OY), **LUMIBIRD MEDICAL AB** (former EssMed AB) and **LUMIBIRD MEDICAL AS** (former EssMed AS), distribution companies based respectively Norway, Finland and Sweden and serve the Northern European markets;
- **ELLEX MEDICAL PTY** and **ELLEX MACHINE** Shop, Austarilan companies that develop, manufature and distribute Ellex product range in Austalia.
- **ELLEX Japan** (Japan), **ELLEX USA**, Marketing companies in Medical sector that serve Asian markets, and North American markets.

In addition, the Group includes the following companies:

- **LUMIBIRD MEDICAL**, the holding company at the head of the Medical Division, with the task of managing the entire division;
- **VELDYS**, a real estate company (société civile immobilière), which owns the real estate for the Group's production site in Lannion;
- **QUANTEL MÉDICAL IMMO**, a real estate company (société civile immobilière), which owns the real estate for the Cournon d'Auvergne production site, which is the headquarters for the Group's "Medical" business;
- **QUANTEL DERMA GMBH**, previously called Wavelight Aesthetic GmbH. This company, acquired in September 2007, is based in Erlangen near Nuremberg in Germany. Since the Dermatology Division was sold in August 2012, this company no longer has any business;
- **ELIASE**, incorporated in 2018 in connection with the reorganization operations that took place in 2019, presented in section 1.2 of the management report of the Board of Directors, related to the 2019 fiscal year, and which have not yet recorded any business to date.
- **LUMIBIRD TRANSPORTS,** incorporated in 2021 and which business is described in paragraph 2.2.3.

The key figures for LUMIBIRD's main subsidiaries at 31 December 2021 are presented in the notes to the corporate financial statements, in the section on "equity securities".

2.2.2. Change in scope over the course of fiscal year 2021

The Group continued moving forward with its work to optimize the coordination of its activities, while improving the clarity of its organization chart. It dissolved the companies Ellex Services Europe, Atlas and Sofilas, transferring all of their assets and liabilities to the corresponding parent companies. These operations did not have any impact on the Group's accounts (as this concerned operations between companies under joint control).

2.2.3. Change in scope since the start of fiscal year 2021

On 3 March 2021, Lumibird SA announced the signing of an agreement with Saab to acquire its Defence laser rangefinder business, established in Gothenburg, Sweden, representing revenues of more than €10 million based on the fiscal year ended 31 December 2020. The required authorisations from the regulatory authorities for the completion of this acquisition having been obtained, the transaction is expected to be finalised in the first half of 2022.

Within the framework of this new acquisition, the company Goldcup 26878 AB (which became Lumibird Photonics Sweden AB), a subsidiary wholly owned by Lumibird, joined the Group's scope of consolidation as a holding company for the purchased business activities. Lumibird Photonics Sweden AB had no business at the date of this report.

In addition, Lumibird SA created its wholly-owned subsidiary, Lumibird Transports, which owns the private aircraft acquired by the Group to organise the transport of its employees between its various European sites.

3. RELATIONS BETWEEN LUMIBIRD AND ITS SUBSIDIARIES

The Group is based around LUMIBIRD SA and its subsidiaries, which are all directly or indirectly fully owned.

3.1. Managers in common

At the date of this report:

- Marc Le Flohic, CEO of LUMIBIRD, is also:
  - President of Quantel USA, Quantel Medical USA, LUMIBIRD Inc., LUMIBIRD Japan, LUMIBIRD China, LUMIBIRD LTD
  - Manager of Veldys
  - Managing Director of Keopys Industries
  - Permanent representative of LUMIBIRD, itself president of the subsidiaries Quantel Medical, Keopsys Industries, Sensup, Quantel Technologies, Eliase, Lumibird Médical Australia, Lumibird Transports ;
  - Managing Director of Adèle Ellex ;
  - Managing Director of Ellex Japan ;
  - Managing Director of Ellex USA ;
  - Chairman of Lumibird Photonics Sweden AB.

- Monsieur Jean-Marc Gendre, joint CEO of Lumibird is also :
  - President of Quantel Medical Polska ;
  - Manager of Quantel Medical Immo ;
  - Managing Director of Quantel Medical USA ;
  - Managing Director of Adèle Ellex ;
  - Managing Director of Ellex Deutschland ;
  - Managing Director of Ellex Japan ;
  - Managing Director of Ellex Medical Pty ;
  - Managing Director of Ellex Machine Shop ;
  - Managing Director of Ellex USA ;
  - Director of LUMIBIRD Medical Nordics AB (ex EssMed-AB) ;
  - Managing Director LUMIBIRD Nordics OY (ex EssMed OY);
  - Vice President and Director of Lumibird Medical Nordics AS (ex Brinch AS).

3.2. Technical or commercial agreements

Taking into account the Group's organization, within which the company LUMIBIRD performs a role as the holding structure and the main commercial company, the following agreements have been entered into within the Group:

- Service delivery agreement between LUMIBIRD and all its direct subsidiaries, concerning the Group's management and the performance of commercial, financial and administrative missions;

- Sourcing agreement between LUMIBIRD and its production factories for the Laser business, under which LUMIBIRD places orders exclusively with its subsidiaries for the scientific and industrial lasers that it sells directly or through its commercial subsidiaries in the Asia region or the US;
- Cash management agreement between LUMIBIRD on the one hand and all its subsidiaries;
- Tax consolidation agreement, with LUMIBIRD as the head of the tax consolidation structure (refer to section 3.3 of this report).

Furthermore, over the course of fiscal year 2020:

- The Group's factories (Keopsys industries, Quantel USA, Quantel Technologies, Ellex Médical Pty, Optotek Medical) sold, and are continuing to sell to other factories, industrial and medical lasers and components manufactured on their production lines for the production needs of buyer factories;
- The Group's factories (Keopsys industries, Quantel USA, Quantel Technologies, Quantel Medical, Optotek Medical, Ellex Medical Pty) sold, and continue to sell to the marketing subsidiaries, components used to build up repair and spare parts inventories and, for the companies in the Medical scope, medical equipment resold in the preferred markets of its marketing subsidiaries;
- Lumibird Medical Australia has set up an Australian tax consolidation group gathering all Australian companies owned 100% directly or indirectly by it.

Lastly, it is reminded that the liquidity agreement entered with ESIRA, the majority shareholder and lead holding company of LUMIBIRD, whose purpose is to assist the LUMIBIRD Group with determining and establishing its overall strategy (approved by the general meeting of 16 December 2019) is still applied. This agreement does not result in compensation.

3.3. Tax consolidation

The Group has opted for the tax consolidation system whenever possible:

In France

A scope of consolidation was established: the system includes all French commercial companies that are at least 95% directly or indirectly held by the Company as at 1 January 2021.

As the tax group is headed by the Company, it had at 31 December 2021, €7.7 million in deficits (compared to €11.1 million one year earlier).

in Australia

A tax consolidation scope was created by Lumibird Medical Australia: the system includes all Australian commercial companies that are directly or indirectly held by Lumibird Medical Australia.

3.4. Deposits, sureties and guarantees

3.4.1. Off-balance sheet commitments resulting from current operating activities

(€'000)	31/12/2020	31/12/2021
Trade receivables not due	-	-
Guarantees given on markets	116	66
Pledges on tangible and intangible assets	-	-
Pledges on securities	-	-
Actual sureties	-	-
TOTAL	**116**	**66**

3.4.2. Off-balance sheet commitments given or received in connection with debt

(€'000)	31/12/2020	31/12/2021
Trade receivables transferred		
Guarantees and letters of intent	900	900
Collaterals and pledges on tangible and intangible assets	7,936	8,869
Collaterals and pledges on securities	140,000	144,000
Privilege to money lenders	5,729	3,783
Actual sureties	153,665	156,652
TOTAL COMMITMENTS GIVEN	**154,565**	**157,552**

The guarantees mentioned correspond to those given by LUMIBIRD SA to the Banque Populaire du Massif Central to cover all of Quantel Medical's short-term financing lines, for a maximum amount of 900,000 euros.
All the sureties mentioned above cover liabilities recorded on the balance sheet. The amount indicated above for sureties corresponds to the total amount of the commitment given when setting up the underlying borrowings. The outstanding capital on the borrowings covered by these commitments represented 63,860 thousand euros at 31 December 2021.
Furthermore, within the framework of the operation to structure its acquisition debt, the Company received a commitment from its banking pool (i) to finance external growth operations on authorised targets in the supplementary amount of €41.5 million (confirmed budget), under the terms detailed under paragraph 1.3.4 of this report and (ii) to finance in the supplementary amount of €41.5 million, subject to the agreement of a credit committee (unconfirmed budget) of external growth operations on eligible targets, under the same financial conditions as those of the confirmed budget.

3.4.3. Operations with related parties

For a description of the agreements entered into between LUMIBIRD and its subsidiaries, refer to section 3.2 of this report.

4. OTHER INFORMATION

Inter-company loans and terms of payment

On the date of this report, the Company has not granted any loans for less than two years to any microenterprises, small and medium enterprises or mid-market companies with which it has economic links justifying this.
Furthermore, in accordance with Articles L. 441-6-1 and D. 411-6 of the French commercial code, it is reported to you in the following tables on the breakdown, at the end of the previous two financial years, of the balance of the Company's accounts payable and receivable in relation to its suppliers and clients by due date.

Trade payables, invoices received and not paid at the year-end date whose terms have expired, Article D.441-6 I.1 of the French commercial code

		0 day	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
A-Late payment instalments	Number of invoices	-					172
	Total amount of invoices concerned (All taxes included)	-	570	16	-6	59	639
	% of the total amount of purchases for the year	-	10.4%	0.7%	-	0.1%	0.8%
B-Invoices excluded from A, relating to disputes or unaccounted for	Number of invoices excluded	0					
	Total amount excluded invoices	0					
C-Reference payment terms used	Payment periods used to calculate late payments	Legal: France: 45 days net / contractual Abroad: 30 days net					

Trade receivables, invoices issued and not paid at the year-end date whose terms have expired, Article D.441 I. 2 of the French commercial code

		0 day	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
A - Late payment instalments	Number of invoices						231
	Total amount of invoices concerned (All taxes included)		2,330	558	532	536	3,956
	% of the total amount of purchases for the year		2.9%	0.7%	0.7%	0.7%	5%
B - Invoices excluded from A, relating to disputes or unaccounted for	Number of invoices excluded	0					
	Total amount excluded invoices	0					
C- Reference payment terms used	Payment periods used to calculate late payments	contractual France and abroad: 30 days net					

The late payments mentioned in the table below are mainly related:

- to €2.4 million in invoices issued to intragroup subsidiaries for which payments is assured for 2022;
- to €1.5 million in invoices offset by advances and instalments recorded under liabilities in the amount of €1.7 million.

Anti-competitive practices

Neither the Company nor any Group entities have been subject to any prosecutions or convictions for anti-competitive practices during their existence.

5. RESEARCH AND DEVELOPMENT ACTIVITIES

The Group continued moving forward with its efforts focused on developing new products and improving existing products.

Total consolidated R&D spending on projects, whether self-financed, subsidized, eligible or not for the Research Tax Credit or equivalent for the 2021 fiscal year, came to 15.4 million euros, with 11.0 million euros capitalized and 4.4 million euros expensed for the current fiscal year.

6. RECENT DEVELOPMENTS AND OUTLOOK FOR THE COMPANY AND THE GROUP

6.1. Post-balance sheet events

On the date of this management report, the Company is not aware of any significant change on the Group's financial position occurring since 31 December 2021.

To the best of the Company's knowledge, there are no disputes, arbitration proceedings or exceptional events following the reporting date that are likely to have or have in the recent past had a significant impact on the financial position, earnings, business, assets and liabilities of the Company or the Group.

6.2. Recent events

The Lumibird Group has been relatively unaffected by the geopolitical tensions in Ukraine and Russia, whether in terms of its sales (less than 2% of revenues), its purchases (sourcing secured for 2022) or its client risk.

6.3. Strategy

As part of its global strategy, the Group's ambition, reaffirmed through its "2020-2023 roadmap", is to position itself as a leader - both technologically and commercially - in the Photonics and Medical sectors with :

- a strengthened position in the ophthalmology market (diagnostics and treatment), with a strengthened global presence;
- a strengthening of its strategy as an original equipment manufacturer (OEM) for other players in the medical sector;
- a strengthened position in the Lidar sensors markets to keep up with the developments of the autonomous vehicle, wind, and 3D scan markets;
- a strengthened position in the space and defence sectors to keep up with developments of the sector in Europe and North America.

A strategic three-year plan was prepared and presented to the market on 25 January 2021, at the same time as the 2020 annual revenues were published. For more information about the Group's business model, the reader is asked to refer to the Group's Declaration of Extra-Financial Performance for the fiscal year 2021.

6.4. Future outlook and information on trends

LUMIBIRD is approaching 2022 with confidence, backed by an extensive order book, confirming the upturn on the Group's various markets.

Looking ahead to 2023, the Group plans to continue moving forward with its combined organic and external growth strategy with a view to doubling its current revenues (reported basis). Building on its buoyant markets, its capacity for innovation and the impact of its commercial synergies, it is targeting 8% to 10% average organic growth over the next three years. In terms of profitability, looking beyond the expected synergies, the Group's performance on purchases, supply chain rationalization and growing vertical integration are expected to contribute towards the target for an EBITDA margin rate within a 20% to 25% range from 2021.

7. REGULATORY ENVIRONMENT

The Group operates in a complex and evolving regulatory environment. Depending on the division and jurisdiction concerned, the Group may be subject to conditions for obtaining and maintaining authorisations of export or sale authorisations for the Group's laser or medical products. The Group is also subject to increasingly stringent HSE regulations in the course of its activities.

7.1. Regulations applicable to the Group's export of laser products

The regulations applicable to the Group's Photonics division essentially require, in some cases, obtaining authorisations from national authorities to export certain components or sensitive Laser systems to third parties or to entities of the Group that are located in countries other than those where the components in question were manufactured.

The main jurisdictions concerned are the European Union and the United States, where the Group manufactured 100% of its laser products in 2021.

7.1.1 French and European regulations

Some products from the Group's Photonics division that are manufactured in Europe are subject to the European regulations on the export of dual-usage goods, under the scope of (EU) Regulation No. 428/2009 of the Council dated 5 May 2009. For example, some versions of the Group's products MERION, or Q-SCAN fall within Category No. 6 ("Sensors and lasers") of Appendix I to these regulations.

In conformity with the regulations, the Group's export of these products to third-party countries (located outside the European Union) is subject to authorisation from the national authorities (in France, the minister in charge of industry). Sometimes, the authorisation that was requested and obtained by the Group takes the form of a comprehensive license which is valid for exports to one or more specific end users and/or in one or more specific third-party countries. For France, the procedure to obtain authorisation entails submitting a file to the general corporate office and may take several months.

In addition, some of Sensup's products, relating to laser weapons, are subject to export controls for defense equipment (Article R.311-2 of the French Internal Security Code and Articles L.2335-1 et seq of the French Defense Code) and must therefore also obtain specific authorizations from the French Ministry of Defense and the Directorate General of Armaments for any exports outside the European Union.

7.1.2 US regulations

In the United States, similar arrangements to the European framework apply through the Export Administration Regulations (EAR), which subject exports of dual-use products manufactured in the United States to a system of authorizations based on licenses issued by the US Department of Commerce (specifically the Bureau of Industry and Security within the United States Department of Commerce) depending on the export countries. When the products concerned are low-technology lasers, they may be classified in the "EAR 99" category and exempt from export licenses. This is notably the case for Quantel USA's exports of certain versions of the CFR, DRL and MERION products. For exports concerning certain jurisdictions, such as China, the Group is required to obtain a statement from the client setting out its intentions concerning the product's use and ultimate purpose (End-User Statement).

Furthermore, some products in the Group's "Lasers" division that are manufactured in the United States are subject to the American International Traffic in Arms Regulations ("ITAR"), which are more restrictive than the "EAR" regulations, insofar as they concern American components that are linked to the national defence of the United States. The ITAR notably apply to Quantel USA's export of guidance lasers manufactured and supplied to the Group's French subsidiaries under the scope of the contract with Thales, and for which the Group is required to obtain an export authorisation issued by the United States Department of State.

The American procedures entail filing applications with the competent authorities, and are generally lengthy and costly. The timeframes for obtaining authorisations in the United States are a few months for "EAR" authorisations, three months for so-called "DSP-5 ITAR" authorisations (which relate to product exports), and six to twelve months for so-called "TAA ITAR" authorisations (which relate to the export of technical data).

7.2. Regulations applicable to the Group's sale of medical products

In addition to the rules relating to the export of laser products, the Group is also subject to regulations on the sale of medical products to the public.

In Europe, the products designed and manufactured by the Medical division must comply with the essential requirements of EC Directive No. 93/42 of the Council dated 14 June 1993 relating to medical devices whose provisions shall be replaced, as of 26 May 2021, by those of EU Regulation 2017/745 dated 5 April 2017 relating to medical devices. These essential requirements primarily concern the safe usage of products by users, and impose obligations on the Group for the testing and transparency of its medical products, before anything is put on the market, as well as the monitoring of security and traceability of devices post-sale.

In the United States, the Medical division products manufactured and sold by the Group on American territory are systematically subject to the requirement of obtaining an authorisation from the Food and Drug Administration ("FDA"). In almost all cases, there is a simplified procedure known as the "510K procedure," which refers to existing authorisations for products that are considered equivalent. This authorisation procedure requires drafting an application which includes a description of the product and its technical structure, as well as the results of a certain number of tests that ensure the product meets the current technical and safety rules for patients and medical staff. Usually the process takes three months, but any questions posed by the FDA could lengthen that period.

In Australia, le DFAT (Department of Foreign Affairs and Trade) imposes strict control on exports to certain countries. For this purpose, Ellex has established an internal process for compliance with these rules. Certain countries are under embargo, while others require an authorisation to be obtained.

Lastly, the Group's Medical division products are also subject to international technical standards that allow the products to be certified. The main requirements are detailed under Medical Standard IEC No. 60601-1 and supplemented by other specific standards relating to the category of medical product (for example, Medical Standard IEC No. 60601-2-22 for lasers). Furthermore, as designer and manufacturer of medical products, the Medical division also has an obligation to comply with the organisational provisions of standard ISO 13485, regarding the requirements of quality management systems (QMS), and those relating to MDSAP (Medical Device Single Audit Program) for the sale of products in the United States, Canada, Brazil, Japan, and Australia.

7.3. HSE regulations applicable to the Group's products

During the course of its business, the Group is required to comply with certain regulations on environmental protection, in particular those controlling the use, storage, or release into the environment of chemical or hazardous substances used to manufacture laser products. The main texts that apply to this subject area are (EU) Directive (UE) No. 2011/65 of the European Parliament and the Council of 8 June 2011 (the so-called "RoHSS" directive), amended by Directive (EU) 2015/863 of 31 March 2015 whose provisions are applicable from 22 July 2019 for the Photonics division products and on 22 July 2021 for the Medical division products, and (EC) Regulation No. 1907/2006 of the European Parliament and the Council of 18 December 2006 (the so-called "REACH" regulation) amended by Regulation No. 2021/979 of 17 June 2021, in the European Union, as well as the Chinese ACPEIP (Administration for the control of pollution caused by electronic information products) from 2006.

The Group is moreover required to comply with the obligations to collect, dismantle, and recycle end-of-life electrical components, per (EC) Directive No. 2002/96 of the European Parliament and the Council dated 27 January 2003.

8. Allocation of earnings

8.1. Proposed allocation of earnings

It will be proposed to allocate earnings for the year ended 31 December 2021, with a profit of €3,828,711.38, as follows:

- €3,828,711.38 to "retained earnings", taking this account's from €+78,888,308.50 to €+82,717,019.88.

8.2. Dividends

The Company has not declared or paid any dividends on its shares during the last three fiscal years. It does not intend to distribute any dividends in respect of fiscal year 2021.

The Company has not set a specific dividend distribution policy. It reserves the right to offer its shareholders the option of receiving dividends in the form of shares in the event that it decides to distribute dividends.

9. TABLE OF LUMIBIRD SA'S RESULTS FOR THE LAST FIVE FISCAL YEARS

In accordance with Article R.225-102 of the French commercial code, the following table presents the Company's earnings for the last five years:

€'000	2017	2018	2019	2020	2021
Capital at the end of the year					
Share capital	15,771	16,754	18,430	22,467	22,467
Number of existing ordinary shares	15,035,456	15,035,456	18,429,867	22,466,882	22,466,882
Operations and results of the year					
Revenues excluding taxes	35,215	56,669	66,711	65,017	74,993
Income before taxes, employee profit-sharing, amortisation and provisions	866	6,601	9,016	76,565	2,494
Income tax	1,390	451	-577	403	1,195
Income after taxes, employee profit-sharing, amortisation and provisions	1,683	-1,638	7,829	75,904	3,829
Income distributed	-	-	-	-	-
Earnings per share					
Income after taxes, employee profit-sharing, before amortisation and provisions	0.15	0.47	0.44	3.43	0.16
Income after taxes, employee profit-sharing, amortisation and provisions	0.11	-0.11	0.42	3.38	0.17
Personnel					
Average number of people employed during the year	147	145	135	134	62
Payroll	-	7,428	7,117	3,701	4,898
Employee benefits		3,336	3,445	1,841	2,184

10. SUBSIDIARIES AND EQUITY INTERESTS

By reporting to you on the Company's business, we have presented the activities of its subsidiaries and the various companies that it controls.

The table of subsidiaries and equity interests is presented in the notes to the corporate financial statements.

In accordance with Article L.233-6 of the French commercial code, we can inform you that the Company acquired in July 2021 a stake in Cilas (Compagnie Industrielle des Lasers), limited company headquartered 8 avenue Buffon, 45100, Orléans (France).

In accordance with Article R.233-19 of the French commercial code, we can inform you that the Company, during the past year, did not carry out any disposals under the terms of Article L.233-29 of the French commercial code relating to cross-shareholdings.

11. EMPLOYEE SHAREHOLDING

During its meeting on 1 April 2019, the Board of Directors decided to award 182,000 free shares to 39 employees of the Company and certain related companies. The vesting date for the free shares was set for 1 April 2022, with a three-year vesting period.

In addition, during its meeting of 31 March 2020, the Board of Directors decided to adopt a new free share allocation plan for the benefit of two Group employees, containing identical terms to those of the plan decided by the Board of Directors on 1 April 2019, with the exception of the vesting period, which was set at two years, i.e. expiring on April 1, 2022.

At December 31, 2021, out of the 182,000 bonus shares that were formally awarded to the beneficiaries on April 1, 2019, 166,000 were still valid, while 16,000 shares had lapsed following their beneficiaries' departure. Out of the 6,000 bonus shares awarded to the beneficiaries on March 31, 2020, 6,000 are still valid.

Lastly, during its session on September 21, 2021, the Board of Directors decided to adopt a new share plan for several categories of the Group's employees, representing a total of 84 staff and 291,000 shares. The vesting date for the bonus shares has been set by the Board of Directors as the year-end date for the annual financial statements for 2023, representing a vesting period of over two years, provided that:

- the beneficiary has continuously and uninterruptedly had an employment contract, during the vesting period, and has a valid employment contract at the end of the vesting period with the Company or a related company as per Article L.225-197-2 of the French Commercial Code; and
- the performance conditions set by the Board of Directors are met.

At December 31, 2021, taking into account the beneficiaries who had already left the Group, those who had rejected the plan and those who had not yet formally accepted it, 228,000 of the 291,000 bonus shares proposed were valid.

The value of the allocation plan was determined as follows:

Free shares allocation plans	Plan dated 01/04/2019	Plan dated 31/03/2020	Plan dated 31/03/2021
Total number of free shares originally allocated	182,000	6,000	291,000
Board meeting date for allocation decision	01/04/2019	31/03/2020	21/09/2021
End of the vesting period	01/04/2022	01/04/2022	Closing of 2023 accounts
Stock price at the date of allocation (B)	15.3	7.8	17.0
Corporate social contribution (C)	20%	20%	20%
Plan value as of 01/04/2022 (A*B*(1+C))	3,047,760 €	56,232 €	4,651,200
Number of free shares cancelled/refused	0	0	9,000
Remaining free shares at 31 December 2021 (A)	166,000	6,000	228,000

In 2021, the impact of the plan on the financial statements (in shareholders' equity) has been determined pro rata temporis over the vesting period and amounts to €1,333,684. In 2020, the impact of the plans was €1,029,782.

Lastly, the employees do not directly hold any Company shares that would be subject to a non-transferability clause under the regulations in force.

12. INFORMATION CONCERNING THE SHARE CAPITAL

12.1. Share capital

At 31 December 2021, the Company's share capital totaled 22,466,882 euros. It was split into 22,466,882 fully paid-up shares, all of the same category, with a par value of 1 euro. On the date of this report, this remained unchanged.

12.2. Double voting rights

A double voting right is awarded for:

- All fully paid-up shares that have been registered in the name of the same shareholder for at least three years.
- Registered shares freely awarded to shareholders in the event of a capital increase through the incorporation of reserves, profits or issue premiums based on the shares for which they are entitled to this right.

At 31 December 2021, out of the 22,466,882 shares comprising the share capital, 6,153,508 shares were entitled to double voting rights.

12.3. Securities giving access to the share capital

The Company has not issued any security giving a future access to its share capital or the share capital of one of the Group's companies.

12.4. Review of operations carried out as part of an authorized share buyback program

In accordance with Articles L.22-10-62 and L.225-211 of the French commercial code, we are reporting to you on the operations carried out as part of authorized share buyback programs.

For reference, under the terms of its 18th resolution, the Combined General Meeting on 4 May 2021 authorized the Board of Directors for 18 months, with an option to subdelegate in accordance with the legal and regulatory provisions in force, to purchase and/or appoint third parties to purchase Company shares, under the conditions set by Articles L.22-10-62 and L.225-210 et seq of the French commercial code, notably with a view to:

- ensuring liquidity and managing market-making for the Company's securities through an investment services provider acting independently on behalf of the Company under a liquidity agreement that is compliant with the applicable doctrine of the AMF, or
- retaining and awarding shares subsequently (exchanges, payments, etc.) in connection with the Company's financial, external growth, merger, spin-off or contribution operations, or
- awarding shares in connection with the exercising of rights associated with securities entitling holders to access the capital through their redemption, conversion, exchange, the presentation of a warrant or by any other means, or
- cancelling all or part of the shares bought back in this way, through a share capital reduction, in accordance with the authorization to reduce the capital given by the General Meeting on 24 May 2019 in its 9th resolution, or, if applicable, under a resolution of the same kind that may follow it during the period for which this delegation is valid; or
- awarding or transferring shares to employees or corporate officers of the Company or related companies, notably through a Company's profit-sharing arrangements, under a company or Group (or equivalent) savings plan or for free share awards under Article L.225-197-1 et seq of the French commercial code, or, more generally, honoring obligations relating to programs for stock options or other awards of shares for the employees or corporate officers of the Company or a Group entity, or
- implementing any Company stock option plan in accordance with Articles L.225-177 et seq of the French commercial code or any similar plan.

The share purchases implemented under this authorization must be carried out within the limit of a maximum unit purchase price of 50 euros subject to adjustments linked to potential operations concerning the Company's capital.

The maximum amount of funds set aside for the implementation of this share buyback program has been set at 50,000,000 euros.

On the date of each buyback, the total number of shares bought back in this way by the Company since the start of the buyback program (including those subject to this buyback operation) must not exceed 10% of the shares comprising the Company's capital on this date. The total number of shares held by the Company on a given date must not exceed 10% of the existing capital on this same date.

This authorisation was implemented through a liquidity contract concluded with Louis Capital Markets.

In accordance with Article L.225-209 of the French commercial code, we can inform you that the amounts initially allocated by the Company to the liquidity agreement represent 50,000 euros.

At 31 December 2021, the following resources were recorded in the liquidity account:

- 15,417 LUMIBIRD shares;
- 656,318.13 euros in cash.

The LUMIBIRD shares were purchased / sold in connection with the liquidity agreement in force based on the following price conditions:

Number of treasury shares held at 31 December 2021	15,417
Number of shares purchased from 1 January 2021 to 31 December 2021	116,807
Number of shares sold from 1 January 2021 to 31 December 2021	124,880
Average purchase price	17.06 €
Average sales price	17.62 €
Average unit cost price of securities in the portfolio at 31 December 2021	19.91 €

12.5. Commitment for executive shareholders to retain shares

To the best of the Company's knowledge, at the date of this report, no commitments to retain shares have been entered into by any of its executive shareholders.

12.6. Information on the portion of LUMIBIRD's capital that is pledged as collateral

On 25 July 2019, ESIRA, the Company's reference shareholder, granted a pledge on 3,185,715 ordinary shares it holds in the Company as security for a loan agreement. To the Company's knowledge, there are no other pledges on its shares.

12.7. Shareholder agreements

There are no shareholder agreements in place providing for preferential conditions to sell or acquire Company shares.

There are no shareholder agreements in place that the Company is a party to and that are likely to have a significant impact on its share price.

12.8. Change in LUMIBIRD's capital and shareholding structure

12.8.1. Change in LUMIBIRD's share capital over the last three years

Date[(1)]	Operation	Nb. of shares before	Nb. shares issued	Nb. shares after	Additional paid-in capital	Nominal	Share capital
24/05/2019	Capital increase in cash through a private placement	16,754,425	1,675,442	18,429,867	23,456,188€	1€	18,429,867€
16/06/2020	Capital increase in cash with shareholders' preferential subscription rights maintained	18,429,867	4,037,015	22,466,882	32,296,120 €	1 €	22,466,882 €

[(1)] Date when the capital increase was acknowledged by LUMIBIRD's Board of Directors.

12.8.2. Change in LUMIBIRD's shareholding structure over the last three years

Shareholding structure	Situation at 31 decembrer 2019				Situation at 31 december 2020				Situation at 31 december 2021				Situation at 1st march 2022			
	Number of shares	% of capital	Voting rights (2)	% of voting rights (1)	Number of shares	% of capital	Voting rights (2)	% of voting rights (1)	Number of shares	% of capital	Voting rights (2)	% of voting rights (1)	Number of shares	% of capital	Voting rights (2)	% of voting rights (1)
Executives shareholders																
EURODYNE(3)	1,783,488	968%	3,352,587	16.54%	-	-	-	-	-	-	-	-	-	-	-	-
ESIRA(4)	7,452,790	40.44%	7,452,790	36.78%	11,667,290	51.93%	17,397,731	61.63%	11,667,290	51.93%	17,777,747	62.12%	11,667,290	51.93%	17,777,747	62.14%
EURODYNE/ESIRA Concert	9,236,278	50.12%	10,805,377	53.32%	11,667,290	51.93%	17,397,731	61.63%	11,667,290	51.93%	17,777,747	62.12%	11,667,290	51.93%	17,777,747	62.14%
Group executives	4,209	0.02%	8,059	0.04%	4,209	0.02%	8,059	0.03%	4,209	0.02%	8,418	0.03%	4,209	0.02%	8,418	0.03%
Self-holding	17,946	0.09%	NA	NA	268 717	1.20%	NA	NA	260,536	1.16%	NA	NA	273,813	1.22%	NA	NA
Public	8,210,851	44.55%	8,490,940	41.90%	8,038,648	35.78%	8,340,598	29.54%	7,780,010	34.63%	8,079,388	28.23%	7,909,243	35.20%	8,207,337	28.69%
7 Industries Hoding B.V(5)	-	-	-	-	1,126,498	5.01%	1,126,498	3.99%	1,706,649	7.60%	1,706,649	5.96%	1,706 ,649	7.60%	1,706,649	5.97%
AMIRAL GESTION(6)	960,583	5.21%	960,583	4.74%	1,361,520	6.06%	1,361,520	4.82%	1,048,188	4.67%	1,048,188	3.66%	905,678	4.03%	905,678	3.17%
TOTAL	**18,429,867**	**100%**	**20,264,959**	**100%**	**22,466,882**	**100%**	**28,234,406**	**100%**	**22,466,882**	**100%**	**28,620,390**	**100%**	**22,466,882**	**100%**	**28,605,829**	**100%**

(1) Voting rights able to be exercised at the General Shareholders' Meeting
(2) The percentages of voting rights presented in this table are calculated without taking into account the Company's treasury shares, which are not entitled to voting rights in accordance with Article L.225-210 of the French commercial code, representing a total number of actual voting rights of 20,264,959 at 31 December 2019, 28 234 406 at 31 December 2020, 28,620,390 at 31 December 2021.
(3) Eurodyne was dissolved and absorbed by its sole shareholder, ESIRA, on 9 August 2020.
(4) ESIRA is a French-law simplified joint-stock company (société par actions simplifiée) controlled by Mr Marc Le Flohic who is also its Chairman.
(5) 7 Industries Hoding B.V is a company controlled by Mrs Ruthi Wertheimer
(6) Asset management company acting on behalf of funds which it manages.

To the best of the Company's knowledge, on the date of this report, no significant changes have been made to the breakdown of the capital since 1 March 2022 and no other public shareholders (other than those indicated in the table above, if applicable) hold more than 5% of the capital or voting rights.

12.8.3. Shareholding disclosure thresholds

In accordance with Article L.233-13 of the French commercial code and Article 10 of the Company's articles of association, the various instances when the legal and/or statutory disclosure thresholds were passed and that were brought to the Company's attention since 1 January 2021 are presented below:

Disclosure made by	Date of disclosure	Date of threshold crossing	Threshold crossed upwards / downwards	Threshold(s) crossed	Reasons for crossing
Caisse des dépôts et consignations(1)	23 March 2022	17 March 2022	Upwards	1% of the company's capital and voting rights	Acquisition of Lumibird shares on the market
AMIRAL GESTION	9 March 2022	8 March 2022	Downwards	4% of the company's capital	Disposal of Lumibird shares on the market
AMIRAL GESTION	8 January 2021	31 October 2020	Downwards	5% of the company's voting rights	Increase in the company's total number of voting rights
AMIRAL GESTION	7 October 2021	5 October 2021	Downwards	5% of the company's capital	Disposal of Lumibird shares on the market

(1) Through CDC Croissance.

No other shareholding threshold disclosures were brought to the attention of LUMIBIRD during the past year, or since the beginning of fiscal year 2022.

The information concerning the instances when the legal disclosure thresholds were crossed, upwards or downwards, is available on the AMF website (www.amf-france.org).

12.8.4. Listing market and change in the share price

LUMIBIRD's shares, initially listed on NYSE Euronext Paris SA's Nouveau Marché from 30 September 1997, have been admitted for trading on the Euronext market (Compartment B) in Paris since 2005 (ISIN: FR0000038242 – Ticker: LBIRD).

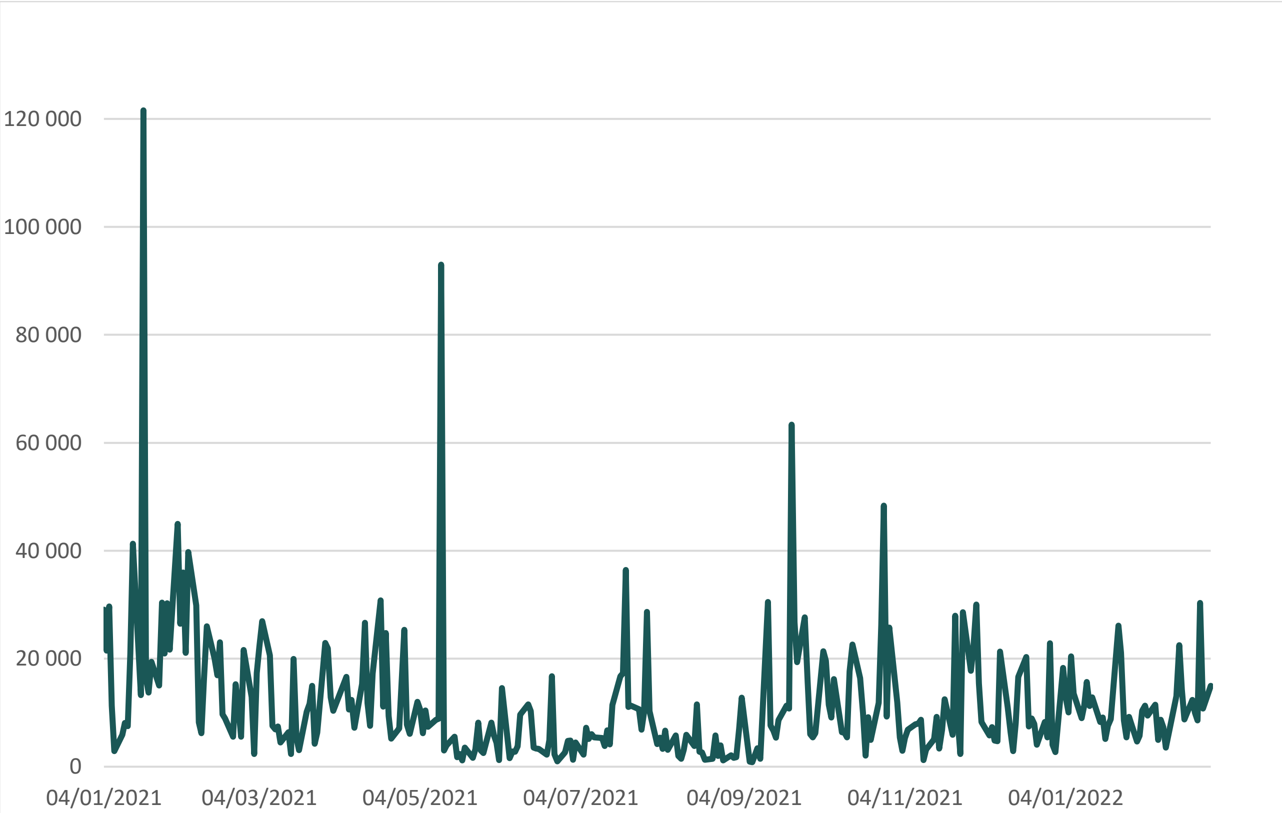
There are no requests underway for the Company's shares to be admitted on another market or stock exchange.

The Company's market capitalization, based on LUMIBIRD's share price at 15 March 2022 (closing price), i.e. 20.45 euros, and the number of securities comprising the share capital on this date, i.e. 22,466,882 shares, represents 459,447,737 euros.

The changes in LUMIBIRD's share price since 1 January 2021 are presented below:

LUMIBIRD share price (in euros)

LUMIBIRD share: Volumes traded



Summary of share prices and volumes for the period from January 2021 to January 2022 (source: Euronext Paris S.A.)

Date	High	Low	Average (at closing)	Number of shares traded
January 2021	15.5	13.6	14.73	480,826
February 2021	17.18	15.12	16.49	392,987
March 2021	17.64	15.64	16.22	270,914
April 2021	18	16.6	17.25	279,581
May 2021	17	15.2	15.8	205,295
June 2021	17.08	15.44	16.33	118,019
July 2021	17.44	15.04	16.29	222,822
August 2021	17.3	16.02	16.67	81,113
September 2021	20	15.88	17.37	275,629
October 2021	21.85	18.58	19.85	306,515
November 2021	21.1	18.6	19.93	211,795
December 2021	24.35	20.55	22.53	234,850
January 2022	24.1	19.68	21.47	249,129

12.9. Potential capital

12.9.1. Information on stock options / warrants

No stock options or warrants were in place or awarded during 2021.

12.9.2. Information on free share awards

The information on free share awards is presented in section 12 of this report.

12.9.3. Non-equity securities

Besides the €39.5 million bond at 31 December 2021, no non-equity securities issued by the Company were outstanding on the date of this report.

12.9.4. Operations carried out in 2021 on LUMIBIRD securities by executive officers, related parties and their family members

In accordance with Article L.621-18-2 of the French monetary and financial code and the AMF's general regulations, no transactions on LUMIBIRD shares were declared to the French Financial Markets Authority (AMF) by the Company's executives, related parties or their family members in 2021 and since the start of 2022.

12.10. Other information

12.10.1. Taxation

12.10.1.1 Reporting of luxury expenditure

In accordance with Article 223 iv of the French general tax code (Code général des impôts), we can inform you that the Company's expenses and costs covered by Article 39-4 of the general tax code came to 10,111 euros in 2021, generating a theoretical supplementary corporate income tax charge of 2,679 euros.

12.10.1.2. Excessive overheads or overheads not included on the special filing

During the past year, the Company did not incur any excessive overheads or any overheads not included on the special filing as per Articles 223 v and 39-5 of the French general tax code.

12.10.2. Branches

In accordance with Article L.232-1 of the French commercial code, we can inform you that LUMIBIRD has no branch left on the date of this report.

LUMIBIRD's principal place of business is LUMIBIRD's former headquarters in Les Ulis.

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We believe that the information that we have just given you and that is presented in the Statutory Auditors' report will enable you to take decisions in line with your interests. We therefore invite you to adopt the resolutions submitted to you.

The Board of Directors