Section 1

MANAGEMENT REPORT AND REPORT ON THE MANAGEMENT OF THE GROUP TO THE COMBINED GENERAL MEETING OF 4 MAY 2021

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 2020 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 2020

1.1. Key events in fiscal year 2020

Activity

2020 was marked by the Lumibird Group's completion of foundational, external growth operations, aligned with its strategy. On 30 June 2020, it successfully acquired Ellex's Laser and Ultrasound business line (a transaction that had been announced in late December 2019). Furthermore, on 3 August 2020, the Lumibird Group announced it would acquire, through its subsidiary Lumibird Medical, the Scandinavian companies EssMed Sweden, EssMed Finland, and Brinch, which specialise in the distribution of high-quality medical devices for ophthalmology. Through these transactions, which will make it a global leader in laser and ultrasound technologies for diagnostics and the treatment of eye diseases, the Group has passed a major milestone in its strategic development, which is anchored on a mix of external and organic growth in its three key markets: LIDAR, Defence/Space, and Medical.

These external growth transactions ended up supporting and strengthening business in 2020, which was conducted in an economic landscape that was complicated by the Covid-19 health crisis, as well as by the repercussions of complete or partial lockdowns on the economies of the various countries where the Group operates. During this period, the Group's sites remained opened, and all possible measures were taken to ensure people's safety. The Group did not have any orders cancelled or contracts stopped during the period. However, the Group did experience (i) delivery lags, in particular for industrial and scientific applications that can no longer be delivered due to the temporary closure of universities, (ii) slowed sales in the Medical division in connection with the cancellation of major international conferences and (iii) a slowdown in sales in China during part of the first quarter of 2020 (compared to the first quarter of 2019). At the date of this report, activity in the region is picking up and several orders have been placed.

At the worst point in the period, the Group benefitted from the measures put in place by the government. These measures included governmental aid (partial unemployment, compensation for absences due to childcare responsibilities) totalling €0.2 million, the freezing of loan payments totalling €0.6 million (postponed to the end of the payment plan), a postponement of URSSAF payments due totalling approximately €1 million (now up to date), the establishment of lines of credit guaranteed by the government (€15 million in France, €1.2 million in the United States). The Group also devoted particular attention to tracking its client receivables, and it did not suffer any losses linked to client defaults.

On another note, during the first half of 2020, the Group was the victim of fraud in connection with the payments methods of its new subsidiary Halo-Photonics (UK), for which the maximum gross cost (before any recovery action) totalled €3.8 million. This fraud, which was quickly brought under control, did not impact the Group's development nor its ability to meet its short, medium, or long-term commitments. It was recorded under the operating result for the period.

In this context, Lumibird proved it could adapt and make the necessary efforts to preserve its profitability, all while maintaining the flexibility needed to ensure a nimble return to its activities after the lockdown. Despite a 14.5% drop in its business, the Group recorded:

- Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) of €23.7 million (18.7% of revenues), up €2.7 million (+12.8%) compared to 2019;
- Current Operating Income (COI) of €14.1 million (11.2% of revenues), i.e., €1.9 million (+15.3%) compared to the current operating income recorded one year earlier;
- Net financial debt of €8.0 million (including a positive net cash position of €80.3 million within one year), allowing it to easily handle its short and medium-term maturities.

Financial structure

The Lumibird Group, which already had a sound financial structure, has simultaneously further strengthened this foundation to enable it to continue to develop and reach its goals:

- During the first half of 2020, the Group established several financing lines:
  - two lines of €5 million each at Bpifrance Financement, for a period of nine years and nine months (including an eight-quarter grace period), repaid at the rate of 1.5% and accompanied by cash collateral totalling €0.5 million;
  - six government-backed loans totalling €15 million, taken out under the terms established under the scope of the support provided to businesses impacted by the Covid-19 health crisis;
  - a line of support to businesses in the United States in the amount of €1.2 million;
- On 12 June 2020, Lumibird SA increased its capital, maintaining the preferential subscription right, for a gross amount including issue premiums of €36.3 million, representing an issue of 4,037,015 new shares, each at the unit subscription price of €9. This capital increase shall be allotted on a priority basis and entirely for financing any external growth operations, in particular in view of the acquisition of new laser technologies (noting that, to date, there are no external growth projects other than those already announced to the public, for which Lumibird has made firm commitments):
- On 1 December 2020, Lumibird SA restructured its acquisition debt, which led to the:
  - refinancing of the existing acquisition debt (€35 million);
  - expansion of the drawdown budget (supplementary budget of €105 million, including €58.8 million in confirmed credit); and
  - diversification of sources of financing, with the acquisition debt budget going from a 100% banking origin to 71% bank, and 29% bond financing.

1.2. Business for the year

Extract of the consolidated income statement (in million euros)	2019	2020	Change	
Revenues	110.7	126.7	16.0	14%
EBITDA	21.0	23.7	2.7	13%
% of revenue	19.0%	18.7%	-0.3%	
Current operating income	12.3	14.1	1.9	15%
% of revenue	11.1%	11.2%	0.1%	
Operating income	11.3	8.7	-2.6	-23%
Financial income	-0.7	-1.5	-0.8	114%
Taxes	-1.8	-1.6	0.2	-11%
CONSOLIDATED NET INCOME	**8.8**	**5.6**	**-3.2**	**-36%**
Minority interests	0.0	0.0	0.0	
NET INCOME (GROUP SHARE)	**8.8**	**5.6**	**-3.2**	**-36%**

1.2.1. Revenues

The Lumibird Group's consolidated revenues for 2020 stood at €126.7 million, i.e., a 14.4% increase compared to 2019 published data.

In the context of the crisis that marked the 2020 fiscal year, the growth on a like-for-like consolidation and exchange rate basis (restated for the acquisitions of Ellex on 30 June 2020, of the EssMed Group on 31 July 2020, of Optotek Médical on 31 August 2019, and of Halo-Photonics on 24 December 2019) dropped 9.1%, to €100 million. This €10.7 million drop is primarily explained, as concerns the Photonics division, by the decrease in activity for the Megajoule contract (down €5.5 million) and as concerns the Medical division, by the drop in sales linked to the cancellation of major global conferences (down €3.2).

By integrating Ellex's laser and ultrasound activities on 1 January 2020, pro forma sales would amount to €146.7m.

Revenues (in million euros)	2019	2020	Reported change(1)	Organic change(2)
First quarter	24.2	21.9	-9.5%	-17.2%
Second quarter	27.5	23.9	-13.3%	-17.6%
Third quarter	24.8	32.7	32.1%	-9.9%
Fourth quarter	34.2	48.2	40.8%	4.0%
TOTAL	**110.7**	**126.7**	**14.4%**	**-9.1%**
Of which Photonics	71.4	68.8	-3.6%	-9.8%
Of which Medical	39.3	57.9	47.3%	-7.7%

(1) Taking into account the acquisitions of Ellex on June 30, 2020, EssMed Group on July 31, 2020, Optotek Medical on August 31, 2019 and Halo-Photonics on December 24, 2019.

(2) At constant exchange rates and scope of consolidation

1.2.1.1. Photonics

The activity of the Photonics division is down 3.6%, standing at €68.8 million according to published data (down 9.8% in terms of organic change).

- Industrial and Scientific activity was impacted by the closure of numerous research and university labs, which posted a 3.3% drop in published data (down 2.8% in terms of organic change);
- Defence/Space activities dropped 14.2% in published data (down 14.1% in organic data): these activities were marked by a dip in the schedules for performing contracts, primarily over the first quarter, but resumed their growth over the fourth quarter, due to the increased power of new contracts and non-contract activities;
- The LIDAR activity, which posted 9% growth in published data, simultaneously benefitted from the integration of Halo-Photonics (€4.6 million over the year) and organic growth of 17.4% over the last quarter.

1.2.1.2. Medical

The Medical division had revenues of €57.9 million in 2020 (up 47.2%) in published data, due to the consolidation of Ellex, Optotek, and the companies of the EssMed group, which contributed the amount of €21.7 million. Despite the restrictions imposed by the health crisis, the consolidation, and commercial and industrial synergies were carried out in conformity with the budget, including in the United States.

On a like-for-like consolidation and exchange rate basis, Medical activity was down 7.7%, in connection with the cancellation of major global conferences.

1.2.2. Current operating profitability (COI)

Amidst a financial landscape that was complicated throughout the year by the Covid-19 crisis, impacting the development of business, the Group has demonstrated its ability to adapt, successfully deploying the synergies expected from external growth operations in both 2019 and 2020, relying on the diversity of its laser offerings to improve its gross margin rate, and successfully controlling its operating expenses. It was thus able to limit the effects of the business downturn on its profitability.

During the year, the Group's current operating income was €14.1 million, compared to €12.3 million one year earlier, or an increase of €1.9 million (+15.1%). This development may be explained as follows:

Current operating income of businesses acquired/created in 2019 – 2020	€3.5m
Effect of organic growth on gross margin (1)	€(3.6)m
Decrease in net external expenses at constant scope (2)	+ €2.9m
Change in personnel expenses at constant scope(3)	€(1.2)m
Increase in amortisation and depreciation charges(4)	€(0.4)m
Increase in other current operating expenses net of provisions	+ €0.7m

(1) In a context of a -9.1% organic decline in activity, the improvement in the margin rate of the businesses (from 60.6% to 63.3% overall) made it possible to limit the decline in the margin on purchases consumed. This improvement in the margin rate is due to:

- *the impact of defense contracts, for which the margin on purchases consumed may vary from one period to the next depending on the procurement (resold to the customer) or production phases and the mix between the various contracts. The impact of defense contracts is +1.5 basis points;*
- *the optimization of the product mix in the photonics business over the year;*
- *improved margins in the medical business, due to sales of higher value-added products.*

(2) The Group controlled its external expenses (fees, marketing, travel, subcontracted studies), particularly during the peak of the health crisis, for a net gain of €2.9 million;
(3) The change in personnel costs is linked to the change in the number of employees on a like-for-like basis and to the Group's compensation policy (sharing in the results of growth), partially offset by a better allocation of R&D resources;
(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

Despite current operating income of €14.1 million over the year, up €1.9 million compared to last year, the Group has posted an operating result of €8.7 million (compared €11.3 million one year earlier).

This situation is primarily due to the effects of the payment fraud suffered by Lumibird's British subsidiary Halo-Photonics in May 2020. The impact of this fraud, a maximum gross amount of €3.8 million (before any deductions as a result of legal actions and measures to recover misappropriated funds, and before considering attorneys' fees for handling said actions) was recorded under the line item "other current operating expenses."

Following this fraud, the Group commenced an action to freeze the bank accounts in China where the misappropriated amounts were identified, as well as a liability action against the British banking institutions that granted the fraudulent transfer requests. Although the Group is making every effort to obtain full compensation for its damage, it believes that there is a fairly low chance of these actions succeeding at this time.

As at 31 December 2020, after taking into account the expenses that were already incurred, as well as the amounts already restored, the impact of the fraud on the Group's operating income amounts to €4 million.

Excluding non-current effects of this fraud, the Group's operating income would amount to €12.7 million. The change from the previous year (€1.4 million) is linked to:
- In the amount of €1.9 million, to the increase in current operating income;
- For the drop of €0.5 million, to the increase in costs directly related to external growth operations.

1.2.4. Financial result

The financial result in 2020 was −€1.5 million, compared to -€0.7 million in 2019, i.e., a drop of €0.7 million. This change primarily reflects:
- A decrease of €0.2 million for the exceptional amortisation of assembly costs – not yet amortised – of the €35 million acquisition debt, following the mandatory refinancing of 50% of this debt;
- A decrease of €0.6 million, corresponding to the increased amount of debt, within a context of stabilising the cost of the debt (excluding the non-cash impact of refinancing the acquisition debt): the average gross debt went from 28.5 million in 2019 to €60.2 million in 2020, while the annualised rate of the gross financial debt over the same period went from 1.81% to 1.82%;
- An increase of €0.1 million in 2020, due to a net exchange gain.

1.2.5. Net income

Given the change in operating income, on the one hand, and the financial result, on the other, as well as the tax expense (which is evolving in line with the increase in operating profitability), the Group recorded net income of €5.6 million over the 2020 fiscal year.

Excluding the effect of the payment fraud (€3.2 million, net of tax), the result of the period would increase to €8.8 million, including 2.6 million in contributions from companies acquired in 2019 and 2020, in an economic context that was complicated by the health crisis. In 2019, it posted net income of +€8.8 million.

1.3. Balance sheet structure

Extract from the consolidated balance sheet (in million euros)	2019	2020	Of which constant scope	Of which new scope
Non-current assets	90.5	143.3	95.2	48.1
Current assets (excluding cash and cash equivalents)	53.0	82.0	60.5	21.5
Cash and cash equivalents	50.3	80.3	134.2	-53.9
TOTAL ASSETS	**193.8**	**305.6**	**289.9**	**15.7**
Shareholders' equity (incl. minority interests)	124.9	163.8	162.4	1.3
Non-current liabilities	34.5	84.5	81.5	3.0
Current liabilities	34.3	57.4	45.9	11.4
TOTAL LIABILITIES	**193.8**	**305.6**	**289.9**	**15.7**

1.3.1. Non-current assets

Non-current assets primarily consist of fixed assets (tangible and intangible, including goodwill and financial assets), and deferred tax assets.

In comparison with the data from 31 December 2019, the total non-current assets rose €52.8 million. This increase is primarily broken down as follows:

- €48.1 million due to the inclusion of Ellex's Laser and Ultrasound business lines within the consolidation scope, as well as of the EssMed subgroup; this amount includes goodwill of €29.3 million, exclusively concerning Ellex;
- €(0.2) million due to the change in historic goodwill contributed by Lumibird, primarily due to the impact of the change in the price of the British pound on Halo-Photonics' goodwill;
- A €5.0 million increase in net tangible and intangible fixed assets, with the net investment flows for the period (+€13.1 million) being partially offset by net allocations to amortisations (-€8.7 million) and net exchange differences (-€0.3 million);
- A €0.6 million increase in non-current financial assets, primarily corresponding to cash collateral granted to Bpifrance Financement within the context of establishing the two financing lines;
- A €0.7 million decrease in non-current tax credits (excluding deferred tax assets), due to recording the Group's 2020 R&D tax credit [*CIR*], and the change in the age of prior R&D tax credits;
- A €0.5 million increase in deferred tax assets, due to the use of French tax consolidation deficits in the amount of -€1.8 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 €82.0 million in cash, up €29.0 million from 31 December 2019, of which €21.5 million comes from the contribution of new 2020 acquisitions (the Laser and Ultrasound Business line of Ellex and the sub-group EssMed). Excluding this contribution, on a like-for-like basis, the "current assets" line item increased €7.5 million. 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 2020	124.9
Dividend distribution	-
Income– Group share	5.6
Translation differences	-0.5
Actuarial differences	-0.3
Treasury shares	-2.7
Bonus shares	1.0
Capital increase	35.6
Other change	0.0
SHAREHOLDERS' EQUITY AT 31 DEC 2020	**163.7**

On 16 June 2020, the Lumibird Group closed a subscribed capital increase of more than 190%, for a gross amount, including issue premiums, of €36.3 million, representing an issuance of 4,037,015 new shares, each at a unit subscription price of €9.

Furthermore, during the course of 2020, excluding the liquidity contract, the Group signed a contract with an investment provider to purchase its own shares to cover the payment of a pending free share plan. Over the course of the year, the number of shares acquired totalled 241,141.

1.3.4. Current and non-current liabilities

	2019			2020		
	Non current	Current	Total	Non current	Current	Total
Financial debts	25.0	7.1	32.1	71.5	16.8	88.3
Provisions (excluding employee benefits)	0.0	0.7	0.7	0.4	0.7	1.1
Employee benefits	2.5	-	2.5	3.1	-	3.1
Deferred tax liabilities	0	-	0	0.6	-	0.6
Other liabilities	6.9	26.6	33.5	8.8	39.1	47.9
Tax payable		0	0		0.7	0.7
TOTAL CURRENT AND NON-CURRENT LIABILITIES	**34.5**	**34.3**	**68.8**	**84.4**	**57.4**	**141.8**

Current and non-current liabilities stand at €141,8 million and show an increase of +€73.0 million compared to 31 december 2019, of which a 14.4 million contribution from new acquisitions in 2020. On a like-for-like basis, the increase in current and non-current liabilities amounted to 58.6 million euro and mainly reflects the change in financial debts (+54.6 million euro) explained below:

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

Net financial debt in million euros	2019	2020
Debts from credit institutions	22.2	61.5
Bonds	0.0	17.0
Financial lease and lease debts	5.3	5.6
Aid/ Repayable advances	0.9	0.8
Tax credits financing	2.2	2.0
Short-term bank borrowings and overdrafts	1.3	1.2
Other financial debts	0.1	0.2
TOTAL FINANCIAL DEBTS (current and non-current)	**32.1**	**88.3**
Cash assets	-50.3	-80.3
NET FINANCIAL DEBT	**-18.2**	**8.0**
Of which less than one year (1)	-43.2	-63.5
Of which over one year	25.0	71.5

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

The Group posted, as at 31 December 2020, gross financial debt of €88.3 million (i.e., an increase of €56.2 million) including a contribution from Ellex in the amount of €1.7 million, concerning a leasing debt. On a like-for-like basis, the change amounts to €54.5 million, primarily due to the following:

- In the amount of +€25.9 million to the establishment of several financing lines:
  - two lines of €5 million at Bpifrance Financement for a term of nine years and nine months (including an eight-quarter grace period), repaid at the rate of 1.5% and accompanied by cash collateral totalling €0.5 million;
  - A French EMP at six banks totalling €15 million;
  - A line of credit specifically dedicated to the Covid-19 crisis in the United States, totalling 1.2 million

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

- In the amount of +€32.2 million, drawing on several financing lines already in existence:
  - Balance of the acquisition debt (€29.9 million) to fund the acquisition of Ellex's Laser and Ultrasound line. This debt (i) bears interest at the Euribor three-month rate +1.65%, (ii) is repayable in five equal yearly payments as from December 2020 (first yearly payment made in December 2021) and (iii) is accompanied by two ratios, which if not respected will result in the debt being due:
    - A leverage ratio (ratio of the net consolidated debt to consolidated EBITDA) must not exceed a declining maximum, gradually moving from three (high limit) at 31 December 2019 to two (low limit) at 31 December 2022;
    - 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;
  - Part of the property debt established to fund the construction of the Quantel Medical building in Cournon d'Auvergne (€2.3 million).
- In the amount of −€1.4 million for repayments of debts (excluding leases), with the increase in financial lease debts (excluding the effect of scope) being offset by the repayment of the same debts.

Furthermore, and without this coming to modify the amount of gross debt, on 1 December 2020, the Group restructured its acquisition debt as follows:

- Refinancing of its acquisition debt of €35 million through the establishment of:
  - a revolving banking line of €17.5 million with the same banking pool, with the following initial terms of the debt: (i) Euribor three-month rate +1.65% (ii) repayable in five yearly payments as from December 2020 (first yearly payment made in December 2021) and (iii) requiring rate coverage to be put in place for 100% of the nominal amount of this debt;
  - a bond issue of €17.5 million, ultimately repayable on 1 December 2027 and accruing interest at 3.30%.
- Establishment of a supplementary acquisition debt:
  - banking debt in the amount of €41.3 million in budget confirmed for authorised targets and €41.3 million in unconfirmed budget for eligible targets (i) able to be drawn until December 2022 (ii) accruing interest at the Euribor three-month rate + 1.65% (iii) repayable in five yearly payments as from December 2022 (first yearly payment in December 2023) and (iv) requiring the establishment of rate coverage on 100% of the nominal value of this debt;
  - bond issue in the amount of €17.5 million in confirmed budget for authorised targets and €5 million in unconfirmed budget for eligible targets (i) able to be drawn until 31 December 2022 (ii) accruing interest at 3.30% (iii) repayable by 1 December 2027.

All of this debt is accompanied by two ratios, tested annually on 31 December, for which a failure to comply renders the debt due:

- a leverage ratio (ratio of consolidated net debt to consolidated EBITDA) must not exceed a declining maximum, gradually shifting from 3.50 (high limit) at 31 December 2020 to 2.75 (low limit) at 31 December 2026;
- a coverage ratio (ratio of the consolidated cash-flow to the servicing of the debt) which must be higher than 1 throughout the term of the credit.

As at 31 December 2020, the Group was complying with all of its financial ratios.

1.4. Cash flow

In 2020, the Group recorded a net cash flow of +30,1 million euros. The Group's cash flow statement is presented below:

Cash flow in million euros	2019	2020
Cash flow from operations	19,5	13,1
Cash flow from investments	-17,1	-67,1
Cash flow from financing	28,9	84,8
Impact of exchange rate variations	0,2	-0,6
CHANGE IN CASH	**31,5**	**30,1**

1.4.1. Cash flow from operations

Over the year, the Group generated €13.1 million of cash flow from operations, broken down as follows:

- - 4.0 million cash impact of the payment fraud suffered by the Group in May 2020;
- +22.1 million in operating cash flow before tax, financial expenses and payment fraud impact, generated almost exclusively by the Group's EBITDA, net of expenses directly related to the scope of consolidation;
- -6.1 million change in working capital requirements, due to the increase in trade receivables at the end of the year, linked to the significant seasonal effect in the fourth quarter;
- + 1.1 million in taxes received (application of the advance payment method in the French tax consolidation group).

1.4.2. Cash flow from investments

1.4.2.1. Investments carried out

Investments carried out in million euros	2019	2020
Industrial investments	11.2	12.7
Financial investments (excluding acquisitions)	0.3	0.6
INVESTMENTS RECORDED	**11.5**	**13.3**
Disbursement on acquired industrial investments	11.3	12.4
Cash from disposals of industrial investments	-0.3	-0.1
Disbursement on acquired financial investments	0.3	0.6
Cash from disposals of financial investments	-0.3	0.0
INVESTMENTS PAID OUT	**11.0**	**12.9**
Acquisition of subsidiaries – Net cash	*6.1*	*54.2*

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

- to financial leases contracts, and
- to the change in trade payables for fixed assets.

The following table presents the various investments carried out by the Group in 2019 and 2020:

Investments carried out in million euros	2019	2020
Intangible investments	5.5	7.1
Investments in tangible assets	5.7	5.6
Financial investments	0.3	0.6
TOTAL	**11.5**	**13.3**

In 2020, the industrial investments recorded by the Group rose to 12.7 million. They primarily concern:

- research and development fees capitalised for €6.4 million;
- the new site in Cournon d'Auvergne, future headquarters of the Group's "Medical" business, for €2.9 million;
- arrangement of industrial facilities to match the Group's industrial development, in the amount of €1.1 million, mainly in Lannion ;
- new rights of use (through leases) for €1.2 million;

The acquisitions of subsidiaries concern the amounts withdrawn to purchase Ellex and EssMed shares, net of cash acquired.

1.4.2.2. Ongoing investments

As at 31 December 2020, the amount of ongoing investments recorded is not significant.

1.4.2.3. Investments to be made

In March 2019 a new building intended to house the business of Quantel Médical in Cournon-d'Auvergne was acquired. In fiscal year 2020, 2,9 million worth of work was carried out on the building. Additional work is planned for the first quarter of 2021 at a cost of €0.7 million. The commissioning date is set for March 30, 2021.

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 €58.1 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 (€1.6 million).
  - repaid €2.3 million in finance lease liabilities;
  - the Group has paid €1.4 million in financial charges.
- its relationship with its shareholders (capital increase): in June 2020, Lumibird carried out a net capital increase of €35.6 million, which is more extensively described in paragraph 1.1 of this report.

2. 2020 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:

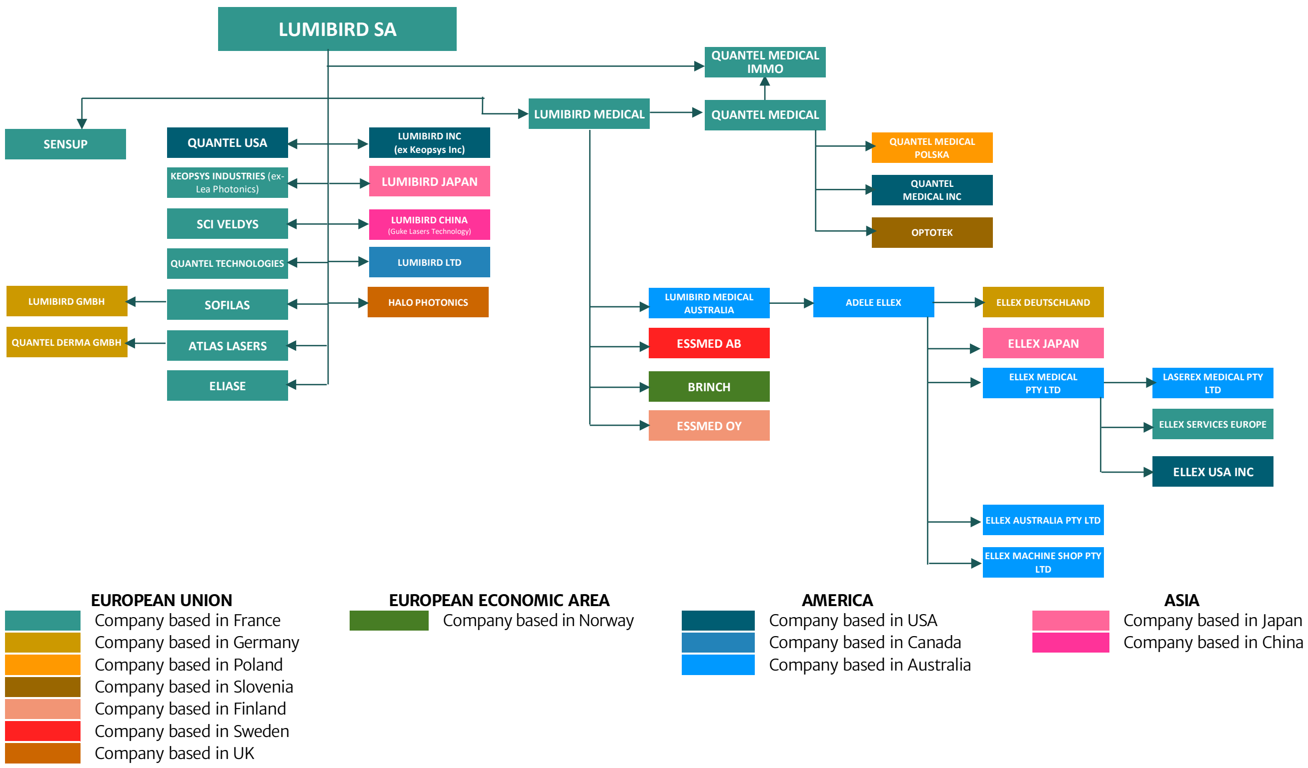
In millions d'euros	31/12/2019	31/12/2020	Change
Revenues	66.7	65.0	(1.7)
Operating income	7.7	-	(7.7)
Financial income	0.6	5.3	+ 4.7
Extraordinary income	0.3	70.1	69.8
Profit sharing	(0.5)	-	+ 0.5
Income tax (including tax consolidation)	(0.5)	0.4	+ 0.9
NET INCOME	**7.6**	**75.9**	**68.3**

Net income stood at €75,9million, up +€68,1 million, distributed as follows:

- −€7,9 million decrease in operating income: the decrease in activity (− 1.7 million euros in terms of revenues) is accompanied by the deployment over a full year of the Group's transfer pricing policy, making Lumibird bear the burden of the Development effort within the Photonics division as well as the variations in activity due to the health crisis;
- +€4.7 million improvement in financial income due to the foreign exchange gain realized through the implementation of a currency hedge in connection with the acquisition of Ellex Group shares;
- + €69,8 million improvement in exceptional income linked to the generation of a capital gain on the sale of shares as part of a reorganization of the medical branch, leading to the reclassification of the Quantel Médical shares under Lumibird Médical ;
- + €0.5 million related to the lack of a participation reserve in 2020, unlike 2019;
- +€0,9 million tax expense, linked to the improvement in the results of the tax consolidation group.

2.2. Subsidiaries' business

2.2.1. Group structure at 31 December 2020



The structure presented above reflects the Group at 31 December 2020. 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 Quantel 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 SERVICES Europe** (France), **ELLEX Japan** (Japan), **ELLEX USA**, Marketing companies in Medical sector that serve European markets, Asian markets, and North American markets respectively.

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;
- **ATLAS LASERS**, company holding the securities of Quantel Derma GMBH, 100% depreciated (4.7 million euros), taking into account the Dermatology business' sale in August 2012. The company has no business anymore;
- **SOFILAS**, a company incorporated in December 2007, which does not have any business. Since 2014, it holds the Quantel GMBH securities;
- **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.

The key figures for LUMIBIRD's main subsidiaries at 31 December 2020 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 2020

In order to ensure better comprehension and coordination of medical activities, in particular following the acquisition of Ellex and EssMed, in fiscal year 2020, the Group reclassified the shares of Quantel Medical (and in doing so its subsidiaries) under Lumibird Medical, with no impact on the Group's accounts (with regard to transactions carried out between jointly controlled companies).

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 completion of this acquisition is subject to conditions precedent, in particular obtaining the required authorisations from the regulatory authorities. 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.

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 Atlas Lasers, Sofilas, 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 ;
  - Managing Director of Adèle Ellex ;
  - Managing Director of Ellex Japan ;

  Managing Director of Ellex USA ;

- 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 Australia ;
  - Managing Director of Ellex Medical Pty ;
  - Managing Director of Ellex Machine Shop ;
  - Managing Director of Laserex ;
  - Managing Director of Ellex Services Europe ;
  - Managing Director of Ellex USA ;
  - Director of Lumibird Medical AB (ex EssMed-AB) ;
  - Managing Director Lumibird Medical OY (ex EssMed OY);
  - Vice President and Director of Brinch.

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 2020. The French company formed over the course of fiscal year 2019, Lumibird Médical, was included within the scope of consolidation as at 1 January 2020.

As at 31 December 2020, the tax group headed by the Company had €11.1 million in deficits (compared to €15.3 million one year earlier). The €0.5 million in its own deficits which the Group had as at 31 December 2019 were transferred to Quantel Technologies within the framework of the partial contribution of assets subject to the legal system of spin-offs completed in 2019, after obtaining consent from the tax administration to make this transfer.

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)	31/12/2019	31/12/2020
Trade receivables not due	-	-
Guarantees given on markets	19	116
Pledges on tangible and intangible assets	-	-
Pledges on securities	-	-
Actual sureties	-	-
TOTAL	**19**	**116**

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

(€'000)	31/12/2019	31/12/2020
Trade receivables transferred	-	
Guarantees and letters of intent	900	900
Collaterals and pledges on tangible and intangible assets	6,481	7,936
Collaterals and pledges on securities	35,000	140,000
Privilege to money lenders	4,821	5,729
Actual sureties	46,303	153,665
TOTAL COMMITMENTS GIVEN	**47,203**	**154,565**

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 45,905 thousand euros at 31 December 2020.

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;

- Its bond pool to (i) finance external growth operations on authorised targets in the additional amount of €41.5 million (confirmed budget), under the terms detailed in paragraph 1.3.4 of this report and (ii) to finance external growth operations for eligible targets in the additional amount of €5.0 million, subject to the consent of a credit committee (unconfirmed budget), under the same financial terms 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. 411-4 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.441-4 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	-	93	7	-	3	103
	Total amount of invoices concerned (All taxes included)	-	1,570	30	-	15	1,616
	% of the total amount of purchases for the year	-	3%	-	-	-	3%
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		133	28	14	106	281
	Total amount of invoices concerned (All taxes included)		3,956	890	191	1560	6,597
	% of the total amount of purchases for the year		6%	1%	0%	2.5%	10%
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 €3.7 million in invoices issued to intragroup subsidiaries for which payments were made in January and February 2021;
- to €1.5 million in invoices coming due at the end of December and paid 4 January;
- to the balance of €1.4 million, offset by advances and instalments recorded under liabilities in the amount of €0.8 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 2020 fiscal year, came to 14 million euros, with 7 million euros capitalized and 7 million euros expensed for the current fiscal year.

6. DECLARATION OF EXTRA-FINANCIAL PERFORMANCE

This Declaration of Extra-Financial Performance, prepared for the 2020 fiscal year, in application of Order No. 2017-1180 relating to the publication of non-financial reporting transposing European Directive 2014/95/EU, presents how the LUMIBIRD Group approaches the social, environmental, and societal challenges arising from its business model.

The construction of the Lumibird Group since 2017, which began with the merger of the Keopsys and Quantel groups, has led to significant structuring work, as well as the implementation of a new organisation in 2019. It aims to standardise the Group's extra-financial performance policies and overall CSR approach.

In 2019, the Group's Senior Management determined the risks and challenges of the business model, with the assistance of the quality, human resources, and finance departments. An initial risk mapping was prepared and shared with the members of the Management Committee. This first year allows the Group to initiate the deployment of policies and key performance indicators relevant to the main risks identified.

The Covid-19 crisis that began in the first quarter of 2020 prompted the Group to mobilise its funds to ensure that all measures had been taken to guarantee the safety of the Group's employees and partners, financing, procurement, and business in general. The departments involved in the ESG project were particularly affected. The pace of the ESG plan indeed ended up being significantly impacted. Senior Management thus redeployed its ESG plan for the 2021-2023 horizon, having completed over the course of 2020:

- further development of its business model, better integrating the identification of the stakeholders, as well as associated risks and challenges;
- a review of its risk mapping, in connection with this analysis work;
- formal approval of the terms of its Purchasing policy.

The information presented below falls within the Group's scope of consolidation for social and environmental indicators. The Group is currently rolling out a process to extend the reporting scope to other non-financial data.

6.1. Business model

The objective of the Lumibird Group is to enable the democratisation of lasers by offering innovative and competitive laser solutions to as many people as possible.

Strengthened by its 50 years of experience, and the mastering of the three most cutting edge laser technologies (solid lasers, laser diodes, and fibre laser), the LUMIBIRD Group designs, manufactures, and distributes high-performing lasers for scientific use (laboratories, research, universities), industrial use (space, defence, lidar sensor), and medical use (ophthalmology). It is also positioned in sensor technology, representing the 4th technological revolution in the field of photonics.

As a midsized group with an average headcount of 846 people in 2020, and reported sales of €126.7 million, LUMIBIRD is the result of the merging of the Quantel and Keopsys groups. Very active in terms of external growth, it is nimbler than a large, diversified group and more powerful than a single-application technology company. A high-tech company with an international scale, in 2020 the Group made 20% of its sales in France (down 27% vs 2019), 23% in other European countries (+17% vs 2019), 23% in the Canada, United States, and Latin America zone (+32% vs 2019), 23% in the Asia-Pacific zone (+49% vs 2019) and 11% in the rest of the world.

The Group's ambition, reaffirmed in 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) through a stronger 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 market to keep up with development of autonomous vehicles, wind power, and 3D scanning;
- A strengthened position in the space sector and in the defence sector, to keep up with the development of that sector in Europe and North America.

To do so, it is relying on its innovation and commercial production capacity:

- Innovation, to design increasingly high-performing products that are adapted to the constraints of the end users, in particular concerning miniaturisation, power, and precision;
- Commercial production, to adjust capacity to the strong demand of markets, at increasingly competitive costs. The stages of production of a laser are still currently primarily manual, although the processes and production lines established by LUMIBIRD fall within this culture of commercial production and "lean manufacturing".

This capacity for innovation remains a major source of added value for the Group, which still dominates it, through the patents it files, its control over product assembly (no use of outsourcing) and over the manufacture of critical components.

Insofar as it does not have sufficient resources to simultaneously renew all of the products of its various ranges, the Group is concentrating its investments on products whose commercial success is most likely, and for which it has or will have the appropriate technical expertise.

Its operating and legal areas are implementing this strategic direction, with:

- The rollout of two divisions (Medical, representing 46% of the Group's sales in 2020, and Laser, representing 54% of its sales), connected to the legal entities led by a common management team, which implement the Group's strategy;
- In the Photonics division, the implementation of production, R&D and after-sales activities on the one hand, and sales, on the other, around LUMIBIRD SA – which acts as a lead holding and the main sales company.

Its production plants are located:

- For the Photonics division in France (Lannion, Les Ulis, Le Barp, Cesson-Sévigné), in the United States (Bozeman) and in the UK (Worecester);
- For the Medical division in France (Cournon-d'Auvergne), in Slovenia (Ljubljana) and, since the acquisition of the laser and ultrasound division of Ellex on 30 June 2020, in Australia (Adelaide);

Its sales subsidiaries are located in France (LUMIBIRD SA, Quantel Medical, Ellex Services Europe), inEurope (Poland, Sweden, Finland, Norway, Germany), in China, in Japan, in the United States, in Canada, in Australia. In regions where the Group does not have a commercial establishment, it has 110 distributors.

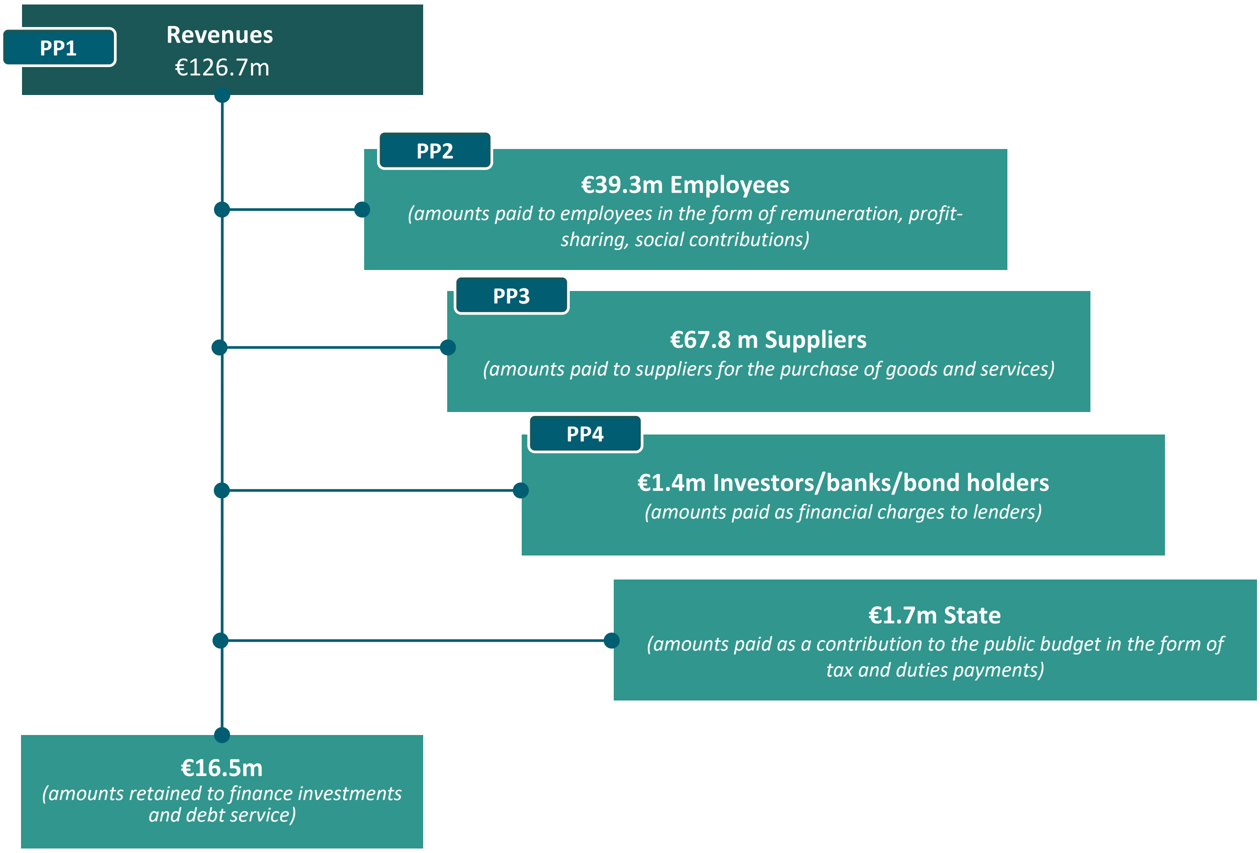
The business model thus described may be outlined as follows:

OUR RESOURCES	WHY ITWILL BE DONE	OUR CREATION OF VALUE
	Propose innovative laser solutions	
Human - 839 employees in 13 countries - (headcount as at 31 December 2020)		**A loyal team committed to strong values** - 14% growth in headcount on a like-for-like basis - 6% departure rate of people working under open-ended contracts [*CDI*]
Intellectual - Seven R&D sites - 145 R&D employees	Design innovative products to allow our clients to grow	**Intellectual property** - €14 million in development expenses, 50% of which have been activated
Industrial - Ten production plants - 421 production employees	Buy critical materials and components, creating a sustainable partnership with our suppliers	**Increased financial stability** - Revenues: €126.7 million (+14.5%) - EBITDA: €23.7 million (+12.8%) - COI: €14.1 million (+11.2%)
Commercial - 13 sales subsidiaries - 107 employees		
Financial - Gross cash: €80.3 million - Financial debt: €88.3 million - Acquisition debts: • €35 million drawn • €105 million able to be drawn	Produce high-quality laser solutions that are safe and adapted to clients' needs	**Recent consolidations:** - Ellex (06-2020) - Essmed (07-2020) - Optotek (08-2019) - Halo-Photonics (12-2019)
Ethics: CSR commitments - Code of Conduct - Compliance Policy - Purchasing Policy	Sell, distribute, and install our laser solutions, offering after-sales service to ensure product durability	**Limited environmental footprint** - GHG Issuance: 462 T/CO2 - Controlled energy consumption: 5,148 MWh (84% electricity)

The sustainability of the model relies on the soundness of the interactions that the Group is able to build with its stakeholders. This solidity relies on properly identifying the latter and having a good understanding of each party's expectations. The work conducted in 2020 allowed the following mapping to be established:

MAIN STAKEHOLDERS	EXPECTATIONS/METHODS OF ACTION
Clients (PP1)	Expectations: ¬ Compliance with regulations ¬ Compliance with technical features of the product/Studies ¬ Contribution of innovative and sustainable technical solutions (management of obsolescence) ¬ Compliance with confidentiality of results ¬ Good quality/price ratio ¬ Consideration of an eco-citizen and eco-responsible process Method of influence: ¬ Indexing of the Group as providers (audit, commitment to responsible purchasing) ¬ Non-renewal of agreements/contracts Non-payment of invoices
Employees (PP2)	Expectations: ¬ Attractiveness of positions (career development, interest of engagement, values) ¬ Equity, equality ¬ Consideration of well-being, health, and work safety ¬ Consideration of an eco-citizen and eco-responsible process Method of influence: ¬ Turnover ¬ Employer-employee dialogue ¬ Reputation on social networks
Suppliers and Providers (PP3)	Expectations: ¬ Clear definition of technical specificities ¬ Contracts for price, quantity, and term that provide sufficient financial visibility Method of influence: ¬ Price ¬ Supply term
Financial community PP4 *(shareholders, investors, bank, insurance, market authority)*	Expectations: ¬ Long-term visibility of strategy ¬ Regular communications, discussions with executive manager ¬ Sustainable financial balance and profitability ¬ Compliance with regulations ¬ Risk management (industrial, financial, non-financial risks) Method of influence: ¬ Analysis, rating, complaints or explanations ¬ Amount of insurance premiums and coverage fields ¬ Evolution of shares held ¬ Extent of financing proposed

In 2020, the value created by the Group was shared as follows:



The Group's CSR process aims to promote and consolidate this business model, incorporating the expectations of all stakeholders. Its construction, roll-out, and implementation is an important growth lever, insofar as it will allow the four main challenges identified to be addressed:

- Develop a trusting relationship with our clients, allowing for sustainable development of the ecosystem and the markets for the most innovative technologies;
- Create loyalty, motivate, and positively involve employees in the strategy, as well as participate in their development;
- Form solid and sustainable partnerships with our suppliers that are able to develop and grow with the Group;
- Adopt a global citizenship approach (which ensures a high threshold of requirements in terms of business ethics) that is environmentally responsible (ensuring the preservation of the ecosystem).

6.2. Main extra-financial risks

In view of this business model, its ambition and its stakeholders, the Group carried out a review of the first mapping of its extra-financial risks in 2020. As in 2019, this review involved the General Management, Finance, HR and Quality departments.

The set of risks is based on an analysis of the regulatory texts applicable to the Declaration of Extra-Financial Performance, in particular the list of information stated in Decree 2017-1265, the business model, the objective of the stakeholders and the main issues identified. Each risk identified was rated, considering the severity and probability of it occurring. The rating was made before taking into account the measures and policies in place to mitigate the effects of the risks.

This mapping, validated by the General Management, led the Group to keep its 2019 analysis of the five main extra-financial risks:

- Risks to talent and expertise
- Product risks
- Risks related to a deterioration in the relationship with clients
- IT system risks
- Risk of insufficient consideration of the consequences of climate change.

The interaction between the issues of the model, the associated risks and the policies/approaches deployed can be summarised as follows:

ISSUES	RISKS	POLICY / APPROACH	SUSTAINABLE DEVELOPMENT GOALS
Supporting our customers in the long term by offering innovative technical solutions	¬ On client relationship ¬ On products ¬ On talents and expertise ¬ On IT systems	¬ Quality policy ¬ R&D Roadmap ¬ HR Policy	3 BONNE SANTÉ ET BIEN-ÊTRE 4 ÉDUCATION DE QUALITÉ 5 ÉGALITÉ ENTRE LES SEXES 9 INDUSTRIE, INNOVATION ET INFRASTRUCTURE 10 INÉGALITÉS RÉDUITES
Involving employees in the Group's strategy	¬ On talents and expertise	¬ HR Policy	3 BONNE SANTÉ ET BIEN-ÊTRE 4 ÉDUCATION DE QUALITÉ 5 ÉGALITÉ ENTRE LES SEXES 8 TRAVAIL DÉCENT ET CROISSANCE ÉCONOMIQUE 10 INÉGALITÉS RÉDUITES
Develop a sustainable relationship with critical suppliers	¬ On products	¬ Procurement policy	12 CONSOMMATION ET PRODUCTION RESPONSABLES 16 PAIX, JUSTICE ET INSTITUTIONS EFFICACES
Be part of an environmental and civic approach	¬ On client relationship ¬ On talents and expertise ¬ On insufficient consideration of the consequences of climate change	¬ CSR approach ¬ Ethical approach	6 EAU PROPRE ET ASSAINISSEMENT 7 ÉNERGIE PROPRE ET D'UN COÛT ABORDABLE 8 TRAVAIL DÉCENT ET CROISSANCE ÉCONOMIQUE 9 INDUSTRIE, INNOVATION ET INFRASTRUCTURE 10 INÉGALITÉS RÉDUITES 12 CONSOMMATION ET PRODUCTION RESPONSABLES 16 PAIX, JUSTICE ET INSTITUTIONS EFFICACES

6.2.1. Risks to talent and expertise

There is no innovation process without effective talent management, which allows the Group:

- To have a qualified and motivated management team to lead the Group's strategy, in the various speciality areas;
- To have very specialised technical expertise in the fields of optics and optoelectronics, for all business lines for the R&D approach to production and to VAS, without forgetting the support services: Purchasing, Supply Chain, IT, Quality, Finance, Human Resources, etc.
- To design high-quality products that address the technological challenges of the Company and its clients;
- To manufacture these products with the level of quality and safety required.

To do so, the Group must constantly attract, motivate, continuously train, and build loyalty among a highly qualified staff in the areas of R&D, design and manufacture, technical support, and sales.

The current environment is marked by a shortage of human resources and hyper-competition among organisations. If the Group were not able to attract and keep its talent, the technological advance it has would be lessened and several development programs would be significantly delayed, or even cancelled. The Group could then see its market shares reduced and its reputation as an innovative company diminished.

The Group intends to cover this risk by defining and rolling out a suitable Human Resources policy, and integrating the following sustainable development goals of the United Nations:

- **GOAL 3** : Ensuring healthy lives and promoting the well-being for all at all ages;
- **GOAL 4** : ensuring equal access to quality education for all and promoting lifelong learning opportunities;
- **GOAL 5** : achieve gender equality and empower all women and girls;
- **GOAL 8** : promote sustained, shared and sustainable economic growth, full and productive employment and decent work for all;
- **GOAL 10** : reduce inequalities within and between countries.

This policy, the principles of which have already been determined by Senior Management, must be formalised and rolled out within the Group during the second quarter of 2021.

6.2.2. Product risk

6.2.2.1. Risk to the innovative nature of the products

The Group's markets are subject to multiple and constant technological and regulatory developments.

The Group controls three or four major laser technologies and, strengthened by its confirmed technological lead (notably in fibre laser technologies), strives to maintain and develop an innovative range of products, responding to and anticipating the market's needs. As such, it is positioned as a major player in the 4th technological revolution in the photonics sector, through the development of LIDAR sensors.

If the Group were to abandon, or be unable to deploy its innovative approach, it would lose its leading position in fibre lasers, might not survive technological turning points in the future, and would be unable to position itself in future markets.

In order to cover this risk, the Group strives to deploy a medium to long-term "Development" roadmap allowing it to maintain its technological progress, all while allocating its resources to development projects that are in line with the sector's expectations, as upstream as possible.

This roadmap identifies 50 projects, 20 of which have been deemed to be priority projects.

6.2.2.2. Product quality risk

The products sold by the Group are extremely complex and their manufacture requires particular vigilance.

LUMIBIRD's competitive position in its extremely technological markets also relies on the quality of the products it designs, manufactures, and distributes. The challenge for the Group is both maintaining its reputation, its market shares, and of ensuring the safety of its clients.

6.2.2.3. Risk to supply and to the relationship with suppliers

In order to be able to manufacture its products, LUMIBIRD calls on third-party suppliers, in particular so that it can procure specific components, such as laser crystals for solid lasers, Pockels cells, flashes, laser diodes for all types of lasers, ultrasound transmitters, high precision optical instruments, slit lamps. The company also offers a wide range of products such as bio-microscopes, bio-microscopes and mirror galvanometers for medical lasers.

For all of these components, considered as critical, the Group uses, to the extent possible, at least two suppliers, in order to be able to negotiate prices and deal with any potential failure on the part of either supplier.

The main challenges for the Group that are linked to its choice of suppliers are as follows:

- Preventing a single-source supply from making the Group dependant on the financial health of its supplier, its quality policy, or the political or health stability of the country where that supplier is located;
- Ensuring a responsible purchasing policy under which suppliers commit to complying with environmental criteria and to respecting human rights, in accordance with the sustainable development goals of the United Nations:
  - GOAL 12 – establish sustainable consumption and production patterns;
  - GOAL 16-15 –significantly reduce corruption and bribery practices in all their forms.

  This framework has led the Group to ask its providers to obtain a certificate of compliance with the REACH, RoHS, and CMRT directives (restricting the use of toxic, hazardous, or rare substances), the general principles on respect of human rights, and the fight against slavery and forced labour.

In 2020, the Group endeavoured to formalise this purchasing policy, which will be deployed in the second quarter of 2021.

6.2.3. Risk linked to the client relationship

The demands of LUMIBIRD's clients for products with high added technological value, are significant in terms of product quality, responsive services and respect for deadlines.

Specific attention must be given to client satisfaction, the risk of harming the Group's brand image, and its competitive position in its markets.

The effectiveness of the quality process in connection with client satisfaction may be measured through:

- the measurement of the rate of order renewals or requests within the framework of R&D requests for bids;
- satisfaction surveys (conducted internally, or by external providers);
- rate of client feedback;
- monitoring of payment incidents and their nature.

6.2.4. Risk related to IT system security

LUMIBIRD relies on an evolving IT system, which lists all of the data needed to design, manufacture, and distribute products, and more generally those needed to properly perform all of the Group's services.

Within the context of its work for defence players, specific security measures have been taken to ensure that data is fully leakproof.

LUMIBIRD considers the risk of its data being hacked or of a cyberattack leading to a data loss to be critical, as such an occurrence could severely impact the Group's business continuity, as well as its brand image. A theft of technical data could moreover cause LUMIBIRD to lose its leading position in certain markets.

Over the course of 2020, and despite the fact that no considerable data was compromised, the Group was the victim of fraud due to identity theft in payment methods obtained by hacking the email account of a senior executive.

The following occurred in 2020:

- strengthening of access security protocols (two-factor authentication, password policy, information on phishing techniques);
- roll-out of servers improving the availability and security of servers and data;
- audit of IT systems including intrusion tests leading to recommendations and an action plan.

6.2.5. Risk related to the consideration of the environmental footprint

The ecological footprint of LUMIBIRD's activities remains limited, as its manufacturing process does not require the use of polluting products, nor does it generate the emission of waste that could impact the environment. Only energy consumption is likely to result in greenhouse gas (GHG) emissions, which the Group wishes to control initially.

While the Group's R&D and production activities are not very susceptible to GHG emission, LUMIBIRD does not consider its carbon footprint to be null due to:

- The global sale of its products, which require the use of air and road transportation to carry its products;
- The geographic location of its sites: despite the growing use of modern communications tools (videoconferencing, internal messaging), travel of teams between sites is still frequent

The Group wishes to monitor its carbon footprint and to set goals for improvement in this area. The first stage consists of recording the carbon impact from its facilities. In 2021, the Group will strive to determine and record its carbon impact linked to the activities of transporting people and products. At the end of this recording work, it will set a goal to reduce its footprint, along with an adequate action plan.

6.3. Policies and approaches implemented and indicators

The Group and its Departments' structuring work on non-financial challenges was addressed in a thorough review in 2019, which was set to be finalised in 2020. The health crisis mobilised a portion of the Group's central resources and shifted its priorities. The main policies intended to cover the primary financial risks were not able to be successfully finalised, and have been delayed to 2021. The framework is now ready to formalise the policies and establish a system for essential mechanisms to handle the Group's non-financial challenges.

6.3.1. Human Resources policy

Human Resources management relies on strong values. Dedication to these fundamental values is materially reflected on site. At the core of these values is the constant efforts to better respond to client and consumer expectations, with secure, competitive, innovative, and sustainable solutions.

The expertise and commitment of its associates are one of the Group's main strengths. Employee motivation and valuing human resources have thus been placed at the centre of the Group's social policy.

The diversity of the Group's businesses and activities, their strong potential for development, innovation, and personal challenges, make it possible for the Group to have a dynamic and tailored human resources policy.

The current environment is marked by a shortage of human resources and intense competition from other organisations. As human capital is a key resource for the Group, it strives to improve:

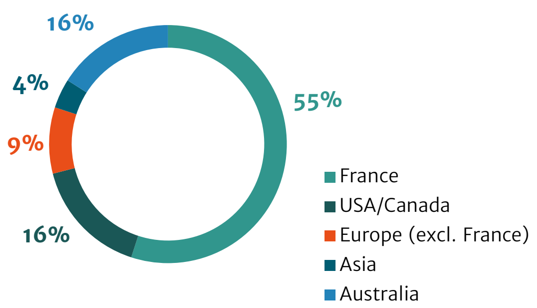
- Its visibility, through its participation in various professional conferences, its communications on social networks, and hosting interns at various levels to present the Group and its business lines;
- Its attractiveness, through a person-centred and motivating social policy: hiring with opened-ended contracts, employee integration, compensation policy adapted to the markets, and ensuring a motivating, variable share of compensation, and geographic mobility within the organisation;

- Employee well-being and their health/safety at work, notably through:
  - Workplaces that are well-suited for the activities being performed;
  - A development of new work methods, in a multi-site and multi-country environment: telework, modern communication methods (videoconferencing, Group messaging, etc.)
  - Medical follow-up adapted to the work performed (in particular specific and regular eye exams for any associate working directly with laser products).
  - the establishment of strict health rules and work protocols that have been adapted to the Covid-19 health situation.
- a skills development policy, implemented through:
  - an open recruitment policy for diverse areas of expertise, talents, and career paths, which promotes internal mobility;
  - assistance with internal and external training needs, throughout their career;
  - the establishment of business line mapping, which will then allow skill bases to be determined. These skill bases will be used to measure employee expertise levels, and will allow bridges to be created between functions and levels, while calibrating training and/or monitoring needs;
  - the creation of an annual review of the workforce and organisations with the goal of measuring their performance level, identifying discrepancies as a function of future developments, and defining action plans for personnel that has been recognised as high-performing and/or who have been deemed to have potential.
- its social cohesion, through:
  - the establishment of a matrix-based, hierarchical organisation which transcends copes of responsibility and geographic boundaries, allowing teams from various different sites to work together in their area of expertise, and to develop a feeling of belonging to the Group;
  - facilitation of a quality employer-employee dialogue, without interruption for several years, based on respect and dialogue;
  - the establishment, in early 2020, of a single Economic and Social Union within France, opening the way to an integrated social structure and active employer-employee dialogue: in 2020, the first participation agreement covering all French employees was signed.

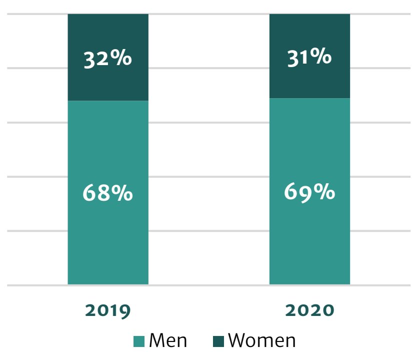
6.3.1.1. Workforce

TO DATE	2019	2020	%	Turnover
TOTAL GROUP WORKFORCE	604	839		
Number of permanent contracts (constant scope)	514	585	14%	6%
External growth	-	191		
Number of permanent contracts (Group)	514	776	51%	
% / Group workforce	85%	93%		
Number of fixed-term contracts (constant scope)	90	62	-31%	
External growth	-	1		
Number of fixed-term contracts (Group)	90	63		
% / Group workforce	15%	7%		

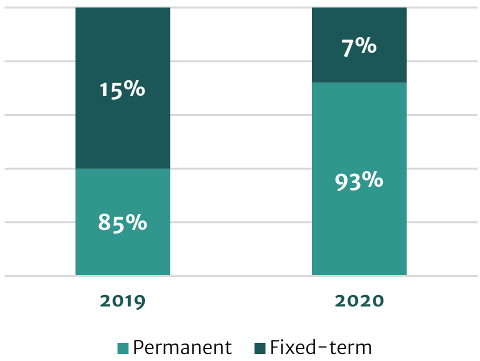
Workforce breakdown by geographic area



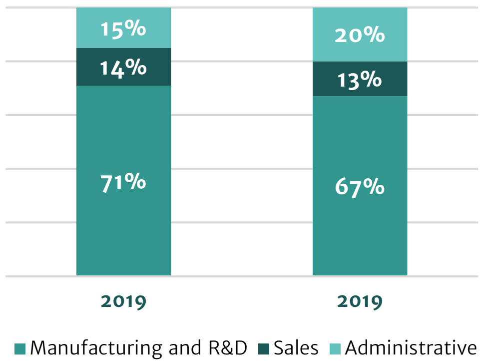
Workforce breakdown by gender



Workforce breakdown by contract type



Workforce breakdown by activity



Average	2019	2020	%
TOTAL GROUP AVERAGE WORKFORCE	**567**	**846**	**49%**
Constant scope	567	652	15%
External growth		198	
Of which men	382	584	
	67%	69%	
Of which women	185	262	
	33%	31%	
Of which executives	201	264	
	35%	31%	
Of which non executives	366	588	
	65%	69%	

	2019	2020
TOTAL GROUP AVERAGE WORKFORCE	**567**	**846**
PERSONNEL COSTS (€m)	**32.2**	**39.3**
Wages and social contribution	30.6	37.9
Profit sharing	0.8	0.4
Free shares allocation	0.8	1.0

The Group strives to ensure:

- Given its business model, a predominant part of the staff in "Studies and Manufacturing"
- A predominant part of open-ended contracts, which ensures the long-term efficacy of the talent management policy;
- A balanced age range, ensuring a harmonious transfer of knowledge between generations;
- The Group is accessible to disabled persons: as at 31 December 2020, the Group employed 21 disabled people (of which 14 in France), compared to 16 one year earlier.

6.3.1.2. Training

Increasing overall performance and managing the structure as efficiently as possible, using a qualified, well-trained, and professional staff, is one of the Group's commitments. In a period of transformation, it is important to mobilise resources and mechanisms to promote increased expertise of associates, and help them develop their business and technologies.

The ongoing training must support the continued improvement of the staff and organisation. It is reflected in:

- Sharing skills internally, within the Group,
- A training plan, in France, very disrupted by the impossibility of conducting face-to-face training for much of the year.

Targeted training needs are determined from each employee's annual progress and professional skills evaluation interview. The choice to offer local training, training between companies, and internal training programs allows the Group to offer all of its employees greater access to training. The mechanism at the Group level is under development, and the systematic analysis of the interviews will make it possible to build the training plan as closely as possible to the needs available from April 2021.

6.3.1.3. Respect for people

Respect for people is a fundamental value of the Group. It entails:

- Respect for equal treatment at all times
- Respect for the physical integrity of all stakeholders, including employees.

6.3.1.3.1. Ensuring equal treatment

As we firmly believe that gender fairness and diversity are true factors for creating efficacy and modernity, the Group believes that men and women must be professional equals, benefiting from equal treatment in terms of access to employment, professional training, and compensation.

This relies on two principles:

- Equal rights between men and women, which entails not discriminating among employees due to sex, whether directly or indirectly;
- Equal opportunity aimed at remedying, through concrete measures, inequalities that may be encountered by men or women in their professional field.

Furthermore, for a given job or a job of equal value, the Group implements a proactive employee policy to ensure equal compensation between men and women.

In terms of recruitment, the Group strives to make sure its recruitment process, whether it is external or internal, takes place under the same conditions for men and women. This process uses criteria based on use of the required skills.

In order to support equal opportunity to access all job vacancies in the company, men and women benefit from an identical recruitment process. The procedure for interviewing and recruiting only refers to the level of education, the nature of the degrees, past experience, and skills required.

In terms of training, the Group guarantees equal access of men and women to professional training, regardless of the type of training. Access to professional training is an essential factor for there to be equality between men and women in their career development.

More generally, the Group ensures that a work environment is created that is free from any discrimination in relation to age, origin, religious or ethnic identification, disability, or any other criterion.

6.3.1.3.2. Health and safety

Personal safety is a priority. The Group's Health, Safety and Environment teams (HSE) are tasked with understanding, anticipating, and remedying risky situations. This requires:

- Ongoing discussion with all company players, in particular with the other divisions and production teams, and with R&D, so that every decision incorporates health and safety;
- Use of regulatory oversight, following up on HSE training;
- Monitoring compliance with current regulations, and communications coordinated with government authorities
- Constructive collaboration with the personnel representative bodies, the CSSCT with quarterly local meetings and an annual meeting at national level.

All facilities or modifications to facilities are done in scrupulous compliance with the regulatory framework, working with the HSE referent persons in France.

In the United States, facilities comply with OSHA (Occupational Safety & Health Administration) standards.

In Australia, WHS (Work Health and Safety) rules are applied, with monitoring by a group of Ellex employees who form a WHS committee.

Hygiene and safety aspects are addressed by the Social and Economic Committee which meets each quarter as provided for by the current regulations. It is noteworthy that to date, no occupational health and safety agreements has been entered with the union organisations or staff representatives.

The level of qualification of personnel working on site is particularly high. The training trajectory leading to the work position is moreover supplemented by regular training sessions, which target aspects of electrical and laser risks.

The costs incurred at the risk prevention level pertain to either investments or to current expenses:

- As concerns investments, there are those that directly address risk prevention and environmental protection, but there may also be investments that are made to maintain industrial equipment, to increase capacity, or introduce new products, and that must take this subject into account. Under that circumstance, the corresponding amounts are hard to identify.
- The same principle applies to current expenses. Indeed, HSE concerns are intimately linked to all current expenses within industrial sites. Likewise, prevention and control activities are part of employees' daily lives at the workplace, through their professional activity. For these reasons, identifying expenses in order to specifically respond to these various regulations is hard, and does not allow quantified information based on easily identifiable and controllable criteria to be provided.

Very particular attention is devoted to the specific risks of lasers: laser radiation and electrical risks. The work structure is geared towards minimising these risks and includes: individual laboratories, the use of mandatory glasses, compliance with electrical safety principles, and regular medical exams.

During the fiscal year ended, the Group recorded 3 work accidents and no occupational illnesses, compared to six work accidents and 3 occupational illnesses in 2019. The number of accidents incudes all reported events, regardless of their severity and circumstances, in particular commuting accidents.

6.3.2. innovation and quality policy

The Group designs and manufactures products that are dedicated to the medical, Lidar sensor, defence and space, science, and industrial markets. Its mastery of technological performance, reliability, and costs is essential to provide leadership for its activities and ensure they are sustainable.

LUMIBIRD's quality policy, which is shared within the Group, aims to improve LUMIBIRD's performance in order to satisfy the needs and expectations of its clients. The Group has set the following goals:

- Innovation (to conquer new markets by developing new products and applications and optimising research and innovation methods within the Group);
- Performance (to improve the efficacy of the processes, maintain the Group's competitiveness, reduce timeframes);
- Reliability (aiming to improve product performance, control manufacturing, our activities, and our external suppliers);
- Expertise (by improving management and staff skills by establishing an ongoing training policy).

6.3.2.1. Innovation

As concerns the innovation policy, the R&D department has established a multi-year innovation plan as well as a list of development projects underway, categorised by order of priority. This plan is regularly presented and reviewed by Senior Management.

To date, the R&D teams are involved in more than 50 projects, 20 of which are considered priorities for the Group's development.

The R&D department's indicators are as follows:

	2019	2020
R&D workforce (to date)	ND	145
% of total workforce		*17%*
Gross R&D expenses	€9.3m	€14.0m
% of revenues	*8.5%*	*11.0%*
Capitalized expenses	*€6.4m*	*€7.0m*
Research tax credit generated (France)	€2.4m	€2.6m

6.3.2.2. Quality

6.3.2.2.1. Consumer safety

The products manufactured and sold by the Group are intended to be used by professionals of the medical, industrial, and defense sectors. They are in no way intended to be used by consumers. However, all measures are taken to at least comply with the European and American standards, and to ensure that users are informed of the risks assumed and the potential need to use appropriate protective glasses.

In 2020, no claims or requests for claims against the Group's products in cases of injury to persons or property were recorded.

6.3.2.2.2. Technical quality of products

A quality control process performed by dedicated teams is conducted for each product before being issued and sent to clients. This allows for ensuring:

- proper functioning of a product;
- compliance with the characteristics expected by the client;
- proper product safety.

Furthermore, an after-sales service, mobilised at each of the Group's plants and rolled out in each sales subsidiary, as close to the client as possible, ensures that technical issues relating to products that are or are not under guarantee are resolved.

The discussion launched in 2019 is still pending within the Group to determine the quality policy within the various departments (R&D, production, purchasing), and to determine the pertinent indicators needed to measure their efficacy.

	2020
Number of operating centres	10
Of which certified	6
%	60%

6.3.3. Purchasing policy – safety of supplies

The Group's purchasing policy falls within ongoing quality and innovation policies. In order to ensure a continuous supply which meets the expected technical requirements and ensures safe supply periods, the purchasing policy has the goal of:

- sharing and disseminating best practices in terms of multi-sourcing. For all sensitive components, the Group uses, to the extent possible, at least two suppliers in order to be able to negotiate prices and handle a potential supplier default (the goal is to have at least two reference suppliers, whenever it is possible to do so);
- pool supplier ratings in terms of fees, product quality, and supply terms;
- deploy a responsible process by choosing the partners committed to the Group's ethical, social, and environmental requirements.

The policy was formally approved in 2020 and must be rolled out within the Group as of 2021. A discussion is pending to determine the pertinent indicators needed to measure their efficacy, including:

- the portion of purchases covered by suppliers' obtaining REACH, RoHS, and CMRT certificates;
- the portion of purchases covered by a quality review of providers;

Over the course of 2020, the purchases of components and materials from French sites (which represent 33% of the Group's purchases over this same year) are covered by providers, 27% of which are certified. The Group's goal is:

- to raise this threshold to 50% by 2023;
- to extend this requirement to all of the Group's production sites.

6.3.4. Environmental policy

6.3.4.1. Combatting pollution

The Group's companies essentially act as assemblers, using optical, mechanical, or electronic components purchased from their suppliers. The environmental impact of their activity is thus low, insofar as the necessary precautions are taken to:

- Eliminate any risk of laser radiation outside of the laboratories equipped for this purpose.
- Have hazardous substances (which are used in limited quantities) processed by a specialised company.

6.3.4.2. Optimising consumption

The Group's environmental impact is essentially measured in terms of electrical consumption. The activities of the Group's companies do not specifically result in greenhouse gas emissions or major disturbances in terms of noise or odours.

Nevertheless, the Group intends to set a target for reducing its greenhouse gas emissions after identifying all sources of emissions. It has already committed to reducing team travel, in line with the practices put in place during periods of confinement and curfew: use of videoconferencing meetings and regular teleworking.

There is no known problem or impact concerning the use of soil, adapting to climate impacts, or biodiversity.

Its energy consumption comes primarily from its plants. The Group controls, to the extent possible, its power consumption, in particular by regulating the clean-rooms, which are one of the places that the most energy is used. Investments likely to reduce overall energy consumption are carefully studied, with the "Purchasing" department having the power to make proposals in this area: choice of printers/type of lighting/insulation plan. The new premises of its administrative centre in Rennes (operational in April 2020) have been established in a High Environmental Quality (HEQ) building. The new operating centre in Cournon d'Auvergne was designed to incorporate HEQ lighting and heating systems.

Overall, consumption for the operating centres was as follows:

In million euros	2019	2020	Change 2020/2019 (%)
Gaz (MWh)			
French site	472	475	1%
Other sites	NC	357	
TOTAL GAZ		**832**	
Électricity (MWh)			
French site	2,946	2,948	
Other sites	NC	1,369	
TOTAL ELECTRICITY		**4,317**	
GHG emitted (Tons CO2 equivalent) per € million of Group revenue			
French site	2.5	2.9	14%
Other sites	NC	2.0	
TOTAL GHG EMITTED		**3.6**	

In terms of the process of promoting the circular economy, the Group carries out the mandatory disposal and recycling procedures for chemical and electronic waste (processed by specialised companies), and recycles cardboard, light bulbs, and batteries. IT equipment is also given to specialised companies.

In terms of energy consumption, a key component of the Group's innovation concerns:

- Establishing shared platforms, which allow use of components (and materials) to be streamlined, focusing added value on design (intellectual capital);
- the democratisation of laser, which will entail developing a better priced laser (different design, which uses less materials), within a five to ten-year horizon.

6.3.5. Ethics policy

Acting with integrity, honesty, and equity are key components of sustainable performance, and an absolute value of the Group. The health crisis that the world has suffered since 2020 has undeniably led to a certain disruption of the teams (proliferation of remote work, reduction of in-person meetings or gatherings). The Group's international expansion prompted by its economic development and external foundational growth in 2019 and 2020 also contributed to this shift.

That is why the Senior Management deemed it necessary to formally approve a code of conduct which recalls all of the Group's ethical commitments. This code must be disseminated to all employees by late March 2021 and will be integrated into any new employee's welcome package.

6.3.5.1. Actions ensuring respect of human rights

6.3.5.1.1. Data Protection Regulation

In conformity with the European Union Data Protection Regulation (EU 2016/679) dated 27 April 2016, the LUMIBIRD Group is striving to establish a policy that will allow the legal provisions to be respected.

An audit was performed in late 2019 on the main support functions as well as on two French sites. Following this audit, a Working Group was established, led by the quality department, and including the Finance, Human Resources, and Systems departments, to determine an action plan and roll it out within the Group in 2020. An external Data Protection Officer has been appointed and is organising, together with the project team, the appropriate processes and documentation.

6.3.5.1.2. Other actions ensuring respect of human rights

Given the markets in which it operates, the Group does not deem it useful to undertake other specific human rights actions, although it complies with the human rights rules declared at the national and international levels.

6.3.5.2. Combatting corruption

The Group does not tolerate any form of corruption or embezzlement, including extorsion and bribes, to obtain a commercial advantage in conducting its business, and is committed to complying with the laws in effect in all of the countries where it operates. The procedures put in place since the establishment of an ERP IT tool have allowed the signing of sales and purchase orders to be monitored. These procedures are embedded in the rates, scales, and commissions established.

Over the course of 2020, the Group formally approved:

- A code of conduct with in particular integrates the proper conduct to be adopted to combat corruption, which must be rolled out at all of the Group's subsidiaries during the first quarter of 2021;
- A compliance policy which, upon validation by Senior Management, will be disseminated and signed by all of the Group's subsidiaries, recalling the Group's ani-corruption commitments.

6.3.5.3. Combatting tax evasion

The LUMIBIRD Group has always adopted a reasonable tax policy, aimed at ensuring its interests while preserving the trusted relationships with the established governments.

The Group's financial teams, regardless of the country where they are working, are committed to, with the support of a Group tax board and local boards where applicable, complying with the national and international tax obligations.

By establishing its transfer price policy, which was redone these past two years considering the restructuring operations made, the Group provided particular oversight on compliance with national and international tax provisions, and the location of profits with regard to the added value generated, without any tax optimisation logic.

Technical discrepancies may nevertheless arise at the time of controls, which could lead to tax disputes that are primarily linked to the interpretation of texts and the performance by the Group of its tax obligations. Where applicable, provisions are recorded in the accounts in order to reflect the consequences of these discrepancies.

During the fiscal year 2020, a tax inspection covering the fiscal years 2016 to 2018 was conducted and concluded without any adjustments.

6.3.5.4. Other ethical issues

Given its business, the subjects of combatting food insecurity, food waste, and respect for animal well-being are not very relevant, and are not covered by any specific policy.

6.3.5.5. Partnership actions

The Group's executives and President participate in numerous professional and academic bodies, and in particular the Pôle de Compétitivité de Bordeaux with ALPhA Route des Lasers/Aquitaine Développement Innovation, participation in GIMRA, and follow-up of the Master's degree in Drug Sciences at the Institut d'optique Graduate School..

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

7.1. 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 2020.

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.

7.2. Recent events

On March 3, 2021, the Lumibird Group announced the signing of an agreement with Saab to acquire its laser defence rangefinder business, established in Gothenburg (Sweden), which has revenues of more than €10 million based on the fiscal year ended 31 December 2020. The completion of this acquisition is subject to conditions precedent, in particular obtaining the authorisations required from the regulatory authorities. It is expected that this operation will be finalised for the first half of 2022.

If this acquisition is successfully completed, Lumibird will be able to offer its European clients in the Defence sector a wider range of lasers and rangefinders, of the short to long-range type, to cover an expanded market. This acquisition would also provide immediate access for all products to a broader panel of European clients.

The acquisition of this business, which Lumibird has been familiar with as a supplier of key components for more than 15 years, is an initial step towards consolidating the European market of defence lasers and rangefinders, and falls within the framework of the Lumibird Group's 2021-2023 Strategic Plan.

7.3. 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 paragraph 6.1 of this report.

7.4. Future outlook and information on trends

After having suspended its guidance in the context of the COVID-19 health crisis, LUMIBIRD is approaching 2021 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.

8. REGULATORY ENVIRONMENT

The Group works in a complex and evolving regulatory environment. Depending on the division and jurisdiction concerned, the applicable regulations may take the form of export or sale authorisations for the Group's laser or medical products. The Group is also subject to increasingly stringent CSR regulations in the course of its activities.

8.1. 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.

In particular, 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 the United States, a similar mechanism applies through the Export Administration Regulations ("EAR"), which subjects the export of dual-usage products manufactured in the United States to a system of authorisations issued by the United States Department of Commerce (more specifically, the Bureau of Industry and Security) depending on the country of export. These regulations particularly apply to exports by Quantel USA of certain versions of CFRs, DRLs, and MERIONs. 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).

8.2. 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.

8.3. CSR regulations applicable to LUMIBIRD

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) 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.

9. Allocation of earnings

9.1. Proposed allocation of earnings

It will be proposed to allocate earnings for the year ended 31 December 2020, with a profit of €75,903,814.10, as follows:

- €403,701.50 euros to legal reserve, increasing it from €1,842,986.70 to €2,246,688.20 (i.e. 10% of the share capital)
- €75,500,112.60 to "retained earnings", taking this account's from €+3,388,195.90 to €+78,888,308.50.

9.2. 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 2020.

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.

10. 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	2016	2017	2018	2019	2020
Capital at the end of the year					
Share capital	8,832	15,771	16,754	18,430	22,467
Number of existing ordinary shares	8,096,015	15,035,456	15,035,456	18,429,867	22,466,882
Operations and results of the year	,	,	,	,	,
Revenues excluding taxes	30,220	35,215	56,669	66,711	65,017
Income before taxes, employee profit-sharing, amortisation and provisions	-346	866	6,601	9,016	76,565
Income tax	702	1,390	451	-577	403
Income after taxes, employee profit-sharing, amortisation and provisions	-120	1,683	-1,638	7,829	75,904
Income distributed	-	-	-	-	-
Earnings per share					
Income after taxes, employee profit-sharing, before amortisation and provisions	0.04	0.15	0.47	0.44	3.43
Income after taxes, employee profit-sharing, amortisation and provisions	-0.01	0.11	-0.11	0.42	3.38
Personnel					
Average number of people employed during the year		145	135	134	60
Payroll		7,428	7,117	3,703	
Employee benefits		3,336	3,445	1,841	

11. 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, during the past year, did not acquire any interests in the capital of companies with their registered office in 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.

12. EMPLOYEE SHAREHOLDING

At 31 December 2020, the Company did not have any company or inter-company savings plans enabling employees to directly or indirectly acquire shares of Quantel or related companies.

On this date there was no company mutual fund (FCPE) in place enabling the Company's employees to invest indirectly in LUMIBIRD shares.

During its meeting on 1 April 2019, the Board of Directors also 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, 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.

This free share plan was covered in a special report by the Board of Directors, prepared in accordance with Article L.225-197-4 of the French commercial code, which has been presented at the Company's General Shareholders' Meeting convened to approve the accounts for the year ending 31 December 2019.

As of 31 December 2020, of the 182,000 free shares that have been formally granted to beneficiaries, 169,000 are still in force, 13,000 shares having lapsed due to the departure of beneficiaries.

The value of the allocation plan was determined as follows:

Free shares plan	Plan dated 01/04/2019	Plan dated 31/03/2020
Total number of free shares originally allocated	182,000	6,000
Number of free shares void/cancelled/refused	13,000	0
Remaining free shares at 31 December 2020 (A)	169,000	6,000
Board meeting date for allocation decision	01/04/2019	31/03/2020
End of the vesting period	01/04/2022	01/04/2022
Stock price at the date of allocation (B)	15 ;3	7 ;8
Corporate social contribution (C)	20%	20%
PLAN VALUE AS OF 01/04/2022 (A*B*(1+C))	**€3,102,840**	**€56,232**

In 2020, the impact of the plan on the financial statements (in shareholders' equity) has been determined pro rata temporis over the vesting period (i.e. 640 days spent over 1,096 days for the plan dated 01/04/2019 and 275 days spent over 731 days for the plan dated 31/03/2020), and amounts to €803,250.

In addition, you are informed that 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.

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

13. INFORMATION CONCERNING THE SHARE CAPITAL

13.1. Share capital

At 31 December 2020, 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.

13.2. 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 2020, out of the 22,466,882 shares comprising the share capital, 6,036,241 shares were entitled to double voting rights.

13.3. 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.

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

In accordance with Articles L.225-209, paragraph 2 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 first resolution, the Combined General Shareholders' Meeting on 15 March 2007 had granted the Board of Directors an authorization, under the conditions set by Articles L.225-209 et seq of the French commercial code, to buy back the Company's shares. This authorization was implemented from 1 January 2008 under a liquidity agreement with the company Invest Securities to ensure liquidity and manage market-making for Quantel shares. This agreement ended on 1 February 2019 and was replaced from this date by a new liquidity agreement with Louis Capital Markets.

The authorization for the Board of Directors to trade in the Company's shares has been renewed several times and was renewed most recently by the Combined General Meeting on 24 May 2020, under its 11th resolution, which, in accordance with Articles L.225-209 et seq of the French commercial code, 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.225-209 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.

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 2020, the following resources were recorded in the liquidity account:

- 24,498 LUMIBIRD shares;
- 435,611.17 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 2020	23,498
Number of shares purchased from 1 January 2020 to 31 December 2020	193,497
Number of shares sold from 1 January 2020 to 31 December 2020	183,867
Average purchase price	€10.52
Average sales price	€10.47
Average unit cost price of securities in the portfolio at 31 December 2020	€12.44

13.5. 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.

13.6. 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 3,685,973 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.

13.7. 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.

13.8. Change in LUMIBIRD's capital and shareholding structure

13.8.1. 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
04/06/2018	Capital increase in cash as a result of the definitive allocation of free shares	15,771,457	113,100	15,884,557	N/A	€1	€15,884,557
17/12/2018	Capital increase in cash with shareholders' preferential subscription rights maintained	15,884,557	869,868	16,754,425	€6,958,944	€1	€16,754,425
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 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.*

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

Actionnariat	Situation at 31 December 2018				Situation at 31 December 2019				Situation at 31 December 2020				Situation at 1 March 2021			
	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	10.64%	2,527,554	14.23%	1,783,488	9.68%	3,352,587	16.54%	-	-	-	-	-	-	-	-
ESIRA(4)	7,319,457	43.69%	7,319,457	41.20%	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%	17,397,731	61.75%
EURODYNE/ESIRA Concert	**9,102,945**	**54.33%**	**9,847,011**	**55.43%**	**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%**	**17,397,731**	**61.75%**
Group executives	4,709	0.028%	9,059	0.051%	4,209	0.02%	8,059	0.04%	4,209	0.02%	8,059	0.03%	4,209	0.02%	8,059	0.03%
Treasury shares	**8,454**	**0.050%**	**N/A**	**N/A**	**17,946**	**0.09%**	**NA**	**NA**	**268,717**	**1.20%**	**NA**	**NA**	**264,307**	**1.18%**	**NA**	**NA**
Public (bearer shares)																
AMIRAL GESTION(5)	920,966	5.50%	920,966	5.19%	960,583	5.21%	960,583	4.74%	1,361,520	6.06%	1,361,520	4.82%	1,367,672	6.09%	1,367,672	4.85%
FINANCIERE ARBEVEL(5)	866,388	5.17%	866,388	4.90%	-	-		-	-	-	-	-	-	-	-	-
Other	4,941,112	29.49%	4,941,112	27.81%	373,130	2.02%	653,219	3.22%	373,510	1.66%	675,460	2.39%	310,534	1.38 %	550,681	1.95%
Public (registered shares)	**388,137**	**2. 32%**	**655,862**	**3.69%**	**7,738,251**	**41.99 %**	**7,738,251**	**38.19%**	**8,791,636**	**39.13%**	**8,791,636**	**31.13%**	**8,852,870**	**39.40 %**	**8,852,870**	**31.42%**
TOTAL	**16,754,425**	**100%**	**17,762,112**	**100%**	**18,429,867**	**100%**	**20,264,959**	**100%**	**22,466,882**	**100%**	**28,234,406**	**100%**	**22,466,882**	**100%**	**28,177,013**	**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 28 234 406 at 31 December 2020.
(3) EURODYNE resigned as a director of the Company prior to its absorption by its sole shareholder, ESIRA.
(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) 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 31 March 2021 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.

13.8.3. 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 2020 are presented below:

Disclosure made by	Date of disclosure	Date of threshold crossing	Threshold crossed upwards / downwards	Threshold(s) crossed	Reasons for crossing
AMIRAL GESTION	7 April 2020	3 April 2020	Upwards	5% of the company's voting rights	Acquisition of Lumibird shares on the market
AMIRAL GESTION	6 May 2020	4 May 2020	Downwards	5% of the company's voting rights	Disposal of Lumibird shares on the market
EURODYNE	26 May 2020	21 November 2019	Upwards	15% of the company's voting rights	Automatic allocation of double voting rights (passive crossing)
AMIRAL GESTION	10 June 2020	5 June 2020	Upwards	5% of the company's voting rights	Acquisition of Lumibird shares on the market
Ms Ruthi Wertheimer	23 June 2020	17 June 2020	Upwards	5% of the company's capital	Acquisition of Lumibird shares on the market
EURODYNE	23 June 2020	16 June 2020	Upwards	10% of the company's capital	Subscription to the company's capital increase on 12 June 2020
EURODYNE	30 June 2020	24 June 2020	Upwards	15% of capital and 20% of the company's voting rights	Acquisition from ESIRA of 1,209,000 Lumibird shares (off market)
EURODYNE	14 August 2020	9 August 2020	Upwards	50% of capital and of the company's voting rights	Dissolution-absorption of EURODYNE by ESIRA
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

No other shareholding threshold disclosures were brought to the attention of LUMIBIRD during the past year.

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

13.8.4. 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).

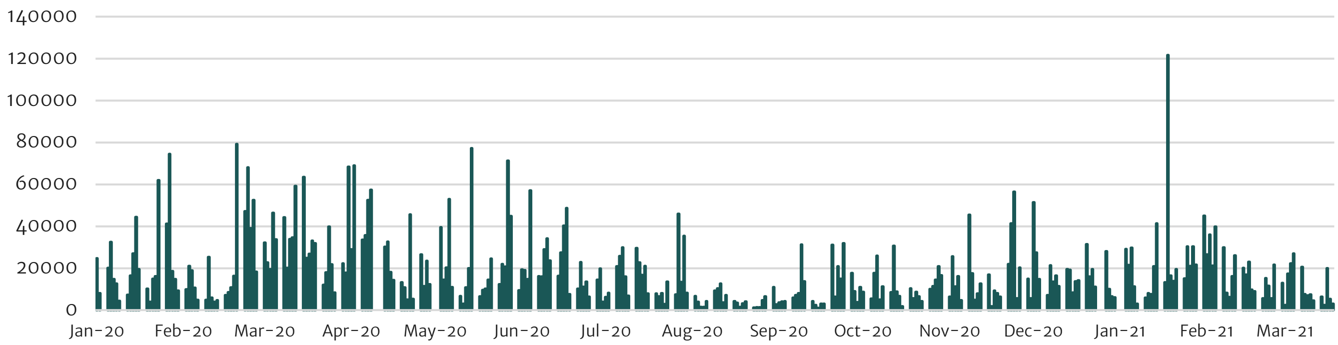
There are no requests underway for the Company's shares to be admitted on another market or stock exchange.

The Company's market capitalization, based on LUMIBIRD's share price at 15 March 2021 (closing price), i.e. 16 euros, and the number of securities comprising the share capital on this date, i.e. 22,466,882 shares, represents 359,470,112 euros.

The changes in LUMIBIRD's share price since 1 January 2020 are presented below:

LUMIBIRD share price (in euros)

LUMIBIRD share: Volumes traded



Summary of share prices and volumes for the period from January 2020 to January 2021 (source: Euronext Paris S.A.)

Date	Highest share price	Lowest share price	Average price (close)	Nb of shares traded
Jan. 2020	15.6	11.96	14.08	496,649
Feb. 2020	12.94	10.14	12.18	456,361
Mar. 2020	11.08	5.4	8.2	666,112
Apr. 2020	10.82	8.02	9.73	594,083
May 2020	10.98	8.9	10.03	491,876
Jun. 2020	12.36	10.22	11.22	476,293
Jul. 2020	12.52	10.88	11.67	364,243
Aug. 2020	12.16	11.3	11.79	102,512
Sep. 2020	11.82	9.8	10.94	229,360
Oct. 2020	10.56	8.96	10.16	252,214
Nov. 2020	12.84	9.4	11.24	354,936
Dec. 2020	14.3	11.7	13.2	372,282
Jan. 2021	15.5	13.6	14.73	480,826

13.9. Potential capital

13.9.1. Information on stock options / warrants

No stock options or warrants were in place or awarded during 2020.

13.9.2. Information on free share awards

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

13.9.3. Non-equity securities

No non-equity securities issued by the Company were outstanding on the date of this report.

13.9.4. Operations carried out in 2020 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, the following 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 2020 and since the start of 2021.

Name and position of declarant	Date of disclosure	Date of transaction	Nature of transaction	Security concerned	Unit price (euros)	Volume
EURODYNE *(director)*	8 June 2020	4 June 2020	Acquisition	Preferential subscription right	0.3781	36,424
EURODYNE *(director)*	4 June 2020	3 June 2020	Acquisition	Preferential subscription right	0.3368	64,715
EURODYNE *(director)*	3 June 2020	26 mai 2020	Acquisition	Preferential subscription right	0.3368	64,715
ESIRA *(director)*	17 June 2020	16 June 2020	Subscription	Ordinary share	9.0	1,896,912
EURODYNE *(director)*	17 June 2020	16 June 2020	Subscription	Ordinary share	9.0	534,100
ESIRA *(director)*	30 June 2020	24 June 2020	Disposal	Ordinary share	9.9	1,209,000
EURODYNE *(director)*	30 June 2020	24 June 2020	Acquisition	Ordinary share	9.9	1,209,000

13.10. Other information

13.10.1. Taxation

13.10.1.1 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 10,642 euros in 2020, generating a theoretical supplementary corporate income tax charge of 3,076 euros.

13.10.1.2. 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.

13.10.2. 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