



Exosens

Simplified joint stock company (*société par actions simplifiée*)¹ with capital of €1,949,656.32
Registered office: Domaine de Pelus, 18 Avenue de Pythagore, Axis Business Park Bat 5^e,
33700 Mérignac
895 395 101 RCS Bordeaux

REGISTRATION DOCUMENT



The registration document was approved on 22 May 2024 by the AMF in its capacity as competent authority for the application of the provisions of Regulation (EU) No 2017/1129.

The AMF has approved this document after verifying that the information it contains is complete, consistent, and comprehensible. The registration document has the following approval number: I. 24-010.

This approval should not be considered a favourable opinion on the issuer described in the registration document.

The registration document may be used for the purpose of a public offering of securities or the admission of securities for trading on a regulated market if it is supplemented by a securities note and, if applicable, a summary and the supplement(s) thereto. The full set of documents was approved by the AMF pursuant to Regulation (EU) No 2017/1129. It is valid until 22 May 2025 and, during this period and at the latest at the same time as the securities note and under the conditions of Articles 10 and 23 of Regulation (EU) 2017/1129, must be completed by a supplement should new material facts, errors or substantial inaccuracies arise.

DISCLAIMER

By accepting this document, you acknowledge, and agree to be bound by, the following statements. This document is a translation of Exosens's *document d'enregistrement* dated 22 May 2022 (the "**Registration Document**"). The Registration Document, in its original French version, is publicly available at www.amf-france.org. This translation (the "**Translation**") is provided for your convenience only and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published in whole or in part for any purpose. This translation has not been prepared for use in connection with any offering of securities. It does not contain all of the information that an offering document would contain.

¹ The Company will become a public limited company (*société anonyme*) on the date of approval by the French *Autorité des marchés financiers* (AMF) of the prospectus for the admission of its shares to trading on the Euronext Paris regulated market.

IN THE EVENT OF ANY AMBIGUITY OR CONFLICT BETWEEN THE CORRESPONDING STATEMENTS OR OTHER ITEMS CONTAINED HEREIN, THE FRENCH LANGUAGE REGISTRATION DOCUMENT SHALL PREVAIL.

None of Exosens or any of its officers, directors, employees or affiliates, or any person controlling any of them assume any liability which may be based on this Translation or any errors or omissions therefrom or misstatements therein, and any such liability is hereby expressly disclaimed. This Translation does not constitute or form part of any offer to sell or the solicitation of an offer to purchase securities, nor shall it or any part of it form the basis of, or be relied on in connection with, any contract or commitment whatsoever. Persons into whose possession this Translation may come are required by the Group to inform themselves about and to observe any restrictions as to the distribution of this Translation.

Copies of this registration document are available free of charge from Exosens, Domaine de Pelus, 18 Avenue de Pythagore, Axis Business Park Bat 5^e, 33700 Mérignac, and on the Company's website (www.exosens.com) and the website of the French *Autorité des marchés financiers* (www.amf-france.org).

1.	PERSONS RESPONSIBLE, THIRD-PARTY INFORMATION AND EXPERT REPORTS	7
1.1	PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT	7
1.2	STATEMENT OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT	7
1.3	THIRD-PARTY INFORMATION	7
1.4	VERIFICATION OF THE REGISTRATION DOCUMENT	7
2.	PERSONS RESPONSIBLE AUDITING THE FINANCIAL STATEMENTS	9
3.	RISK FACTORS.....	10
3.1	RISKS RELATED TO THE GROUP’S BUSINESS SECTOR.....	10
3.2	RISKS RELATED TO THE GROUP’S ACTIVITIES	16
3.3	RISKS RELATED TO THE COMPANY.....	22
3.4	FINANCIAL RISKS	25
3.5	LEGAL RISKS.....	27
3.6	INSURANCE AND RISK MANAGEMENT.....	30
4.	INFORMATION ABOUT THE COMPANY AND THE GROUP	35
4.1	COMPANY NAME.....	35
4.2	PLACE AND REGISTRATION NUMBER	35
4.3	DATE OF INCORPORATION AND TERM OF THE COMPANY.....	35
4.4	REGISTERED OFFICE, LEGAL FORM AND APPLICABLE LEGISLATION.....	35
5.	OVERVIEW OF THE GROUP’S BUSINESS.....	36
5.1	GENERAL PRESENTATION.....	36
5.2	STRENGTHS AND COMPETITIVE ADVANTAGES OF THE GROUP.....	38
5.3	STRATEGY	44
5.4	HISTORY OF THE COMPANY	49
5.5	PRESENTATION OF THE MARKETS AND COMPETITIVE POSITION	50
5.6	DESCRIPTION OF THE MAIN BUSINESS ACTIVITIES OF THE GROUP	60
5.7	INVESTMENTS	80
5.8	GROUP CSR POLICY.....	82
6.	ORGANISATION CHART AND INTRA-GROUP RELATIONS	84
6.1	GROUP LEGAL ORGANISATION CHART.....	84
6.2	SUBSIDIARIES AND AFFILIATES	86
7.	REVIEW OF THE GROUP’S FINANCIAL POSITION AND RESULTS	88
7.1	OVERVIEW	88
7.2	MAIN FACTORS AFFECTING THE RESULTS	89
7.3	MAIN INCOME STATEMENT ITEMS	97
7.4	KEY PERFORMANCE INDICATORS	99
7.5	ANALYSIS OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023 AND THE 12-MONTH PERIOD ENDED 31 DECEMBER 2022	101
7.6	ANALYSIS OF RESULTS FOR THE 12 MONTHS PERIOD ENDED 31 DECEMBER 2022 AND THE FISCAL YEAR ENDED 31 DECEMBER 2021	109
8.	CASH AND SHAREHOLDERS’ EQUITY.....	115
8.1	OVERVIEW	115
8.2	FINANCIAL RESOURCES AND LIABILITIES	116
8.3	NEW SENIOR CREDIT AGREEMENT	124
8.4	PRESENTATION AND ANALYSIS OF THE MAIN CATEGORIES OF USE OF GROUP CASH.....	127
8.5	GROUP CONSOLIDATED CASH FLOW FOR THE FISCAL YEAR ENDED 31 DECEMBER 2023 AND THE 12-MONTH PERIOD ENDED 31 DECEMBER 2022.....	128
8.6	GROUP CONSOLIDATED CASH FLOW FOR THE 12-MONTH PERIOD ENDED 31 DECEMBER 2022 AND THE FISCAL YEAR ENDED 31 DECEMBER 2021.....	131
8.7	CASH CONVERSION.....	133
8.8	SHAREHOLDERS’ EQUITY	135
9.	LEGISLATIVE AND REGULATORY ENVIRONMENT	137
9.1	EXPORT CONTROL REGULATIONS	137

9.2	FOREIGN INVESTMENT CONTROL REGULATIONS	140
9.3	REGULATIONS GOVERNING THE GROUP'S ACTIVITIES IN THE NUCLEAR SECTOR	142
9.4	ENVIRONMENTAL REGULATIONS	142
9.5	REGULATIONS ON ECONOMIC SANCTIONS AND THE FIGHT AGAINST CORRUPTION	143
9.6	REGULATIONS ON THE PROTECTION OF PERSONAL DATA	144
10.	TREND INFORMATION	146
10.1	BUSINESS TRENDS	146
10.2	MID-TERM OUTLOOK.....	146
11.	PROFIT FORECASTS	148
11.1	ASSUMPTIONS	148
11.2	GROUP FORECASTS FOR THE YEAR ENDED 31 DECEMBER 2024	149
11.3	STATUTORY AUDITORS' REPORT ON THE PROFIT FORECAST (ADJUSTED EBITDA, ADJUSTED EBITDA MARGIN, ADJUSTED EBIT AND ADJUSTED EBIT MARGIN) FOR THE YEAR ENDING 31 DECEMBER 2024.....	150
12.	MANAGEMENT AND SUPERVISORY BODIES.....	151
12.1	COMPOSITION AND OPERATION OF THE MANAGEMENT AND SUPERVISORY BODIES	151
12.2	DECLARATIONS RELATING TO ADMINISTRATIVE BODIES.....	159
12.3	CONFLICTS OF INTEREST	159
13.	REMUNERATION AND BENEFITS	160
13.1	REMUNERATION AND BENEFITS PAID TO NON-EXECUTIVE OFFICERS.....	160
13.2	REMUNERATION AND BENEFITS PAID TO EXECUTIVE OFFICERS	161
13.3	AMOUNTS PROVISIONED OR OTHERWISE RECOGNISED BY THE COMPANY OR ITS SUBSIDIARIES FOR THE PAYMENT OF PENSIONS, RETIREMENT OR OTHER BENEFITS	166
14.	OPERATION OF ADMINISTRATIVE AND MANAGEMENT BODIES	167
14.1	APPOINTMENT OF MEMBERS OF THE ADMINISTRATIVE BODIES AND MANAGEMENT	167
14.2	INFORMATION ON SERVICE CONTRACTS BETWEEN MEMBERS OF THE BOARD OF DIRECTORS AND THE COMPANY OR ANY OF ITS SUBSIDIARIES	167
14.3	COMMITTEES OF THE BOARD OF DIRECTORS	167
14.4	DECLARATION ON CORPORATE GOVERNANCE.....	170
14.5	INTERNAL CONTROL.....	170
15.	EMPLOYEES.....	171
15.1	NUMBER AND BREAKDOWN OF EMPLOYEES	171
15.2	SHARE SUBSCRIPTION, SHARE PURCHASE AND FREE SHARE ALLOCATIONS	174
15.3	PROFIT-SHARING AND INCENTIVE AGREEMENTS	174
16.	MAIN SHAREHOLDERS.....	175
16.1	SHAREHOLDER BASE.....	175
16.2	STATEMENT ON THE CONTROL OF THE COMPANY	176
16.3	AGREEMENTS LIKELY TO RESULT IN A CHANGE OF CONTROL.....	176
16.4	COMMITMENTS GIVEN TO GOVERNMENTS RELATING TO THE GOVERNANCE OF CERTAIN GROUP ENTITIES	176
17.	RELATED PARTY TRANSACTIONS	178
17.1	MAIN TRANSACTIONS WITH RELATED PARTIES	178
17.2	STATUTORY AUDITORS' SPECIAL REPORTS ON REGULATED AGREEMENTS FOR THE PERIODS ENDED 31 DECEMBER 2023, 2022, AND 2021	178
18.	FINANCIAL INFORMATION RELATING TO THE ASSETS, FINANCIAL POSITION AND RESULTS OF THE COMPANY	181
18.1	CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY FOR THE PERIODS ENDED 31 DECEMBER 2023 AND 31 DECEMBER 2022 AND REPORT BY PRICEWATERHOUSECOOPERS AUDIT	181
18.2	CONSOLIDATED FINANCIAL STATEMENTS OF EXOSENS INTERNATIONAL FOR THE FISCAL YEAR ENDED 31 DECEMBER 2021 AND REPORT OF PRICEWATERHOUSECOOPERS AUDIT	254
18.3	PRO FORMA FINANCIAL INFORMATION FOR THE 12-MONTH FISCAL YEAR ENDED 31 DECEMBER 2023 AND STATUTORY AUDITORS' REPORT.....	306

18.4	DATE OF LATEST FINANCIAL INFORMATION	317
18.5	DIVIDEND DISTRIBUTION POLICY	317
18.6	LEGAL AND ARBITRATION PROCEEDINGS	318
18.7	SIGNIFICANT CHANGE IN FINANCIAL POSITION	318
19.	FURTHER INFORMATION.....	321
19.1	SHARE CAPITAL	321
19.2	DEED OF CONSTITUTION AND ARTICLES OF ASSOCIATION	325
20.	MAJOR CONTRACTS	336
21.	DOCUMENTS AVAILABLE TO THE PUBLIC	338

GENERAL COMMENTS

Exosens, a simplified joint stock company (société par actions simplifiée) under French law, with a share capital of €1,949,656.32, having its registered office at Domaine de Pelus, 18 Avenue de Pythagore, Axis Business Park Bat 5°, 33700 Mérignac, France, registered under number 895 395 101 (RCS Bordeaux), is referred to in this registration document as the “Company”. Unless expressly stated otherwise, the “Group” refers to the Company and its direct and indirect subsidiaries and affiliates. “HLD” means together HLD Europe SCA, Invest Prince Henri SCA and Invest Gamma S.à.r.l., all entities managed by HLD Associés Europe S.A., acting in concert in relation to the Company and together holding 95.20% of the Company’s capital and voting rights as at the date of this registration document.

During financial year 2023, the Group completed the acquisition of three companies (ProxiVision in Germany in June 2023, El-Mul in Israel in July 2023 and Telops in Canada in October 2023), which are fully consolidated in the Group’s consolidated financial statements.

In order to present accounting information that provides a meaningful understanding of the Group’s financial position, this registration document includes the following financial statements:

- *the Company’s consolidated financial statements for the fiscal year ended 31 December 2023 and the 22-month period ended 31 December 2022², prepared in accordance with IFRS as adopted by the European Union;*
- *the consolidated financial statements of Exosens International (formerly Photonis International)³ for the fiscal year ended 31 December 2021, prepared in accordance with IFRS as adopted by the European Union; and*
- *pro forma financial information of the Company for the 12-month fiscal year ended 31 December 2023, prepared as if the Group had completed the acquisition of ProxiVision, El-Mul and Telops on 1 January 2023.*

The table summarises the presentation of the Group’s financial information presented in this registration document:

	Financial year 2023	Financial year 2022			Financial year 2021
Duration of financial year	12 months	12-month period	10-month period	22-month period	12 months
Financial year dates	From 1 January to 31 December 2023	From 16 March 2021 to 31 December 2022			From 1 January to 31 December 2021
Name of the parent company of the Group	Exosens	Exosens (formerly Photonis Group)			Exosens International (formerly Photonis International)

In this registration document, references to “pro forma” data refer to the above-mentioned pro forma financial information. The pro forma financial information is presented for illustrative purposes only and does not purport to represent the results that would have been achieved if the acquisition of ProxiVision, El-Mul and Telops had actually been completed on 1 January 2023. The pro forma financial information does not necessarily reflect the

² The Company's financial year for the period ended 31 December 2022 is 22 months, commencing on 16 March 2021, the date on which the Company was founded. On 22 July 2021, as part of the acquisition of the Group by HLD, the Company acquired all the shares in Exosens International (formerly known as Photonis International). This registration document also presents interim information for the 12-month period from 1 January 2022 to 31 December 2022 and for the 10-month period from 16 March 2021 to 31 December 2021, in order to make it easier for readers to compare the financial information presented.

³ Photonis International was the Group's parent company until July 2021, when the Group was acquired by HLD.

Group's actual results as they would have been had the transactions described in this section taken place on the dates indicated and should not be considered as an indication of the Group's results for any future period.

In addition, the Group was not involved in the preparation of the historical financial information of ProxiVision, El-Mul and Telops used for the preparation of the pro forma financial information and has not been able to verify the accuracy or completeness of the information included in such historical financial information, in particular any omission by the aforementioned companies to include information on events that may have occurred, which were not known to the Group, which could affect the completeness or accuracy of the information contained in such historical financial information.

The historical financial information of ProxiVision, El-Mul and Telops has been prepared in accordance with accounting rules and policies generally accepted in Germany, Israel and Canada, respectively, and differs in certain respects from IFRS as adopted by the European Union. In addition, this information is based on a financial year starting on 1 January 2023 and ending on 30 June 2023 for ProxiVision and El-Mul and on a financial year starting on 1 January 2023 and ending on 12 October 2023 for Telops. As a result of the factors set out above, the historical financial information relating to ProxiVision, El-Mul and Telops (which, in the case of Telops, is presented in the Annex to this registration document) used to prepare the pro forma financial information included in this registration document is not directly comparable with the financial information relating to the Group.

In addition, this registration document includes performance indicators for the financial years ended 31 December 2023, 2022, and 2021 to enable investors to better understand the evolution of the Group's results and the factors that may influence its future results. These performance indicators include adjusted gross margin, adjusted EBITDA and adjusted EBIT (see Section 7.4 "Key performance indicators" of this registration document). These indicators should only be used as analytical tools and should not be considered as substitutes for the indicators defined by IFRS accounting standards. They are not necessarily indicative of what the Group's financial position and operating profit would have been if it had operated as a separate and independent entity during the periods presented in this registration document and do not necessarily represent the Group's future performance.

This registration document includes the Group's financial information for the 3-month period ended 31 March 2023 and 31 March 2024. The financial information has not been audited by the Company's statutory auditors and is therefore subject to change following completion of the relevant limited review work.

This registration document contains information on the Group's development prospects and priorities. This information is sometimes identified by the use of the future tense, conditional tense and forward-looking terms such as "consider," "envision," "think," "have the goal," "expect," "intend," "should," "aim to," "estimate," "believe," "wish," "could," or, as applicable, the negative form of these same terms, or any other variant or similar terminology. This information is not historical data and should not be interpreted as a guarantee that the facts or data set out will occur. This information is based on data, assumptions and estimates considered reasonable by the Group. It could change or be modified due to uncertainties related to the economic, financial, competitive, and regulatory environment. In addition, the materialisation of certain risks described in Chapter 3 "Risk factors" of this registration document could have an impact on the Group's business, financial position and results and its capacity to achieve its objectives.

Investors should carefully consider the risk factors described in Chapter 3 "Risk factors" of this registration document. The occurrence of some or all of these risks could have a negative impact on the Group's business, financial position or results. In addition, other risks not yet identified or currently considered insignificant by the Group could have the same negative impact.

This registration document contains information about the Group's markets and its competitive positions, including information about the size and growth prospects of these markets, as well as the Group's market shares. In addition to estimates made by the Group, the information on which the Group's statements are based comes from studies and statistics provided by third parties (see Section 1.3 "Third party information, statement by experts and declarations of interest" of this registration document) and professional organisations, as well as from figures published by the Group's competitors, suppliers, and customers. Certain information contained in this registration document is publicly-available information which the Company considers reliable, but which has not been verified by an independent expert. The Company cannot guarantee that a third party using different methods to gather, analyse or calculate data on the Group's business sectors would obtain the same results. The Company gives no undertaking or guarantee as to the accuracy of this information. This information may be incorrect or out of date. The Group makes no commitment to publish updates of this information, except in the context of any applicable legal or regulatory obligation.

Some numerical data (including data expressed in thousands or millions) and percentages presented in this registration document have been rounded. Where applicable, the totals presented in this registration document

may show insignificant differences compared to those which would have been obtained by adding together the exact (unrounded) values of these figures.

1. PERSONS RESPONSIBLE, THIRD-PARTY INFORMATION AND EXPERT REPORTS

1.1 Person responsible for the registration document

Kanji Management

Chairman of the Company, represented by Mr Jérôme Cerisier

Registered office: 30, rue Alexandre Guilmant, 92190 Meudon, France

1.2 Statement of the person responsible for the registration document

“I hereby certify that the information contained in this registration document is, to my knowledge, accurate and contains no omission that might alter its meaning.”

In Mérignac, on 22 May 2024

Kanji Management

Chairman of the Company, represented by Mr Jérôme Cerisier

1.3 Third-party information

This registration document contains information about the Group’s markets and its position in them, including information about the size of these markets, their competitive environment and dynamics, and their growth prospects. Other than estimates made by the Group, the elements on which the Group has based its statements have been drawn, where specifically indicated in this registration document, from a study carried out by Roland Berger at the request of the Company, on terms agreed between the Company and Roland Berger, and from a study carried out by Renaissance Strategic Advisors, on terms agreed between the Company and Renaissance Strategic Advisors, as well as from studies and statistics obtained from independent third parties and professional organisations and from figures published by the Group’s competitors, suppliers and customers.

To the best of the Company’s knowledge, this information has been accurately reproduced and no facts have been omitted that would make the reproduced information inaccurate or misleading. Potential investors are advised to examine sector and market data obtained from market studies with caution. Market research is generally based on certain assumptions and expectations at the time of preparation, which may prove to be inaccurate or inappropriate, and its methodology is inherently predictive and speculative. The market data and other information included is generally based on other industry publications and market research, which is itself based on sampling and subjective judgements by researchers and interviewees, including judgements about the types of products and transactions that should be included in the relevant market. The Company cannot guarantee that a third party using different methods to gather, analyse or calculate data on these business sectors would obtain the same results. The fact that information from market research or other third-party sources has been quoted or included in this registration document should not be taken as a recommendation by the relevant third parties to invest in, purchase or take any other action in respect of shares in the Company, and potential investors should not place undue reliance on such information.

1.4 Verification of the registration document

This registration document was approved by the French Financial Markets Authority – *Autorité des Marchés Financiers* (the “AMF”) – as the competent authority under Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017.

The AMF approves this registration document only insofar as it complies with the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017.

This approval should not be considered a favourable opinion on the issuer described in the registration document.

2. PERSONS RESPONSIBLE AUDITING THE FINANCIAL STATEMENTS

PricewaterhouseCoopers Audit

Member of the Regional Company of Statutory Auditors (CRCC) of Versailles and the Centre region
Represented by Mr Bertrand Cuq
63, Rue de Villiers,
92200 Neuilly-Sur-Seine

Appointed in the Articles of Association dated 16 March 2021 for a term of six financial years, i.e., until the Ordinary General Meeting called to approve the financial statements for the period ending 31 December 2027.

Baker Tilly Strego

Member of the Regional Company of Statutory Auditors (CRCC) of the Western Atlantic region
Represented by Messrs Jean-Marc Binson and François Pignon-Hériard
4 rue Papiou de la Verrie,
Bp 70948
49009 Angers Cedex 01

Appointed by collective decision of the shareholders on 22 December 2023 to replace Société Fiduciaire Nationale de Révision Comptable (FIDAUDIT), which resigned from its position as Joint Statutory Auditor, for the remainder of its term of office, i.e., until the Ordinary General Meeting called to approve the financial statements for the period ending 31 December 2027.

3. RISK FACTORS

Before investing in shares in the Company, investors should consider all the information contained in this registration document, including the risk factors described below. As at the date of this registration document, these risks are those which the Company believes could have a material adverse effect on the Group, its business, financial condition, results or prospects, and which are important when making an investment decision. Investors should note, however, that the list of risks presented in Chapter 3 of this registration document is not exhaustive and that other risks, which are unknown or which, at the date of this registration document, are not considered likely to have a material adverse effect on the Group, its business, financial condition, results or prospects, may exist or arise.

Pursuant to Article 16 of Regulation (EU) 2017/1129 of the European Parliament and of the Council, the main risks presented in this Chapter are those that may, at the date of this registration document, affect the Group's business, financial condition, reputation, results or prospects, as identified in the Group's risk mapping process, which assesses their criticality, i.e., their severity and likelihood of occurrence, after taking into account the remedial plans in place (described, for the risk factors that the Company considers to be the most significant, in Section 3.6.2.2 "Operational risk management" of this registration document). Within each of the risk categories mentioned below, the risk factors that the Company considers to be the most significant at the date of this registration document (indicated by an asterisk ()), particularly in terms of their criticality, are mentioned first.*

3.1 Risks related to the Group's business sector

3.1.1 Risks related to changes in the economic and geopolitical situation*

The Group operates in two business segments (i) Amplification, which accounted for 72% (66% on a *pro forma* basis) of the Group's revenue for the fiscal year ended 31 December 2023 (and 78% for the 12-month period ended 31 December 2022), the majority of which is derived from the sale of components and modules for integration into instruments and systems equipping end-users in the defense sector (principally armed forces and homeland security services); and (ii) Detection and Imaging, which accounted for 28% (34% on a *pro forma* basis) of the Group's revenue for the fiscal year ended 31 December 2023 (and 23% for the 12-month period ended 31 December 2022), the significant majority of which is derived from the sale of components and modules for integration into instruments and systems for end-users in commercial markets such as nuclear power generation, research laboratories, oil and gas, food-processing industry, life sciences, semiconductors, electronics and recycling.

The Group's activities may be affected by changes in the global economic situation and macroeconomic trends, both in terms of the production costs borne by the Group (including procurement and increases in the cost of raw materials and energy), and the markets for its products, insofar as these changes affect the government budgets and, more generally, those of end customers. These macroeconomic conditions may be affected by a variety of factors, including political, monetary, financial, health and social factors.

The Group's Amplification activities, mainly linked to the defense sector, are particularly dependent on the level of defense spending by governments and public authorities and, consequently, on their financial stability and budgetary constraints, which may be impacted by unfavourable political or macroeconomic developments leading to reductions or stagnation in their budgetary allocations (see Section 3.1.3. "Risks of dependence on public orders" in this registration document). The Group's Detection and Imaging activities, for the most part linked to the commercial sector (as opposed to the defense sector), are exposed to general macroeconomic fluctuations, which affect investment levels in the various industrial sectors on which the Group depends.

The Group's business has been affected by a number of exceptional events since 2020. The COVID-19 pandemic affected the Group's supply chain, and resulted in periodic disruptions to the supply of certain electronic components (notably semiconductors), as well as raw materials and other specific components and derivatives that are critical to the Group, such as glass, certain exotic metals (gallium, for example) and optical materials. This crisis in the supply of components and raw materials continued

in 2022 and 2023, and was compounded by an energy crisis linked to the war between Russia and Ukraine as well as the inflationary environment, which led to an increase in the cost of energy and certain other production costs for the Group (see Section 3.2.4. “*Supply chain risks*” in this registration document). These events have also had an effect on financing conditions in general, particularly through the rise in central bank interest rates (see Section 3.4.2. “*Interest rate risks*” in this registration document).

Monetary tightening by central banks in response to rising inflation and various geopolitical factors, including the war between Russia and Ukraine and conflicts in the Middle East, have weighed and continue to weigh on the global economy. As a result, global growth is expected to fall from 3.5% in 2022 to 3.1% in 2023 and 2024 and to 3.2% in 2025 (source: *International Monetary Fund, World Economic Outlook, January 2024*). The outlook for global growth in 2024 and 2025 remains below the historical average (2000-2019) of 3.8% due to the tightening of monetary policies and the withdrawal of budgetary support, as well as weaker productivity growth (source: *International Monetary Fund, World Economic Outlook, January 2024*).

These factors have contributed to the fragility of the global economy. These disruptions could continue, or even worsen, as a result of various geopolitical developments, such as a deterioration in relations or expansion of the war between Russia and Ukraine or the conflict between Israel and the Hamas (and in particular its repercussions on maritime traffic in the Red Sea) or an increase in tensions between the United States and China or in the South China Sea region. In this respect, strategic competition between the United States and China has intensified in recent years and is likely to continue over the long term. A worsening of these tensions could lead to the reinforcement of existing protectionist measures or the introduction of new ones.

A deterioration in macroeconomic or geopolitical conditions could therefore have a material adverse effect on the Group’s business, financial condition, results and prospects.

3.1.2 Risks related to sales and export restrictions and control of goods*

Sales and export restrictions include export controls and export licensing requirements, requiring authorisation from governmental authorities to export certain products (depending on their categorisation) to third countries. In addition, moratoriums and embargoes have been adopted by the United States, as well as by supranational and international organisations such as the European Union and the United Nations, imposing sanctions or other restrictive measures in respect of exports to certain states or territories, organisations, groups, non-state entities and individuals, including a total ban on exports to certain countries (such as Cuba, Iran, North Korea, Syria and Sudan).

These sales and export restrictions stem from various regulations applicable in the countries where the Group operates. In the European Union and in the individual Member States, external trade in products of strategic importance, mainly arms, armaments, and dual-use goods, is subject to restrictive control regimes and authorisation requirements. In the United States, the International Traffic in Arms Regulations (ITAR) control the temporary import and export of defense items and related technical data, as well as the provision of defense-related services, notably by imposing licensing requirements. The Export Administration Regulations (EAR) govern export controls on commercial and dual-use products (see Chapter 9 “*Legislative and regulatory environment*” of this registration document). Electronic amplification products (which account for a very small proportion of the Group’s Amplification revenue) and certain cooled imaging products under the Group’s Telops brand are subject to ITAR. The Group applies enhanced control measures in respect of these products.

In most of the countries in which the Group operates (notably the Member States of the European Union and the United States), the regulations applicable to sale and export restrictions and to the control of goods provide for a different system of restrictions and controls depending on the classification of the products concerned (dual-use goods, military and commercial, or war materiel), with the rules applicable to dual-use goods generally being less restrictive than those applicable to war materiel. Dual-use goods are goods, software and technologies that can be used for both civilian and military purposes. Under the applicable European regime (see also Chapter 9 “*Legislative and regulatory environment*” of

this registration document), which provides for control rules and a list of common dual-use items, the export of dual-use items is subject to control, restricting their export from the European Union without the requisite authorisations.

The Group estimates that approximately 80% of its revenue is related to the sale of dual-use goods, including in particular light intensifier tubes, infrared cameras, neutron and gamma radiation detectors, cooled cameras and UV detectors, and that less than 5% of its revenue is related to the sale of non-lethal war materiel (produced and exported from Group sites located, at the date of this registration document, in the United States and Germany only), including power tubes and travelling wave tubes. The remainder of the Group's revenue (around 15%) relates to products that are not subject to sales or export restrictions, such as certain nuclear instrument products (gamma ionisation chambers and Xenon ionisation chambers for example) (see Section 5.6.1.2(b) of this registration document) or certain sensors and cameras (such as Lynx CMOS and NOCTURN cameras) (see Section 5.6.1.2(c) of this registration document).

Within the European Union (in the case of the Group, goods produced at and exported from its sites in France, the Netherlands, Belgium and Germany), dual-use goods can generally circulate freely between Member States but require authorisation if exported to countries outside the European Union. Products considered to be war materiel require a licence whether exported within or outside the European Union. In the United States, the export of dual-use goods to third countries is generally subject to an EAR licence administered by the US Department of Commerce restricting the export, re-export and domestic transfer of goods, software and technology controlled under EAR, while the export of products considered to be war materiel, regardless of destination and subject to certain limited exemptions, fall under ITAR, requiring in particular authorisation from the US Department of State. Although the proportion of products sold by the Group directly affected by restrictions under ITAR is very minor, the Group nevertheless remains subject to the risk of a broad interpretation of the notion of "export" under ITAR, including both physical transfers from the United States as well as the sharing of technical information or technical assistance to non-US persons. In addition, the Group's products, although produced and exported from countries other than the United States, could fall within the scope of ITAR if they incorporate one or more components subject to ITAR control. The broad and potentially extraterritorial scope of ITAR means that the Group must monitor and adapt to developments in ITAR and their interpretation more closely.

Restrictions on sales and exports can pose difficulties (such as additional costs and risks of non-compliance with applicable regulations) and, in some cases, limit or prevent access to certain geographical markets. In addition, certain of the Group's suppliers may be subject to sales or export restrictions, which could have a negative impact on the Group's supply chain and production capacity. The Group's suppliers could, for example, have their export licences withdrawn if the applicable laws and regulations in their country of origin (such as the United States, the Middle East, China or the European Union) were to be tightened. In addition, export controls in the Group's markets may affect the decision-making of potential customers, and any delay in obtaining the necessary export licences may cause customers to seek alternative suppliers if authorisations are not granted in a timely manner.

The introduction of new or stricter restrictions or controls, or a more rigorous interpretation or management of existing restrictions or controls, whether as a result of changes in governments, changes in media coverage of certain events, geopolitical events and developments or changes in public policy (particularly in the current context of increased geopolitical tensions; see Section 3.1.1 "*Risks relating to changes in the economic and geopolitical situation*" of this registration document), could lead to additional challenges or even prevent access to certain key markets or suppliers in the future. For example, this could result in the introduction of new licence requirements, new restrictions and/or the revocation of export licences previously granted. In particular, Chinese export regulations are evolving and the Group is closely monitoring related regulatory developments, which could have a significant impact on its supply capacity in this region. For example, on 1 August 2023, China introduced measures to control gallium exports, requiring producers of this metal to apply to the central government for authorisation to sell gallium abroad, and to specify in particular the final destination. Gallium is used in the manufacture of certain semiconductors used by the Group and, to a marginal extent, is used directly

by the Group in the manufacture of some of its products. The occurrence of such events could affect the Group's ability to sell its products or source components, which could have a material adverse effect on its business, financial condition, results and prospects.

The rapid development of restrictions and controls in various countries also requires the Group to implement regular monitoring of applicable regulations, necessitating the deployment of significant human and financial resources, and these rapid developments, if not anticipated or taken into account, could lead to a risk of inadvertent violation of the export control laws and regulations. If the Group is unable to identify these changes, it may be restricted from accessing certain markets or sources of supply, and may not be able to implement solutions or alternatives in a timely manner. Despite the Group's compliance and monitoring efforts, it cannot guarantee compliance with applicable export control regulations by its employees and representatives. Generally speaking, failure by the Group to comply with these regulations could expose it to potential sanctions (including criminal sanctions), including financial penalties or temporary or permanent exclusion from certain countries or markets, as well as an increased risk of reputational damage. The occurrence of any of these events could have a material adverse effect on the Group's business, financial condition, results and prospects.

3.1.3 Risks of dependence on public orders

The Group's Amplification activities, which accounted for 72% (66% on a *pro forma* basis) of the Group's revenue for the fiscal year ended 31 December 2023, are predominantly linked to the defense sector, where the Group's customers are either government entities (mainly armed forces or homeland security services) or, in the majority of cases, original equipment manufacturers (OEMs) incorporating Amplification components sold by the Group into their products, which they supply to government entities. The Amplification business is by nature dependent on public purchasing, military programs and, more generally, government budgets and spending. Similarly, certain Detection and Imaging products, such as certain cameras (in particular for detecting chemical products, radiation or specific gas threats), are intended for end users in the defense sector, and thus also depend on public purchasing (but to a lesser extent than Amplification activities).

Products for which the Group's customers are government bodies (as end users of equipment incorporating the Group's components) account for a limited proportion of its revenue and mainly comprise detection and imaging products supplied to public aerospace research bodies (e.g., NASA or the European Space Agency), electronic amplification products and certain light amplification products supplied directly to the Directorate General of Armaments in France.

In these defense-related markets, public spending is subject to trade-offs, depending in particular on the geopolitical environment and budget rationalisation considerations, and tends to fluctuate from one year to the next. These constraints, which can directly or indirectly affect the Group's customers (whether government entities or OEMs supplying these entities), may result in delays in the award of contracts, reductions, or cancellations of orders, or even a reduction in the size of the market in which the Group operates. A reduction in overall budgetary spending could also lead to a reduction in public research and development funding programmes, from which the Group benefits for some of its research and development activities (in the form of subsidies or research tax credits, both in France and abroad), which could have an impact on the Group's ability to develop new products. In addition, government spending programmes, although approved in advance, are generally subject to anti-deficit rules and annual reviews and adjustments, and may therefore be cancelled at any time (for example, defense spending in the United States fell at the beginning of the 2010s). The occurrence of such events, such as a reduction or stagnation in government defense spending, could lead to a reduction in demand for the Group's products, which could have a material adverse effect on its business, financial condition, results and prospects. In addition, governmental budgetary decision-making processes can be lengthy, and a certain amount of time may elapse between a budgetary decision with respect to a certain defense programme or project and the conclusion or award of the related contracts (due in particular to competitive tendering procedures and sometimes complex negotiations).

Although the current global context, marked in particular by the war between Russia and Ukraine, the conflict between Israel and Hamas, and a rise in global geopolitical tensions, is favourable to growth in governmental demand for military equipment and an increase in defense budgets (for example, France's armed forces budget has risen from €37.9 billion in 2020 to €47.2 billion in 2024, with the government's stated objective of increasing this budget to 2% of GDP in 2024), there is no assurance that these levels will be maintained or continue to rise in the future, or that the stated objectives will be met. Furthermore, although one of the Group's strategic priorities is to continue to broaden its portfolio of products dedicated to commercial activities, the majority of the Group's revenue is still linked to the defense sector, accentuating the risks associated with the Group's direct and indirect dependence on government purchases.

In addition, the financing of government defense and security projects is subject to public procurement legislation, which is determined by applicable international, European, and national laws and regulations, as well as by the World Trade Organisation. Public procurement legislation generally requires public entities, sectoral contracting entities and grantors to award contracts and concessions through a transparent and non-discriminatory tendering procedure, based on certain thresholds, either at the national or European level. Any change in these applicable laws and regulations could affect orders placed with the Group by governments or OEMs and could have a material adverse effect on the Group's business, financial condition, results and prospects.

In addition, any disruption or significant deterioration in the Group's relations with government entities resulting in a reduction in orders or in the Group's ability to participate in tenders would significantly reduce the Group's revenue and have a negative impact on its business, financial condition and prospects. The Group operates in competitive markets, and government entities may choose to use suppliers other than the Group, in competitive tenders or otherwise, due to the ongoing efforts of the Group's competitors to develop their relationships with these customers.

3.1.4 Risks related to technological developments and innovation

The Group operates in markets where competition is characterised by constant technological developments. The Group's success therefore depends on its capacity to design, develop, and market new products in a timely and cost-effective manner, and to improve existing products so that they are adapted to customer needs. Many of the Group's products already contain highly-sophisticated technologies, which makes further innovations and improvements difficult to achieve, as the Group is forced to develop even more sophisticated and/or technologically advanced products which may carry an increased risk of defects, failures, or malfunctions. Furthermore, the Group's products or a significant part of the underlying technology could become obsolete if the Group were unable to develop the necessary improvements in a timely manner. In some cases, the obsolescence of certain products in stock could force the Group to write down the value of the inventories concerned, which would have an adverse effect on its operating expenses.

In order to maintain its market position, particularly as part of its strategy to expand its product portfolio, the Group must be able to make accurate forecasts of market trends and customer demand, set up partnerships and co-development agreements, and make sufficient investments in research and development, which requires significant financing requirements due to changes in technology and industrial standards or the competitive environment. New or existing competitors may also develop new technologies that could reduce demand for the Group's products or cause the Group to lose its technological advantage over its competitors if its products are not developed within the time frame initially expected. These forecasts and investment decisions are subject to factors beyond the Group's control, which may be exacerbated by the long development cycles of products and their improvements.

The development and manufacturing processes for the Group's products can be long and costly, and there is no guarantee that the Group will have sufficient resources to make the investments in research and development necessary to maintain its current technological capabilities. New products developed by the Group may not be accepted by the market or meet customer expectations, and products or technologies developed by the Group's competitors may render new products developed by the Group

obsolete or uncompetitive. Due to the complex and advanced nature of its technology and products, the Group could face technological challenges at various stages of the development and manufacture of new products, or encounter difficulties in financing the investment needed to develop or improve new products, which could lead, for example, to cost increases, quality problems or delivery delays.

The occurrence of such events could have a material adverse effect on the Group's business, financial condition, results and prospects.

3.1.5 Risks related to the competitive environment

The Group operates in a competitive market where its ability to develop new products and improve existing ones to meet customer needs is essential to the success of its business. The expansion of existing competitors, their consolidation, and the arrival of new players in one or more of the Group's markets could make it difficult for the Group to grow its market share, maintain its existing competitive positions or gain access to new markets.

The Group faces competition from established international players, some of which are publicly-listed companies (in particular, L3Harris and Elbit Systems in the Amplification business, and Teledyne, Hamamatsu and Mirion Technologies in the Detection and Imaging business), which are able to develop innovative, cutting-edge products based on their research and development (Research and Development) and manufacturing capabilities and the recognition they enjoy in the market. These competitors could succeed in improving the quality and technology of their products or in developing new technologies that better anticipate the needs of the Group's customers, which would increase competitive pressure on the Group and could have a material adverse effect on the Group's business, financial condition, results and prospects.

In addition, the Detection and Imaging markets in which the Group operates, and in which it intends to expand as part of its strategy to broaden its portfolio, are witnessing the gradual emergence of Asian players that may over time be able to develop sufficiently advanced technological solutions (particularly in infrared and/or ultraviolet cameras) to compete with established players, including the Group. The emergence and intensification of competition from these actors, which generally benefit from lower cost structures, could lead to downward pressure on product prices, or even an acceleration of technological developments in these markets, and put the Group under greater pressure to maintain its profitability and remain competitive.

This competition forces the Group to continuously pursue improvements in its competitiveness in order to convince its customers of the quality and added value of its products and services. The Group is also required to regularly develop new products and constantly improve its existing products in order to maintain or improve its competitive position. Despite these efforts, if the Group's customers were unable to differentiate the quality and added value of its offerings, particularly in comparison with those of its competitors, or if these offerings did not, or no longer, meet their expectations, the Group's business and financial results could be significantly affected.

In addition, some of the Group's competitors in the defense and security sector, in particular OEMs based in the United States, benefit from national development programmes that may in some cases give them a competitive advantage over Group entities located outside the United States. In particular, the US Department of Defense's (DoD) Foreign Military Sales (FMS) programme is designed to facilitate the sale of US arms and defense equipment to foreign governments by allowing them to purchase through the DoD rather than directly from manufacturers. DoD procurement allows buyers to benefit from lower unit costs through the pooling of DoD purchases from manufacturers, high service standards and long-term relationships with the US Army. In some cases, the United States also provides financing to manufacturers to support specific projects. Buyers benefiting from these programmes can also take advantage of special financing provided by the United States to support the purchase of US arms and defense equipment by foreign countries. By facilitating foreign purchases in US weapons programmes, FMS and related financing options generate sales and support research and development and local production, which benefits some of the Group's competitors.

These competitive pressures could lead to a reduction in demand for the Group's products and services compared with those of its competitors and force it to make significant investments to increase the quality of the products and services offered to meet customer expectations, or lead to pressure on prices, which could have a material adverse effect on its business, financial condition, results and prospects.

3.2 Risks related to the Group's activities

3.2.1 Risks related to industrial espionage and data leakage*

The Group offers its customers products with high technological added value, based mainly on the use of know-how and advanced technologies that it has developed. The Group is therefore exposed to a high risk of espionage and theft of confidential information, by third parties or by its employees, relating to its technologies and expertise, requiring it to maintain a high level of vigilance, in particular by making its employees more aware of security and cybersecurity issues and by implementing enhanced information protection measures, particularly with regard to digital data.

In addition, to the extent that certain products sold by the Group are intended for the defense and security sector, the Group may be required to store highly confidential data provided to it in connection with the development of these products, some of which may be classified by the respective governments to which these products are supplied.

Although the competitive advantage of the Group's products lies in its expertise, the theft of strategic or technological data could enable established competitors to acquire knowledge of technologies and may jeopardise the Group's positioning and competitive advantage or the sovereignty of its direct or indirect customers, which could result in sanctions (including criminal sanctions), damage to the Group's reputation, loss of market share or interruption of contractual relations by some of the Group's customers, which could in turn have a material adverse effect on its business, financial condition, results and prospects.

3.2.2 Risks related to customer relations*

For the fiscal year ended 31 December 2023 and the 12-month period ended 31 December 2022, the Group's ten largest customers by revenue accounted for 57% and 62% of its revenue, respectively. Its largest customer, Theon International, linked to the Amplification business, accounted for 36% of its revenue for the fiscal year ended 31 December 2023 and 21% of its revenue for the 12-month period ended 31 December 2022 (and 26% of its revenue on average over the last three fiscal years). In the Detection and Imaging business (for which the Group's customer base is more fragmented), the largest customer accounted for 3% of the Group's revenue in the year ended 31 December 2023.

Although the Group generally maintains long-term commercial relationships with its main customers (for example, 17 years with its largest customer and an average of 21 years with its ten largest customers), it cannot guarantee that these relationships, or those with its other existing or future customers, will be maintained. Moreover, the Group cannot guarantee that the terms of such relationships, whether contractual or through new contracts, will be renewed on favourable terms. In addition, some of these contracts or commercial relationships could be terminated under certain conditions, in particular if the Group fails to meet its commitments.

As a result, the loss of one or more of the Group's main customers or contracts (in the event of non-renewal or early termination, for example), a significant reduction in orders from these customers, a substantial change in the commercial relations with them, a consolidation of actors in the relevant sector that reduces the number of end customers, or the default of one or more of its customers could have a material adverse effect on the Group's business, financial condition, results and prospects.

In addition, limited a portion of the Group's current and future revenue may be linked to large, multi-year contracts, the structure and duration of which may add constraints and complexity. When these contracts are based on a fixed, lump-sum sales price, their duration and the actual cost of development and implementation are likely to be significantly higher than estimated in the bid phase, which could

affect the Group's margins and profits and have a negative impact on its results and financial condition. In addition, if the Group is unable to meet its obligations or respect the agreed delivery or development schedule, customers may call for the payment of penalties, or even terminate the contract.

These major contracts could also lead to fluctuations in the Group's activity, resulting in a significant increase in revenue in one financial year that would not be repeated in subsequent years. As a result, the Group's results could show significant variations upwards or downwards between financial years, and comparisons of the Group's results from one period to another are not necessarily representative of the trend in the Group's future results. In addition, these major projects could be postponed or, in some cases, not completed at all, which could have a material adverse effect on the Group's business, results, financial condition and prospects.

3.2.3 Risks related to cybercrime and to a possible failure of the Group's IT systems*

The Group relies on its information systems to conduct its business (in particular, for production and development processes, product monitoring and invoicing, communication with customers, personnel management and the communication of information to operational managers for decision-making purposes). These IT systems and networks, as well as related systems, are essential to the Group's business and its capacity to carry out its operations, and the management of its business is therefore increasingly dependent on information systems. Despite a policy of striving to continuously strengthen the resilience and security of the Group's information systems and IT infrastructures, any event affecting these systems, such as a breakdown or interruption resulting from an incident, computer virus, computer attack or any other cause, could have a negative impact on the conduct of its business and its reputation. Such events could disrupt the continuity of the Group's operations by causing, for example, the loss of connections between internal and external network exchange platforms, prolonged unavailability of the operational information systems needed for production, or damage to the confidentiality and integrity of data hosted or in transit on the Group's information systems (including loss, destruction, theft or corruption; see also Section 3.2.1 "*Risks related to industrial espionage and data leakage*" in this registration document).

Any incident affecting the Group's information systems, or any malfunction of security measures presents a risk of unauthorised access, theft, destruction or misuse of the data and sensitive commercial or personal information hosted on them, including information on the Group's intellectual property or commercial strategy or that of its customers. The Group cannot guarantee that such a failure of its IT systems or its incapacity to prevent a compromise of its IT systems will not occur in the future. Any cyberattack, breach or other disruption that interrupts the Group's activities or those of its customers and partners, impacts its production, or leads to the theft or destruction of intellectual property and trade secrets, could have a significant negative impact on the Group's business and results, as well as on its reputation and its relationships with its customers, and could lead to legal claims, particularly in the event of a breach of privacy laws.

Furthermore, even if the Group outsources some of its information systems in order to optimise the management of its resources and improve the efficiency of its IT infrastructure, it cannot guarantee that this infrastructure will be adequate or have a level of sophistication that will ensure future service continuity. The Group therefore relies on the quality of the work of its service providers and, despite the care taken in selecting these partners, it is exposed to the risk that they may fail to fulfil their obligations.

The Group must also rely on preventive measures put in place by its customers, suppliers, vendors and other third parties to minimise the impact of threats to IT security. These third parties may have different levels of cybersecurity expertise and protection, and their relationships with government contractors may increase their likelihood of being subject to cyberattacks.

The occurrence of such events could have a material adverse effect on the Group's business and reputation.

3.2.4 Risks related to supply chain*

The Group relies on an uninterrupted and competitive supply chain, which is essential to maintaining production capacity to meet customer demand and expectations. The Group may experience disruptions or delays in its supply chain as a result of individual or global events, such as the closure of suppliers' facilities due to strikes or social unrest, financial default or macroeconomic events, breakdowns, natural disasters or extreme weather events and health crises such as the COVID-19 pandemic, which may disrupt the Group's receipt of certain components and raw materials required for its business.

The Group uses a large number of suppliers of raw materials and components, 26.8% of which was supplied by the Group's top ten suppliers for the fiscal year ended 31 December 2023. Disruptions in supply from these suppliers could significantly impact or delay the Group's production capacity or force it to maintain inventories at levels higher than the anticipated optimal level. For a certain number of components and raw materials that are essential to its manufacturing processes (in particular fibre blocks, CMOS sensors, micro-bolometer sensors, glass, exotic metals and optical scintillators), the Group has limited flexibility to change suppliers, as it obtains its supplies from a limited number of suppliers whose solutions are specifically tailored to the Group's needs as part of an effort to optimize development costs. In such cases, the Group may not always be able to identify economically viable supply and delivery alternatives in a timely manner, or at all. The risk of disruption could increase for certain suppliers or subcontractors given the geopolitical risks affecting the countries or regions in which they operate.

As a result, the failure of one or more significant suppliers or an exclusive supplier, including as a result of strikes or social unrest, unforeseen stock shortages, quality defects, export restrictions or sanctions, or any disruption in supply more generally, could affect the Group's production capacity or result in additional costs, which could have an adverse effect on its business, results, financial condition, assets and liabilities and prospects. In particular, the Group's products require large volumes of semiconductors or components incorporating semiconductors. The Group's business could be affected by shortages or delays in the supply of semiconductors, which could have a significant impact on the Group or its suppliers, insofar as such shortages or delays could slow down or halt the Group's production capacity or impact its ability to deliver its products on time or require the Group or its suppliers to pay more expensive prices to continue its supply of semiconductors. From 2021 to early 2023, a global shortage of semiconductors had a significant impact on a number of industrial sectors, including the one in which the Group operates. As a result, the Group temporarily had to resort to alternative, more expensive sources for electronic components, which has had an impact on its production costs. In order to secure its supplies from these alternative sources, the Group also agreed to pay cash for the purchases concerned. In addition, the use of alternative components has forced the Group to redesign some of its products to adapt them to the characteristics of these components.

In addition, for a limited number of services and products supplied to its customers, the Group may use subcontractors acting in the name and on behalf of the Group, which remains responsible for the services provided by these subcontractors. The Group is exposed to risks associated with the management of these subcontractors and the risk that such subcontractors fail to carry out their mission satisfactorily, in accordance with the applicable regulations, or within the allotted time. Such a situation could jeopardise the Group's ability to meet its commitments, comply with applicable regulations or satisfy its customers' expectations, or result in liability for the actions of its subcontractors, which could damage the Group's reputation and have a material adverse effect on its business, results, financial condition and prospects.

3.2.5 Risks related to the Group's reputation*

The Group's reputation is essential to the presentation of its product offering to the market, enabling it to retain existing customers and win new ones. The Group's reputation is all the more critical because it operates in niche markets where there are few customers and where the supplier brand plays an important role in purchasing decisions. In addition, the Group operates in areas where there is a risk of high media exposure (particularly in the defense, space, and nuclear sectors).

The Group's success in recent years has largely been due to its reputation as a market leader, able to provide a wide range of reliable products and incorporate a high degree of expertise. This reputation has consolidated the Group's position with its customers and contributed significantly to its growth.

Although the Group closely monitors the quality of its products, it cannot guarantee that in certain business sectors and/or geographical areas it will not encounter difficulties related to the quality or reliability of its products or, more generally, to its ability to provide the level of quality expected by its customers. In addition, products sold by the Group to the defense sector could be used in military operations, exposing it to increased media and reputational risks. Furthermore, the Group produces essential components (such as neutron and gamma detectors) for the safety and control of reactors in the nuclear sector, and any failure of these products could have major consequences for its customers and generate unfavourable media coverage for the Group. The occurrence of such events, particularly in the case of widespread media coverage, could have a significant impact on the Group's reputation, particularly among its customers, and could therefore have a material adverse effect on its business, financial condition, results and prospects.

3.2.6 Risks related to the implementation of the Group's strategy, in particular acquisitions and their integration*

In addition to its organic growth, the Group has expanded through a number of acquisitions following its acquisition by HLD in 2021, which has allowed it to further diversify its product portfolio and increase its market share. Since December 2022, the Group has acquired four companies, namely Xenics (a specialist in infrared imaging), Proxivision (a specialist in ultraviolet sensors and cameras), Telops (a specialist in hyperspectral and infrared imaging) and El-Mul (a specialist in ion and electron detection), all of which contributed significantly to the growth in the Group's revenue in the fiscal year ended 31 December 2023. The Group intends to further pursue its development and continue to expand its product portfolio and markets through the acquisition of companies that meet its strategic and financial criteria. At the date of this registration document, the Group is finalising the acquisition of a European player in the Nuclear market, which remains subject to obtaining the necessary authorisations from the relevant authorities.

As part of its growth strategy, the Group may encounter the following difficulties:

- identifying suitable targets in line with the Group's external growth strategy could prove difficult;
- given the Group's business sector, the acquisition of foreign targets could be delayed or even prevented by the application of local foreign investment control rules, or the application of these rules could make the acquisition of the target conditional on the Group making commitments to the relevant authorities that could restrict the implementation of the Group's initial development strategy;
- the integration of new companies could give rise to substantial costs, as well as delays or other financial and operational difficulties;
- the expected financial and operational synergies may take longer than expected, or may not be achieved in full or at all;
- acquisitions could require greater attention from the Group's management to the detriment of the management of its other activities;
- acquisitions may trigger change of control clauses in contracts to which the target company is a party;
- the Group could be forced to incur debt to finance these acquisitions, which would increase interest expense and impact the Group's liquidity (see Section 3.3.3 "*Risks related to the*

Group's indebtedness and restrictive clauses in financing agreements" of this registration document);

- the assumptions made in the business plans of the acquired companies may prove to be incorrect, particularly in terms of synergies and performance;
- acquisitions could result in the Group incurring liabilities greater than those assessed during the due diligence phase of the acquisition;
- the Group could be forced to sell or limit the external growth of certain businesses in order to obtain the regulatory approvals necessary for these acquisitions, particularly related to competition law;
- the acquisition of a new company could be accompanied by the loss of some of the target's key employees and contracts;
- the acquisition of new companies, particularly foreign ones, could give rise to unforeseen legal or regulatory restrictions; and
- the Group may subsequently face impairment charges relating to goodwill (see Section 3.3.4 "*Risks related to goodwill*" of this registration document).

Generally speaking, the expected benefits of future or completed acquisitions may not materialise within the time frame or at the levels expected, which could have a material adverse effect on the Group's business, financial condition, results and prospects.

3.2.7 Risks related to distribution

As part of its activities, the Group uses the services of distributors and representatives, who are key players in promoting and distributing the Group's products to customers. The Group's distributors and representatives are subject to compliance with national agreements, national regulations, the risk of corruption and influence peddling, or a tightening of export regimes (see Section 3.1.2 "*Risks related to sales and export restrictions and control of goods*" of this registration document), any of which could result in the suspension or disruption of their activities and thereby negatively affect the Group. Any interruption in the Group's distribution network could affect its ability to market its products or damage its reputation, which could have a material adverse effect on its business, results, financial condition and prospects. In addition, the Group could be held liable for the actions of its distributors and representatives, particularly with regard to the risk of corruption and influence peddling.

3.2.8 Risks related to the cost and supply of raw materials and components

The Group's industrial activities use raw materials and components, in particular certain exotic metals (gallium, for example), glass and optical materials (fibre blocks⁴ in particular) and sensors (such as CMOS⁵ or microbolometers). In total, the Group's purchases of raw materials and components represented 21% of its consolidated revenue for the fiscal year ended 31 December 2023.

The Group enters into supply contracts with its suppliers for periods generally ranging from 12 to 36 months, for which the purchase prices are fixed upon entry into the contract and for the duration of the contract.

Entry into potential commercial contracts with customers begins with an initial call for tenders, at the end of which a technical and financial proposal is sent to the potential customer. After the call for tenders phase, qualification and selection phases are carried out by the customer to test the quality of the Group's products and its ability to deliver the required volumes. If these various phases (which can

⁴ A fibre block is a glass object used in a camera to shift an image from plane A to plane B.

⁵ A CMOS (complementary metal-oxide-semiconductor) is used to convert electromagnetic radiation into an electrical signal, from which a digital image can be obtained.

take a minimum of two years from the call for tenders to the signing of the contract) are successful, the supply contract is signed with the customer. As the Group must commit to the final product pricing at the time of the call for tenders, the Group bears the risk of increases in the cost of raw materials and components required to manufacture the product during the execution phase of a given contract. If the Group is unable to correctly predict changes in the cost of raw materials and components between the tendering phase and the contract signing, its margins could be reduced and its profitability could be significantly impacted as a result.

Although the Group includes price review clauses in certain commercial contracts that take into account, directly or indirectly, changes in the cost of raw materials and components, most of these commercial contracts (generally framework contracts concluded for a period of 2 to 5 years, with orders lasting from 3 to 12 months for the Amplification business, and orders for periods of 6 to 24 months (with the application of the Group's general terms and conditions of sale) for the Detection and Imaging business) do not include such clauses. Passing on cost increases incurred by the Group is therefore subject to commercial negotiation with customers at the time of subsequent orders or contract renewals and may, as a result, occur later in time and permit increases to be only partially passed on, if at all. Any significant rise in the price of the raw materials and components used by the Group could have a material adverse effect on its business, results, financial condition and prospects.

3.2.9 Risks related to the operation of industrial sites

The Group has ten production and Research and Development sites, including two in France, two in the United States, one in Canada, one in Belgium, one in the Netherlands, one in Germany, one in Israel and one in Singapore.

The Group's production processes are characterised by high fixed production costs. Prolonged interruptions in the supply of energy or materials needed to power machines and equipment, or machine breakdowns, could lead to production stoppages.

The Group also uses heavy and potentially dangerous machinery and equipment in its industrial production processes, which presents risks such as industrial accidents, explosions, fires and potential environmental damage such as accidental releases of polluting or dangerous products. If such incidents were to occur, they could lead to unforeseen interruptions in the Group's business and could also result in damage to or the total or partial destruction of facilities, cause environmental pollution and, in the most serious cases, cause the injury or even the death of Group employees or local residents. Such events could also result in the Group being involved in legal proceedings brought against it by potential victims to recover damages and/or the imposition of penalties or sanctions by regulatory authorities, which could have a material adverse effect on the Group's business, financial condition, results and prospects.

In addition, the Group may experience unforeseen interruptions to operations at its production sites, for example as a result of human error, equipment failure, industrial action, malicious acts or terrorism (particularly in relation to some of the Group's defense-related activities) or other events causing damage. In addition, some of the Group's sites may be subject to natural disasters such as floods or fires.

Any interruption in the production process may prevent the Group from fulfilling orders or deliveries, thereby impacting its revenue, even though it will continue to bear the fixed operating costs of its facilities. It could also face contractual penalties in the event of non-delivery and/or unplanned investments or expenses resulting from repair costs, the purchase of new machinery or equipment, liability claims or a significant increase in the cost of its insurance policies. In addition, certain components produced by the Group, which are essential to the manufacture of certain products sold by the Group (for example, most products in the Amplification business cannot be manufactured without the use of microchannel wafers manufactured by the Group at its Brive-la-Gaillarde site), could, in the event of a production interruption, be difficult or impossible for the Group to replace or substitute within a short time frame. Such interruptions or accidents are likely to result in a loss of revenue and could

therefore have a material adverse effect on the Group's business, financial condition, results and prospects.

Lastly, the Group's industrial sites may not be sufficiently productive to meet the Group's expectations and objectives, which could result in a reduction in the Group's competitiveness and an inability to manufacture the quantity and quality of products required by its customers.

The occurrence of any of these events could have a material adverse effect on the Group's business, financial condition, results and prospects.

3.2.10 Risks related to corporate social responsibility (CSR) issues

The global trend towards a more sustainable and responsible economy, and the increased legislation and regulation associated with it, could impose significant costs on the Group (particularly in its production processes) and its customers, including costs associated with the transition to alternative energy sources, environmental monitoring, compliance with permit requirements and expert reports, defending against litigation and paying financial penalties related to climate change, as well as social issues. Customers, investors, employees, and other stakeholders, as well as governmental and non-governmental organisations, are placing increasing emphasis on environmental, social and governance (ESG) issues. Indeed, a growing number of the Group's customers and commercial or financial partners are taking sustainability factors, particularly environmental factors, into account when awarding a contract or order or through financing conditions linked to sustainability. Furthermore, certain sectors (in particular defense and nuclear) to which some of the Group's activities are linked are likely to be perceived less favourably on ESG issues than other sectors, and in order to meet the ESG expectations of its stakeholders the Group may have to make greater efforts and incur higher costs than companies in other industries.

Against this backdrop, the Group aims to align its practices with the CSR framework established by Ecovadis and, by following this methodology, which complies with international standards, to be awarded a gold medal by the end of 2025. However, the Group cannot guarantee that it will obtain or be able to keep this rating.

The costs of complying with current and future legislation, particularly in the fight against global warming, may have a negative impact on the Group's financial condition and that of its customers, reducing their capacity to purchase the Group's products.

In addition, if the Group fails to comply with applicable laws and regulations on climate change, or if the Group's offering and its climate and social commitments do not meet stakeholders' expectations, its reputation could be damaged, especially as companies are increasingly subject to pressure from stakeholders on ESG matters. In particular, the forthcoming strengthening of regulatory requirements (such as the new requirements under Directive (EU) 2022/2464 with regard to the publication of sustainability information by companies (CSRD), which will apply to the Group for the first time for the 2024 financial year as a publicly-traded company) and investors' expectations with regard to non-financial information will require the Group to devote financial resources to this, which may not be sufficiently aligned with their expectations. In addition, the Group could encounter difficulties in setting up non-financial reporting processes, particularly in terms of the quality of the information available. This increase in costs and stakeholder expectations relating to climate change and social issues may have a negative impact on the Group's reputation, business, prospects, financial condition and results.

3.3 Risks related to the Company

3.3.1 Risks related to the recruitment and retention of experienced employees and management teams*

The Group's success depends to a large extent on the retention of its executives and key managers and technicians, as well as on its capacity to continue to attract, retain and develop the loyalty of qualified staff. The lack of human capital due to highly competitive labour market conditions in some regions could have an impact on the Group's ability to deliver high value-added products and services. The

market for skilled labour in the specialist industry in which the Group operates is currently highly competitive, and therefore the development of its business and the maintenance of its competitive position depend on the availability of a highly qualified technical workforce. In addition, the shortage of skilled labour has required, and may require, the Group to make greater use of temporary staff.

The Group also has experienced employees who are specialists in their fields (including in night vision, ion, electron, and photon detection) that have been drawn from a limited pool of specialist engineers. In addition, some of the Group's activities require employees with a certain security clearance level, for whom there is increased competition among employers in the labour market. If these highly specialised employees were to leave the Group, it would be difficult to find adequate replacements, potentially causing the Group to suffer both the loss of the knowledge and know-how of these key employees as well as the consequences of their employment by competitors.

In addition, the development of the Group's activities requires the acquisition, maintenance and renewal of skills in line with technological developments and market expectations. The Group may not be able to find qualified candidates, train its staff in its technological solutions or recruit and train the managers needed to develop its business. In addition, during periods of strong growth, the Group may encounter difficulties in recruiting and retaining qualified staff on economic terms that are satisfactory to the Group due to fierce competition in the specialist engineering market, which may result in higher employee benefits costs, a reduction in the quality of the products the Group develops and a loss of know-how.

The loss of the services of one or more of the Group's key employees or its inability to attract, retain and secure qualified personnel could have an adverse effect on its business, financial condition and results.

Furthermore, the Group's success depends to a large extent on the continuity and skills of its current management team. In the event of an accident, illness or departure of one or more of these managers or other key personnel, the Group may not be able to replace them quickly, which could affect its operating performance. In particular, the Group has not subscribed to any "key person" insurance policies, which would provide compensation in the event of an accident or the departure of one or more of these managers and key persons. More generally, competition for senior executives is strong and the number of qualified candidates is limited. The Group may not be able to retain the services of its current executives or key personnel or attract and retain experienced executives and key personnel in the future. In addition, if its managers or other key employees were to join a competitor or create a competing business, the Group could lose customers, know-how and any key employees that may decide to follow them. These events could have a material adverse effect on the Group's business, financial condition, results, prospects and reputation.

3.3.2 Risks related to the control of foreign investments

The Group is involved in activities that are covered by regulations applicable to foreign investments in France, in particular those relating to national defense. As a result of these activities, the Company and the Group fall within the scope of the legal and regulatory provisions applicable to foreign investments in France set out in article L.151-3 of the Monetary and Financial Code and articles R.151-1 *et seq.* of the Monetary and Financial Code.

Under these provisions, the prior approval of the Minister of the Economy is required with respect to the Group's French entities if (i) a non-European investor directly or indirectly exceeds a threshold of 25% of the voting rights of an unlisted entity or 10% of the voting rights of a listed entity or (ii) a non-French investor who is a national of a Member State of the European Union or of a State party to the Agreement on the European Economic Area (EEA) acquires direct or indirect control of such an entity.

As part of the approval process, the Minister of the Economy is responsible for verifying that the terms of the contemplated transaction protect France's national interests. In this respect, the Minister may attach one or more conditions to the approval to protect the long-term viability of the activities

concerned, industrial capacities, research and development capacities or associated know-how, or refuse such authorisation by issuing a reasoned decision, particularly if national interests cannot be protected.

Any transaction carried out in breach of these provisions is null and void and is subject to a fine. Consequently, these restrictions on acquiring a substantial interest in the Company's share capital or exceeding a certain shareholding threshold may restrict certain investments and therefore limit the demand for and liquidity of the Company's ordinary shares.

In addition, changes in the Group's shareholding structure may require the approval of the relevant national authorities on foreign direct investment in the foreign jurisdictions in which the Group operates (notably Germany, Canada, the United States and the United Kingdom).

These various laws and changes in them could have a significant negative impact on the Group's financial and capital situation and reputation.

3.3.3 Risks related to the Group's indebtedness and restrictive clauses in financing agreements

On 31 December 2023, the Group's total gross debt amounted to €317.9 million (see Section 8.2.2 of this registration document).

The Group's indebtedness may have negative consequences, such as:

- requiring the Group to devote a significant proportion of cash flow from operating activities to debt service and repayment, thereby reducing the Group's capacity to allocate free cash flow to financing organic growth, capital expenditure and other general corporate purposes;
- increasing the Group's vulnerability to a slowdown in business or economic conditions;
- placing the Group in a less favourable position compared to competitors that have less debt in relation to their free cash flow;
- limiting the Group's flexibility in planning or reacting to changes in its activities and the sectors in which it operates;
- limiting the Group's capacity to invest in growth (including through acquisitions as part of its growth strategy);
- limiting the Group's capacity to carry out its external growth policy; and
- limiting the capacity of the Group and its subsidiaries to borrow additional funds or raise capital in the future and increasing the costs of such financing.

In addition, the Group's capacity to meet its obligations, to pay interest on its borrowings or to refinance or repay its borrowings in accordance with the terms and conditions thereof will depend on its future operating performance and may be affected by a number of factors (including economic conditions, debt market conditions and regulatory developments), some of which are beyond the Group's control.

In the event of insufficient liquidity to service its debt, the Group could be forced to reduce or defer acquisitions or investments, dispose of assets, refinance its debt, or seek additional financing. The Group may not be able to refinance its debt or obtain additional financing on satisfactory terms.

These risks could have a material adverse effect on the Group's business, results and financial condition.

In addition, the terms of the Group's various debt instruments, such as the Senior Credit Facilities Agreement and its bond issue, require it to comply with specific covenants, including financial covenants and ratios (see Chapter 8 "*Group cash and capital resources*" of this registration document).

These covenants and restrictions limit Group's ability to take certain actions (subject to the usual exceptions for these types of financing), including:

- issuing securities;
- incurring additional financial debt;
- disposing of assets;
- carrying out certain mergers; and
- changing the nature of the Group's activities.

The restrictions contained in the Group's debt instruments could affect its ability to carry on its business and limit its ability to react to market conditions or seize commercial opportunities as they arise. For example, these restrictions could affect the Group's ability to finance investments in its businesses, make strategic acquisitions, investments, or partnerships, restructure its organisation or finance its capital requirements. In addition, the Group's ability to comply with these covenants may be affected by events beyond its control, such as economic, financial and industrial conditions. Failure by the Group to comply with its covenants or restrictions could result in a default under the terms of its debt instruments, which could permit the Group's creditors to accelerate the repayment of the relevant financing, which could have a material adverse effect on the Group's business, financial condition, results and prospects.

3.3.4 Risks related to goodwill

At 31 December 2023, goodwill recognised in the Group's balance sheet amounted to €174.3 million (see note 16 to the consolidated financial statements for the periods ended 31 December 2023 and 31 December 2022 included in Section 18.1.1 of this registration document). It cannot be excluded that future events may lead to an impairment of the Group's goodwill. Given the significant amount of goodwill on its balance sheet, any significant impairment could have a material adverse effect on the Group's financial position and results for the year in which such charges are recorded. These amounts may vary depending on certain assumptions, judgements and estimates on which the value tests are based, including the discount rate (weighted average cost of capital), the perpetual growth rate and expected cash flows, which depend on an assessment of the economic and financial environment (see note 16 to the consolidated financial statements for the years ended 31 December 2021, 2022 and 2023).

3.4 Financial risks

3.4.1 Risks related to exchange rates

The Group operates internationally and is exposed to foreign exchange risk arising from exposure to various currencies, mainly the US dollar. Foreign exchange risk arises from future commercial transactions and from the fact that a proportion of its assets, liabilities, income and expenses are denominated and recognised in currencies other than the euro. For the 2023 financial year, 24% of Group sales were in currencies other than the euro (25% for 2022), of which 15% was in US dollars (100% for 2022). In addition, all of the Group's financial debt was denominated in euros for the 2023 and 2022 financial years.

On the basis of the Group's actual scope of consolidation, the foreign exchange risk generated by commercial transactions is limited: the sales of European subsidiaries are mainly denominated in euros. The Group was exposed to the euro (EUR)/US dollar (USD) on its European subsidiaries for a net amount of €13.9 million equivalent on the buy side and to the Canadian dollar (CAD)/USD on its Canadian subsidiary for a net amount of €11.9 million on the sell side. All sales by US entities were denominated in US dollars in the 2023 and 2022 financial years.

The main currencies in respect of which the Group is exposed to translational exchange rate risk are the Canadian dollar, the US dollar, the Singapore dollar (SGD), the Israeli shekel (ISL) and the Chinese renminbi (CNY). On 31 December 2023, if the US dollar had weakened/strengthened by 10% against the euro, all other things being equal, the impact on profit before tax and on the other components of equity for the year would have been as follows:

(in thousands of euros)	On 31 December 2023			
	Impact on net profit before tax for the year		Impact on other components of equity	
	10% increase	10% decrease	10% increase	10% decrease
Exchange rates (EUR/USD)	-1,266	1,266	13,002	-13,002
Exchange rates (EUR/CAD)	ns	ns	1,537	-1,537
Exchange rates (EUR/ISL)	ns	ns	559	-559
Exchange rates (EUR/SGD)	ns	ns	250	-250
Exchange rates (EUR/CNY)	ns	ns	39	-39
Exchange rates (CAD/USD)	332	-332	ns	ns

3.4.2 Risks related to interest rates

Interest rate risk arises from long-term loans, in particular bond issues which are indexed to the 6-month Euribor rate and the senior credit facilities agreement which is indexed to the 3-month Euribor rate plus a margin. Borrowings issued at variable rates expose the Group to cash flow interest rates that are partially offset by cash at variable rates. In 2023, the Group's variable-rate borrowings were denominated in euros.

During the 2023 financial year, if average interest rates had been 100 basis points higher/lower, all other things being equal, the impact on profit before tax for the year would have been as follows:

(in thousands of euros)	On 31 December 2023	
	Impact on net profit before tax for the year	
	+100bp	-100bp
Additional interest expense (income)	1,200	-1,200

In addition, the New Senior Credit Facilities Agreement, which will be entered into as part of the refinancing to be carried out at the same time as the Company's IPO, provides that the loans borrowed thereunder will bear interest at a variable rate indexed to Euribor, plus the applicable margin in each case (see Section 8.3 "New Senior Credit Facilities Agreement" of this registration document).

3.4.3 Liquidity risk

Liquidity risk arises from the Company's inability to meet its obligations as they fall due. The Company relies mainly on long-term debt to finance its acquisitions. Liquidity risk includes, on the one hand, the risk that assets cannot be sold quickly on satisfactory terms if necessary, and on the other hand, the risk of liabilities falling due early or of the Company not having access to credit on satisfactory terms.

The Group forecasts its cash flows and monitors its liquidity requirements to ensure that it has sufficient liquidity to meet operating requirements while maintaining sufficient headroom on its available and undrawn borrowing facilities (see note 27 to the consolidated financial statements for the periods ended 31 December 2022 and 2023, note 13 to the consolidated financial statements for the fiscal year ended 31 December 2021 and Section 8.2.2 "Financial liabilities" of this registration document).

Surplus cash held by operating entities in excess of the balance required to manage working capital is transferred to Group's centralized cash. The Group's treasury department invests cash surpluses in interest-bearing current accounts so that it can rapidly mobilise cash to finance potential acquisitions.

Contractual maturities of the Group’s financial liabilities, including contractual interest, are presented below.

On 31 December 2023				
Contractual maturities of financial debt (in thousands of euros)	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
A bonds	13,110	236,348	-	249,458
B bonds	891	11,749	-	12,640
Additional Bonds	2,415	43,538	-	45,953
Senior Facility A1	4,830	11,192	-	16,022
Senior Facility A2	1,472	31,786	-	33,258
Acquisition Facility A3	1,412	32,288	-	33,700
Other financial debt	1,565	4,601	-	6,166
Total excluding derivatives	25,695	371,503	-	397,198

3.4.4 Credit risk

Credit and/or counterparty risk is the risk that a party to a contract with the Group will default on its contractual obligations, resulting in a financial loss to the Group.

The Group’s credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as from credit exposures to customers where there is a risk of non-recovery. The risk of insolvency or customer default may result in non-payment of the amounts owed and consequently have a negative impact on the Group’s income statement and cash flows.

3.5 Legal risks

3.5.1 Risks related to regulations and regulatory changes*

The Group’s activities are subject to a variety of increasingly numerous, complex and evolving laws and regulations (particularly due to the international nature of its activities), especially in the fields of defense, the environment, employment law, new technologies, cybersecurity and nuclear safety (see Chapter 9 “*Legislative and regulatory environment*” of this registration document).

The Group is therefore exposed to changes in law or regulation that were not properly anticipated or taken into account by the Group’s internal management system. In addition, changes in the application or interpretation of existing laws and regulations by government agencies and courts may occur at any time and may not be anticipated by the Group.

In particular, the Group is subject to the RoHS⁶ regulations provided for by Decree no. 2013-988 of 6 November 2013, transposing the RoHS Directive 2011/65/EU of 8 June 2011, as amended by Directive (EU) 2015/863 of 31 March 2015. This directive aims to limit the use of ten hazardous substances in electrical and electronic equipment (including lead, mercury and cadmium). To date, only lead has been identified as a substance subject to the restrictions imposed by the RoHS directive and present in the products marketed by the Group. These products benefit from a number of exemptions (see Section 9.4 of this registration document). In addition, the Group must comply with the European REACH⁷ regulation, which may generate significant costs, particularly in relation to sharing the data required to register certain substances. The Group is a “downstream user” under these regulations, which requires it to ensure that its suppliers have registered their substances if they are not exempt. The Group is also an importer of articles under these regulations, which requires it to provide information to its customers. Such obligations and restrictions may have a significant impact on the Group’s activities and must be

⁶ RoHS: Restriction of Hazardous Substances in electrical and electronic equipment – Directive 2011/65/EU of 8 June 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment.

⁷ REACH – Registration, Evaluation and Authorisation of Chemicals.

carefully monitored and anticipated as soon as possible in order to identify suitable alternative substances. The Group may also be subject to similar legislation outside the European Union (such as the Toxic Substances Control Act of 1976 in the United States or the Canadian Environmental Protection Act of 1999 in Canada). These regulations and any changes to them could have a negative impact on the profitability of programmes developed by the Group, on meeting production deadlines and on the Group's reputation. In addition, any failure to comply with these regulations could prevent the Group from distributing its products outside the defense sector, impose financial penalties on the Group or impact the Group's reputation.

The Group could also be adversely affected by any changes in export regulations (see Section 3.1.2 "*Risks relating to sales and export restrictions and control of goods*" of this registration document). Given the current geopolitical context, it is difficult for the Group to anticipate changes in such regulations, making it particularly difficult to monitor compliance with them. For example, Chinese export regulations are evolving, and the Group is closely monitoring developments in this area.

The occurrence of one or more of the above events could have a material adverse effect on the Group's business, results, financial condition and prospects.

3.5.2 Risks related to ethics and corruption*

In conducting its business, the Group may face risks related to corruption, in particular through its activities linked to governmental entities or public officials. These include contracts with partners linked to governmental entities or bids for public contracts, where actors generally face increased scrutiny related to corruption and ethics violations.

The Group has put in place policies, procedures and training for its employees on ethics and anti-corruption regulations. However, it cannot guarantee that its employees, suppliers, subcontractors or other business partners will comply with the requirements of its code of good conduct, its ethics guidelines and the regulations and legal requirements in force. If it were unable to enforce its anti-corruption policies and procedures, the Group could be subject to civil and criminal penalties, including fines which could be substantial or exclusion from certain contracts. The occurrence of such events could have a material adverse effect on its reputation, business, financial condition, results and prospects.

3.5.3 Risks related to ongoing litigation and investigations

In the ordinary course of its business, the Group may become involved in a number of legal, administrative, criminal or arbitration proceedings, particularly in relation to civil liability, intellectual property, competition, tax, or discrimination. In some of these proceedings, substantial monetary claims could be made against one or more Group entities. Any corresponding provisions that the Group may record in its accounts could prove insufficient, which could have a material adverse effect on its business, financial condition, prospects and results.

The Group cannot rule out the possibility that in the future legal proceedings could be initiated against it relating to unidentified or unanticipated risks. If these proceedings were to have an unfavourable outcome, they could have a material adverse effect on the Group's business, financial condition, results and prospects.

3.5.4 Risks related to intellectual property rights

If the Group fails to maintain, protect or obtain appropriate recognition for its intellectual property rights, its market position could be weakened and the Group could lose strategic assets, achieve lower revenue and growth rates and face costly litigation to protect its rights.

The Group's success depends in part on the protection, maintenance, defense and enforcement of its intellectual property rights, including those relating to its know-how, proprietary technology and key products, for which the Group relies on a combination of copyrights, design rights, patents, trademarks and trade secret protection rights. The Group also relies on other intellectual property laws, as well as

the use of contractual restrictions, to recognise and protect its intellectual property rights (see Section 5.6.3 of the registration document).

The Group regularly files protection applications and obtains intellectual property rights for innovations resulting from its research and development activities. In particular, the Group seeks to protect the technologies and know-how that it owns and that it considers to be commercially strategic, and to protect its core brand (including the key brands that form part of its product portfolio), by filing patent and trademark applications in the main jurisdictions where it operates. This process is lengthy and expensive, and the Group may not be able to file and complete all necessary or appropriate patent and trademark applications in all jurisdictions at a reasonable cost or in a timely manner. In addition, intellectual property rights may not be obtained for current or future applications or may not be valid or of sufficient scope or value to provide the Group with effective protection or commercial advantage. Moreover, although there is a presumption that patents are valid, the grant of a patent does not necessarily imply that it is effective or that any claims against the patent can be validly enforced to the extent expected or desired. Furthermore, the Group's registered intellectual property rights may have expired, and patents, trademarks, and other intellectual property rights may be contested, invalidated, misappropriated or circumvented by third parties.

Although the Group seeks to protect its intellectual property rights (particularly unregistered rights) by entering into confidentiality agreements with its employees, consultants, collaborators and third parties at the outset of their relationship with the Group, these parties may not comply with their confidentiality obligations under these agreements. In addition, the Group may not be able to obtain these agreements whenever necessary. These agreements may also not guarantee effective recognition of all rights to inventions developed by employees or any consultant party to these agreements and may not be sufficient to control access to and distribution of the Group's technology and confidential information or provide an adequate solution in the event of unauthorised use of these resources or technologies or unauthorised access, use or disclosure of confidential information. Thus, despite the precautions taken by the Group, knowledge relating to unregistered intellectual property or other confidential information of the Group may be made available to third parties. In addition, in certain jurisdictions, the Group may be required to pay compensation to owners of intellectual property rights in accordance with applicable law.

In some cases, the Group collaborates and partners with third parties for research and development activities or for the manufacture of its products. These collaborations and partnerships may give rise to joint ownership or co-ownership of the resulting inventions and the associated intellectual property rights. Where the Group holds intellectual property rights jointly or in co-ownership, it may be prevented from using, licensing, enforcing or marketing these rights.

The Group may be required to devote significant resources to monitoring and protecting its intellectual property rights and may or may not be able to detect infringement, misappropriation or other violations of its intellectual property rights by third parties.

The Group believes its technology and know-how are key differentiating factors compared to its competitors. Accordingly, the Group considers that infringement by third parties of intellectual property rights relating to its products, industrial processes, brands, designs and models represents a significant risk. Legal action may be necessary in the future to enforce the Group's intellectual property rights, and such litigation could be costly and protracted, be resolved in a manner unfavourable to the Group and/or result in the impairment or loss of part of its intellectual property rights. In addition, any efforts by the Group to enforce its intellectual property rights may be met with defenses, counter-claims and legal actions that call into question the validity and enforceability of such intellectual property rights.

Third parties have in the past declared, and may in the future declare, that the Group has directly or indirectly infringed upon their intellectual property rights, and the Group could be found to have done so.

The Group's competitors, suppliers and customers also file a large number of applications to protect their intellectual property. Because of the large number of intellectual property rights that the Group's competitors may hold, it is not always possible to monitor and identify infringements, misappropriations or other violations of third parties' intellectual property rights by the Group. The Group could be required to pay consequential damages or comply with injunctions prohibiting the development and sale of certain of its products and services. In addition, the Group could be forced to stop manufacturing, using or marketing the technologies, brands or products concerned in certain countries or be forced to modify a product under development (which would increase the project's research and development costs).

The occurrence of any of these risks could have a material adverse effect on the Group's business, financial condition and results.

3.5.5 Risks related to taxation and changes in the tax system

The Group is subject to various tax laws and regulations in the countries in which it operates, which apply to its activities and to intra-group reorganisations (past or future) involving Group companies, shareholders, employees and/or managers.

French and foreign laws and regulations are subject to interpretation, and the Group cannot guarantee that the relevant tax authorities will agree with its interpretation of the applicable laws in the various countries in which it operates.

In addition, tax laws, regulations and compulsory levies may be amended and their interpretation and application by the jurisdictions or authorities concerned may change, particularly in the context of joint initiatives taken at international or Community level (the OECD and European Union in particular).

In particular, certain Group companies (excluding recent acquisitions in 2023) received subsidies totalling €4.0 million, including €1.2 million under the French research tax credit (CIR), for the fiscal year ended 31 December 2023. Tax authorities may decide to challenge the eligibility of certain projects or all or part of the research and development (Research and Development) expenditure for which certain Group companies have claimed a credit, which could have an impact on the corporate tax liability of the relevant company and, consequently, on the net profits of the company and of the Group. In addition, the relevance of the current CIR system has recently been criticised, notably by an advisory body (*Conseil des Prélèvements Obligatoires*) under the authority of the French Court of Auditors and by certain members of the French Parliament. In addition, the Group benefits from similar subsidies in other countries that have similar regulations governing support for research and development. This is the case, for example, in Canada with the Scientific Research and Experimental Development (SR&ED) tax deductions and credits, in the Netherlands with the Research and Development tax allowance *Wet Bevordering Speur en Ontwikkelingswerk* (WBSO) and in the United States with the Credit for Increasing Research Activities (CIRA). As a result, any significant change in these public policies to support research and development could have a negative impact on the Group, which may no longer be able to benefit from these financial resources.

Finally, a challenge to the Group's tax position by the relevant authorities could result in the Group paying additional tax, potentially incurring significant reassessments and penalties or increasing the cost of its products or services in order to pass on this tax to customers.

One or more of the risks mentioned above could have a material adverse effect on the Group's business, results, financial condition and prospects.

3.6 Insurance and risk management

3.6.1 Insurance policy

The Group's insurance policy is coordinated by the Group Legal Department with the support of the operational departments.

Each Group company is responsible for providing the Legal Department, acting in coordination with the operational departments, with the information needed to identify and classify insured or insurable risks within the Group, and for implementing the necessary resources to ensure business continuity in the event of a claim.

The Legal Department negotiates annually with the major insurance companies to put in place the most appropriate cover for these risks.

The establishment of insurance policies is based on determining the level of coverage necessary to deal with the reasonably estimated occurrence of liability, damage and other risks. This assessment takes into account the assessments made by the insurers as risk underwriters. Uninsured risks are those for which there is no coverage available on the insurance market or those for which the coverage that is available and/or its cost are not in line with the potential benefit of insurance coverage, or those for which the Group considers that the risk does not require insurance coverage.

The Group's main policies, provided by insurance companies of international standing, include civil liability insurance and insurance against damage to property and subsequent operating losses (including in the event of a cyberattack). For risks not covered by these policies, Group policies are supplemented on a case-by-case basis by policies taken out locally at the subsidiary level.

3.6.2 Risk management policy

3.6.2.1 Objectives, organisation, system

The main objective of risk management is to identify, assess and prioritise risks (based on potential impact and probability of occurrence), to assist Group management in choosing the most appropriate risk management strategy and, in order to limit residual significant risks, to define and monitor related action plans.

Operational risk management and internal control are the responsibility of the Group's operating divisions and subsidiaries, under the functional control of the Finance and Administration Department (finance, legal and compliance) and the Group Legal Department.

Following the admission of the Company's shares to trading on the regulated market of Euronext Paris, the Audit Committee within the Company's Board of Directors will be responsible for ensuring the relevance, reliability and implementation of the Company's internal control, risk identification, hedging and management procedures relating to its activities and financial and non-financial accounting information. In particular, the Audit Committee will be required to regularly review the Group's risk mapping (see also Section 14.3 "*Committees of the Board of Directors*" of this registration document).

3.6.2.2 Operational risk management

Risk management refers to the measures implemented by the Group to identify, analyse and control the risks to which it is exposed. The risk management system is regularly monitored by the management of the Group's operating entities.

As part of its major risk management procedure, the Group draws up a map of the main risks, which is reviewed annually. The process of preparing and reviewing the mapping of major risks, which was initiated in 2023 by the Group's Finance Department, makes it possible for the Group to identify the major risks to which it is exposed and to assess the potential impact of each identified risk, taking into account its criticality (i.e., the seriousness and likelihood of its occurrence), the relevant action plan put in place and the persons responsible within the Group for the monitoring and control of such risk.

For example, the action plans and internal policies put in place by the entities or departments charged with managing the major risks identified by the Group (corresponding to the risks marked with an asterisk in Sections 3.1 to 3.5 of this Chapter) include:

- *risks related to changes in the economic and geopolitical situation*: In order to limit the negative impact of unfavourable economic conditions on its business, the Group relies in particular on a global geographic presence and the marketing of its products in more than 50 countries, as well as a broad product portfolio (which the Group intends to expand further as part of its external growth strategy) addressing the needs of end-users in a wide variety of sectors (both defense and commercial) that benefit from favourable structural growth trends, enabling it to limit its dependence on any one country or economic sector. In addition, the current context of increased geopolitical tensions is more likely to have a positive impact on some of the Group's activities, in particular its Amplification activities (which accounted for 72% (66% on a *pro forma* basis) of the Group's consolidated revenue for the fiscal year ended 31 December 2023). This activity is mainly linked to the defense sector, which in recent years has been positively impacted by the general increase in defense budgets, linked in particular to the war between Russia and Ukraine and the increase in geopolitical tensions between China and Taiwan and, more generally, in the Asia-Pacific region.
- *risks related to sales and export restrictions and control of goods*: in order to comply strictly with applicable regulations, the Group has adopted an Internal Export Control Compliance Programme based on exacting standards, which applies to all Group employees. This programme is implemented and managed by local Export Control Officers (ECOs), who report both to production site directors or managers, who are directly responsible for managing risks relating to breaches of export restrictions, and to the Group General Counsel, in order to ensure the independence of the parties involved in the event of any conflicts of interest. As part of this compliance programme, each product manufactured and marketed by the Group must be classified according to the export control regulations of the country in which it was manufactured. Each order placed by a customer is then reviewed by the ECO, which identifies the licence required, if any, for the order concerned. For orders identified as being subject to export controls, the Group requires an end-user certificate designating the end-user and the final use to which the product will be put, as well as a non-re-export certificate for war materiel. All new Group employees are required to undergo export control training, and regular training sessions are planned for the most sensitive functions, such as sales, procurement and research and development. Due diligence is also carried out on the Group's supply sources. The Group Purchasing Department must systematically request information from Group suppliers on the export classification of the products or services purchased, by means of an export classification certificate, which must be completed by the supplier. With the support of specialist legal advisers, the Group also actively monitors changes in applicable regulations, in particular to prevent the risk of inadvertent breaches. Licence refusals represent on average less than 2% of licence applications and are generally due to changes in the geopolitical situation.
- *risks related to industrial espionage and data leakage*: Group employees are routinely made aware of the risk of espionage. In addition, sites where particularly sensitive information is held have implemented a special IT and logistics organisation to ensure the security and protection of this data. Furthermore, a request for a restricted zone⁸ classification has been submitted to the Minister of Defense for the Brive-la-Gaillarde site.
- *risks related to customer relations*: The Group has developed strong, long-term relationships with its customers based on the technological excellence and quality of its products. The sectors in which the end-users of the Group's products operate require high standards of safety and reliability, and the Group's customers thus take great care to maintain a stable and reliable

⁸ A restricted area is an area with restricted access that is part of the protection of the nation's scientific and technical potential.

source of supply for their components. The duration of the Group's relationship with its largest customer is 17 years and the average duration of the Group's relationships with its 10 largest customers is approximately 21 years, indicating a 0% attrition rate. The Group's relationships with its largest customers are also characterised by recurring revenues; for example, the Group's 10 largest customers have placed orders with the Group every year since 2016. In addition, some of the Group's largest customers (such as Theon International) are manufacturers of night vision equipment, for which light intensifier tubes such as those sold by the Group are a critical component and are provided by a relatively limited number of suppliers due to the specific technical characteristics of such products, which thereby limits the risk of such customers changing suppliers.

- *risks related to cybercrime and to a possible failure of the Group's IT systems:* The Group has put in place a Business Continuity Plan (BCP) to limit the risks associated with a cyberattack, and the Group's IT department has its own IT continuity plan. In addition, a systematic audit of the networks and IT infrastructures of new acquisitions is carried out before connecting the acquired IT infrastructures to the Group's existing infrastructures. A data recovery and backup plan is also being created to limit the risks associated with having only one data centre per site. A central database is also being consolidated, and all the Group's data will be backed up in a private cloud. Training programmes on cybersecurity risks (e.g., phishing) are also regularly provided for Group employees. For employees working at certain Group sites (in particular those dedicated to the production of components used in the manufacture of defense equipment), the Group imposes restrictions on the wearing of connected equipment. Lastly, the Group has taken out cybersecurity insurance, which covers not only direct remediation costs but also indirect costs linked to operating losses in the event of a cyberattack.
- *risks related to supply chains:* The Group systematically implements checks of its counterparties (new customers, suppliers, distributors and agents) before entering into any contract. The due diligence process begins with a questionnaire detailing the relationship with the third party. The manager in charge of the relationship with the relevant counterparty then prepares a report and sends it to the Group's compliance department. If a positive opinion is given on the basis of this report, a more in-depth control procedure is carried out using a specific digital compliance and KYC tool (Altares indueD), which makes it possible to identify and examine the beneficial owners and shareholders of the counterparties concerned.

In addition, in order to limit the risks associated with the failure of a supplier or the temporary or permanent interruption of supplies from a supplier, the Group has implemented a process for the duplication of supply sources, which is standardised and aligned with the Group's criteria for dual sourcing.

- *risks related to the Group's reputation:* The Group's BCP includes procedures for managing the consequences of reputational risk, in particular by setting up a crisis communication system to enable a public response to be made upon very short notice following any major event. The Group also takes care to limit the risk of reputational crisis by devoting significant resources to monitoring its legal and regulatory obligations and their evolution in highly regulated sectors of activity, and ensures, to the extent possible, that it has the most reliable and accurate information on the end use of its products, particularly those intended for the defense sector, which may be used in military operations.
- *risks related to the implementation of the Group's strategy, in particular acquisitions and their integration:* The Group's external growth policy follows strict criteria in terms of strategic relevance and the value of potential targets. The Group also carries out in-depth legal and financial due diligence on targets with the support of external advisers. In addition, the Group ensures that the managers of acquired companies are aligned with the Group's corporate culture, in particular through a management assessment carried out by an external consultancy.

Lastly, the Group generally sets up incentive schemes for key managers to ensure that they remain with the Group after the acquisition.

- *risks related to the recruitment and retention of experienced employees and management teams:* In order to limit the risk of experienced employees leaving the Group, the Group maintains a variable portion of remuneration, based on principles of objectivity and fairness, and designed to align remuneration with individual performance. The Group also carries out regular reviews of remuneration and benefits to ensure that they are in line with the local market and to guarantee a competitive level of remuneration. As part of its CSR policy, the Group is also committed to supporting the development of its employees throughout their careers, in particular by providing regular training to offer them the best possible working experience and environment.
- *risks related to regulations and regulatory changes:* To ensure that its activities comply with local regulations, the Group's Legal Department, in conjunction with its operational departments and subsidiaries, regularly monitors changes in these rules, in cooperation with local legal advisers. In addition, Bureau Veritas assists the Group with complex compliance and safety issues relating to REACH and RoHS regulations. Furthermore, the Group is implementing internal research and development programmes to find or develop substitutes for the products and substances covered by these regulations.
- *risks related to ethics and corruption:* The Group pays strict attention to ensuring that its procedures and employee practices comply with applicable regulations. In particular, the Group has implemented compliance procedures pursuant to Law no. 2016-1691 of 9 December 2016 on transparency, the fight against corruption and the modernisation of economic life, known as "Sapin II", which includes the assessment of third parties. The Group has also adopted a set of policies aimed at all its employees and designed to guarantee the integrity of the Group's business practices, the management of its information and the protection of its employees. These policies, which are regularly reviewed and strengthened, include a Code of Ethics and a Whistleblowing Policy.

4. INFORMATION ABOUT THE COMPANY AND THE GROUP

4.1 Company name

As at the date of this registration document, the Company's name is "Exosens".

4.2 Place and registration number

The Company is registered in the Bordeaux Trade and Companies Register under number 895 395 101.

LEI: 969500R3AKTPEDO9EG76

4.3 Date of incorporation and term of the Company

The Company was formed for a period of 99 years from the date of its registration on 16 March 2021, except in the event of early dissolution or extension decided by the general meeting of shareholders in accordance with the law and its Articles of Association.

The financial year begins on 1 January and ends on 31 December of each year.

4.4 Registered office, legal form and applicable legislation

The Company's registered office is at Domaine de Pelus, 18 Avenue de Pythagore, Axis Business Park Bat 5°, 33700 Mérignac, France. The telephone number of the registered office is 05 56 16 40 50.

At the date of this registration document, the Company is a simplified joint stock company (*société par actions simplifiée*) under French law.

Prior to the approval by the French *Autorité des marchés financiers* of the prospectus relating to the admission to trading of the Company's shares on the Euronext Paris regulated market, the General Meeting of shareholders of the Company will meet to decide on the conversion of the Company into a public limited company (*société anonyme*) and to adapt its Articles of Association accordingly, with effect from the date of approval of the prospectus by the French *Autorité des marchés financiers*.

The Company's website address is www.exosens.com. The information on the Company's website does not form part of this registration document.

5. OVERVIEW OF THE GROUP'S BUSINESS

5.1 General presentation

Exosens is a high-tech group with over 85 years of experience in the innovation, development, manufacture and sale of high-end electro-optical technologies in the field of amplification, detection and imaging.

The Group offers a broad portfolio of detectors and imaging solutions such as light intensifier tubes, digital cameras with different wavelengths, ion, electron, neutron and gamma-ray detectors as well as power tubes and travelling wave tubes, providing tailor-made solutions to meet the needs of end-users facing complex issues in challenging environments in the areas of defense and surveillance, life sciences, nuclear energy and industrial control.

The Group sells most of its products to original equipment manufacturers (OEMs), who then integrate the products into their own systems and equipment and sell them on to their own customers, the end-users. To a more limited extent, the Group also supplies some of its products directly to end-users, in the field of electronic amplification as well as sensors used in the space industry. Although most of its products are sold to OEMs, the Group has fostered direct relationships with end-users, thanks to its in-depth knowledge of their needs and expectations across the various markets, thus allowing it to design and develop products best suited to their specific requirements. These end-users then frequently ask the OEMs to select the Group to supply the components used by the OEMs to manufacture the equipment supplied to the end-users.

Sustained and ongoing investment in research and development has enabled the Group to position itself as a major innovator in electro-optics, and to patent more than 130 products (including some 68 unexpired patents at the date of this registration document, including 56 patents granted and 12 patents pending).

The Group has expanded its product portfolio in recent years, acquiring companies recognised as leaders in their respective markets. These companies include: Proxivision (acquired in June 2023), a German company specialising in the design and manufacture of ultraviolet sensors and cameras; Telops (acquired in October 2023), a company based in Canada specialising in the design and manufacture of hyperspectral imaging systems and high-performance infrared cameras; El-Mul (acquired in July 2023), a company based in Israel specialising in the supply of advanced, high-performance electron detectors for electron microscopy and mass spectrometry; and Xenics (acquired in December 2022), a Belgian company specialising in the design and manufacture of SWIR imaging sensors and infrared cameras.

As at the date of this registration document, the Group offers its products through four brands: Photonis, Xenics, Telops and El-Mul.

The Group structures its business activities around two segments:

- (i) Amplification, which accounted for 72% (66% on a *pro forma* basis) of the Group's revenue for the fiscal year ended 31 December 2023, consisting of systems using the amplification of electrons or electromagnetic waves to produce an image or power source. The majority of amplification sales come from selling components and modules for integration into instruments and systems used by end-users in the defense sector (mainly the armed forces and internal security services); and
- (ii) Detection & Imaging, which accounted for 28% (34% on a *pro forma* basis) of the Group's revenue for the fiscal year ended 31 December 2023, consisting of systems for detecting (optical or electronic) signals or generating an image from radiation in different wavelength bands of the electromagnetic spectrum. The vast majority of sales in this segment come from the sale of

high value-added components and modules for integration into instruments and systems for end-users in commercial (i.e., non-defense) markets. These markets encompass sectors such as nuclear power generation, research laboratories, the oil and gas industry, the food and drink industry, life sciences, semiconductors, electronics and recycling.

The products sold by the Group (other than the intensifier tubes used to manufacture night-vision goggles) generally account for a small portion of the cost of the end products sold by its customers but are essential to their performance and efficiency, thus allowing the Group to establish itself as a critical supplier in the value chain of its customers and end-users. The positioning of the Group in the value chain allows it to establish long-term relationships with its customers.

The Group is the leader in the Light Amplification market (excluding the United States) and one of the leaders in the Detection and Imaging markets that it targets (see Section 5.5 “*Presentation of the markets and competitive position*” of this registration document). The markets in which the Group operates offer attractive growth prospects, underpinned by long-term structural trends, with an estimated CAGR⁹ of 6% by 2027 for the Amplification market and an estimated CAGR of 8% by 2027 for the Detection and Imaging markets.

The Group has developed a unique position in its markets with over 85 years of experience in the development of high-tech solutions. The Group possesses strong and well-known brands occupying leading positions on their respective markets. It is also able to control complex industrial processes involving a large number of technologies in small and medium production runs in niche markets that have a limited number of actors. The Group’s agile corporate culture, which is customer-focused and structured around decentralised organisation, is enhanced by its integration into a complex ecosystem characterised by multi-level and long-term relationships.

The Group employs approximately 1,600 people, combining technical expertise with cutting-edge research and development capabilities, enabling it to remain innovative and competitive.

The Group has established a global geographic footprint, offering its products in over 50 countries. It also has ten production and Research and Development sites – two in France, two in the United States, one in Canada, one in Belgium, one in the Netherlands, one in Germany, one in Israel and one in Singapore – and four sales offices in France, the United Arab Emirates (Dubai), Singapore and China. For the fiscal year ended 31 December 2023, the breakdown of the Group’s revenue by geographical area was as follows: 68% in Europe, including 8% in France; 14% in North America; and 18% in Asia.

In 2023, 92% of the Group’s revenue came from products sold outside of France.

The Group’s business has grown significantly over the last few years, rising from consolidated revenue of €166.2 million in the fiscal year ended 31 December 2021 to consolidated revenue of €291.8 million in the fiscal year ended 31 December 2023, and thus an CAGR of 32.5% over this period. Taking into account the acquisitions made in the fiscal year ended 31 December 2023 (ProxiVision, El-Mul and Telops), the Group’s *pro forma* sales for the year ended 31 December 2023 will be €318.8 million, representing an average annual growth rate of 39%. The Group’s organic revenue growth over the period 2017–2023 reflected a CAGR of 14%.

For the 3-month period ended 31 March 2024¹⁰, the Group recorded revenue of €86.7 million, an increase of 49.6% on the revenue of €57.9 million recorded for the 3-month period ended 31 March 2023¹⁰ and recorded an adjusted EBITDA of €23.1 million, an increase of 80.2% on the adjusted EBITDA of €12.8 million recorded for the 3-month period ended 31 March 2023.

⁹ Average Annual Growth Rate.

¹⁰ Data not subject to a limited review by the Company’s statutory auditors.

5.2 Strengths and competitive advantages of the Group




Global leader in Amplification and Detection & Imaging markets with consistent market share gains

The Group is the leader in the Light Amplification market (excluding the United States) and one of the leaders in the Detection & Imaging markets.

The markets addressed by the Group are characterised by strong long-term growth trends, high technological value-added components (which are essential to the performance of end products), and high standards of performance, quality and reliability from the sectors in which end users operate (in particular defense and surveillance, life sciences and nuclear power).

The Group has built its leadership positions on the strength of recognised brands with a strong track record¹¹ and best-in-class technological expertise, enabling the Group to benefit from cross-selling between its products, by, for example, capitalizing on synergies from its research and development initiatives and its use of the global sales network.

The Group continually develops and enhances its portfolio in close collaboration with its customers and the end-users of its products in order to meet their needs to the greatest extent possible.

		Total size of addressable market in 2023 ¹	Size of markets addressed in 2023 ¹	CAGR over the period 2023-2027 in the size of markets addressed ¹	Market position ^{1,2}	Market share gains since 2019 ¹
Amplification	Light amplification	€0.5 billion	€0.3 billion	~8%	~71% 	+15%
	Electronic amplification	€0.7 billion	€0.3 billion	~4%	Niche player	Stable
Detection & Imaging	Detection	€0.4 billion	€0.2 billion	~7%	~24% 	+2%
	Nuclear	€0.1 billion	<€0.1 billion	~9%	~19% +~19% ³ 	+5%
	Imaging	€1.5 billion	€0.5 billion	~9%	~7%	+7%
Total		€3.2 billion	€1.3 billion	~8%		

¹ Company estimates based on Roland Berger (Detection & Imaging), Renaissance Strategic Advisors (Light Amplification) and Verified Market Research (Electronic Amplification) reports.

² In the markets addressed by the Group.

³ Including the ongoing acquisition of a European player in the Nuclear market.

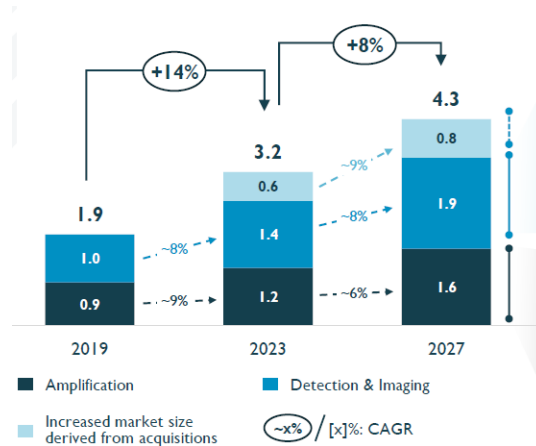
¹¹ Over 85 years for Photonis (1937), over 20 years for Xenics (2000), over 20 years for Telops (2000) and over 30 years for Elmul (1992).

Fast growing addressable markets continuously expanded through the development of new applications and targeted acquisitions

The Group, by relying on its first-in-class technological expertise that enables it to share its best practices in research and development, has demonstrated its ability to develop a highly diversified product offering at the cutting edge of innovation and addressing its customers’ needs.

The diversity of the Group’s offering enables it to maintain its exposure to a large number applications, supported by long-term structural growth trends (see Section 5.5 “*Presentation of markets and competitive position*” of this registration document), which have supported the business’ significant growth in recent years (both organically (CAGR of 14% over the period 2017-2023) and through acquisitions), and which it expects should continue to grow significantly in the long term.

Group’s total addressable market (in € billions)



Source: Renaissance Strategic Advisors (for the Light Amplification market); Verified Market Research (for the Electronic Amplification market); Roland Berger (for the Detection & Imaging market). 2019 data based on Company estimates

The development of the Group’s Amplification business is closely linked to trends in the defense sector.

Those trends have underpinned growth in the Amplification market in recent years and are expected to continue to do so in the long term.

These trends include: the growth in government defense budgets (following years of under-investment); the growing tactical advantage of night operations in high-intensity conflicts (“*be the first to see*” or “*être le premier à voir*”), requiring the use of night vision equipment; the increased use of night vision equipment by armed forces and the transition from monocular to binocular goggles (moving from one tube to two tubes for a binocular); and the development of equipment programmes for navies and air forces to increase jamming and counter-jamming capacities, supporting in particular the growth in demand for travelling wave tubes.

The Group’s Detection & Imaging activities are exposed to a number of fast-growing end markets, benefiting from major underlying trends, including in particular: rapidly growing underlying markets; increasing use of high-end equipment (which is the Group’s core positioning) for existing and new applications; technological development; and increasing outsourcing of the design and production of detection and imaging components by OEMs.

For example:

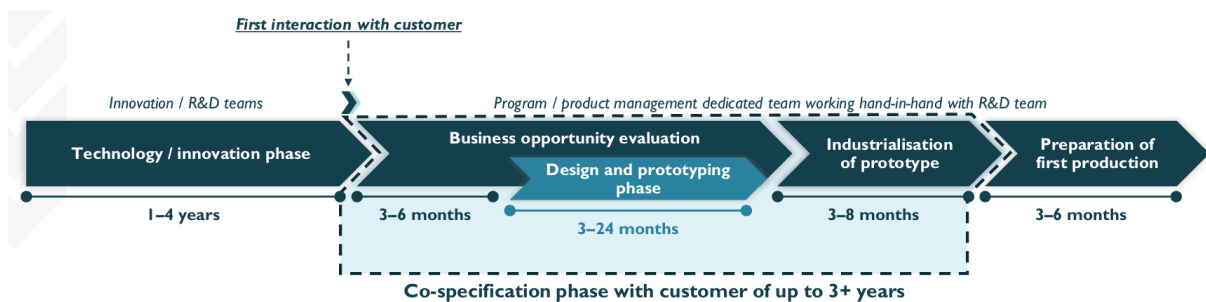
- end-users in the life sciences market must be able to respond to growing demands for the development of more effective treatments and the ability to diagnose pathologies at an early stage, while using more efficient and more reliable instruments. In particular, this is reflected in the increasing use of detection equipment for early diagnoses, genomics development or materials analysis, requiring the use of high added-value detection components, such as those offered by the Group;
- in the industrial control market, the increasing automation of factories and the tightening of regulatory standards, requiring increasingly stringent quality controls, make it essential to use reliable, high-capacity vision and process control cameras, such as those offered by the Group;
- in the market for optical gas leak detection, the anticipated regulatory changes aimed at monitoring sources of greenhouse gas emissions such as methane will make it compulsory to install detection systems based on the use of imaging cameras, such as the top-of-the-range LWIR hyperspectral cameras developed by the Group;
- in the Nuclear market, the need for rapid decarbonisation of the economy, under strong pressure from public authorities and changing regulations, is generating renewed interest in new-generation nuclear power plants and the development of small modular reactors which are driving demand for equipment such as gamma detectors and neutron detectors, produced and developed by the Group.

The Group’s strategy is to address a growing share of the total addressable market for Amplification and Detection & Imaging, by further expanding its product portfolio with its own innovation, design and production capacities, and through targeted acquisitions. The selection of new applications is essential, and meets a number of criteria enabling the Group to achieve a leading position, to have price-setting power, and to keep technological differentiation at the heart of development.

The acquisitions made by the Group in 2022 and 2023 have enabled it to increase the size of addressable markets by €0.6 billion in 2023, representing an increase of 23% in the addressable market (€3.2 billion in 2023 compared with €2.6 billion in addressable markets excluding acquisitions).

Long designed-in process ensuring difficult-to-replicate positions

The Group deploys substantial research and development resources to offer its customers innovative products that focus on end-user needs and provide solutions to their problems, in constrained and demanding environments. Through its close relationships with customers and end-users, as well as its in-depth knowledge of the market and its ecosystem, the Group has developed a first-in-class ability to identify and respond to these needs and supply the most appropriate products.



The Group's innovation and Research and Development processes follow a long product development and certification phase, lasting on average around 5 to 7 years, enabling the Group to offer the most innovative and reliable products on the market and meeting specifically the needs of the customers as well as the latest technological and regulatory requirements.

The design of a product thus begins with an initial phase of innovation and research and development, which can last from 1 to 4 years.

The Group then begins a co-development phase with the customer, which can last for more than three years.

This phase begins with an assessment of the opportunity to launch a new product (3 to 6 months), during which the Group can launch initial validation tests that may lead to the prototyping phase (3 to 24 months), at the end of which a period of industrialisation of the prototype begins (3 to 8 months), which is then transferred to the operational teams which qualify the product in terms of manufacturing standards. Finally, once this phase has been completed, the final phase of preparation for initial production (3 to 6 months) is launched after approval by the project monitoring committee (see also Section 5.6.3 "*Group Research and Development and innovation policy*" of this registration document).

This long product design and development phase, in close and constant collaboration with the customer, enables the product to be adapted as closely as possible to the needs of the end-user. It also gives the Group a major commercial and technological advantage, particularly by limiting the possibilities of replicating the product in the medium term, given the significant research and development efforts that have to be deployed over the long term during this phase.

At the end of this long process, the Group benefits from a positioning with its customer that is difficult to replicate, given that its components are designed at the core of the equipment sold by the customer and are critical to its performance. This is one of the key features of the Group's unique business model, and essential to its ability to generate high recurring revenues.

As of the date of this registration document, more than 25 programmes are under development. On average, the Group launches around fifteen product improvements a year, and one or two new products a year.

Entrenched business model with fully integrated and designed-in product offering, enabling the Group to build long-term relationships with its major customers

The end-users of equipment incorporating components developed by the Group operate in sectors where safety and reliability requirements for equipment are particularly high, due in particular to strict regulations. In this respect, the components developed by the Group are critical to the final performance and reliability of the equipment. This criticality requires the Group to acquire in-depth knowledge of not only the OEM's technical and operational constraints, but also those of the end-user itself, which means that close relationships need to be forged with the end-user as from the design phase of the product.

The Group's competitive positioning and strengths have enabled it to be referred by a large number of end-users, which generally inform the Group's direct customers (OEMs) of the technical specifications they must meet, to ensure that they have the best-performing equipment with the best technology in its components.

The Group is then able to build on this close relationship with the OEM and/or the end-user to benefit from a protected position, given that, once the product has been accepted by the end-user and/or the OEM, the latter would be exposed to significant additional costs as well as high potential supply risks

in the event of switching to a supplier other than the Group. This translates into a close to zero attrition rate for the Group.

Once the product has been approved (*qualifié*) by the customer and/or end-user, the Group benefits from short sales cycles, with recurring sales throughout the system's lifecycle (5 to 60 years depending on the application, see Section 5.6.4 "*Group customers*" in this registration document) with, as an illustration, the fact that each of the Group's ten largest customers has ordered products from it every year since 2016.

This is also reflected in the Group's long-standing relationships with its customers: at the time of filing this registration document, the length of the Group's relationships with its ten largest customers based on revenue averaged around 21 years, including relationships of 17 years, 33 years and 33 years for its top three customers, representing a zero attrition rate.

A diversification strategy through a structured and value-creating acquisition approach reinforcing growth potential and strategic positioning

Over the past few years, as part of its dynamic external growth policy, the Group has made a large number of targeted acquisitions that have contributed significantly to the growth of its business (see in particular Section 5.7 "*Investments*"), including the acquisition of Xenics at the end of 2022 and the acquisitions of ProxiVision, El-Mul and Telops in 2023. As of the date of the registration document, the Group is also finalising the acquisition of a European player in the Nuclear market, which is still subject to obtaining the necessary authorisations from the relevant authorities.

These acquisitions were made in Detection and Imaging, enabling the Group to strengthen its positions and become one of the only global actors to cover the entire spectrum of particles and light, reinforcing its ability to meet the needs of major actors in different industries by offering different technological solutions to address several needs of a single customer.

In the future, the Group intends to continue its development as a technology platform through acquisitions enabling the expansion of the product portfolio, the technologies and the markets in which it operates and therefore exploiting its global sales network to create synergies and accelerate growth.

The Group implements a selective and clearly defined acquisition strategy, focused on acquiring key technologies or technologies that complement the Group's existing offering, with strategic selection criteria (such as synergies, strategic positioning of the target, the uniqueness of the technologies acquired, the target's management team) and financial selection criteria (such as the size, growth as well as a return on invested capital (ROIC) target).

The Group has achieved revenue and cost synergies that have enabled it to progressively improve the profitability of acquired businesses (for example, the Group achieved 130% synergies after one year in connection with the acquisition of Xenics).

The Group's acquisition strategy is based on proactive monitoring of opportunities, particularly drawing on its in-depth technological and market expertise, its strong presence in the ecosystem and a monitoring and review exercise carried out at management team level and also at local level, giving it visibility over a number of clearly identified and constantly updated potential targets, while at the same time establishing close relationships with potential sellers, who give preference to the Group, given its positioning as a key consolidation platform. This last point is illustrated by the Group's ability to make over-the-counter acquisitions (*acquisitions de gré à gré*) (three of the four acquisitions made in 2022 and 2023).

The Group's acquisition strategy gives it visibility over a steady pipeline of quality targets likely to be activated, resulting in a total acquisition pipeline identified by the Group over the long term of around

100 potential targets, representing total estimated revenue of around €1.6 billion; medium-term opportunities on around 50 potential targets selected by the Group, representing total estimated revenue of around €900 million; and short-term opportunities on around 30 potential targets analysed by the Group, representing total estimated revenue of around €600 million.

A well embedded sustainability strategy within products and operations enabling societal and environmental protection

The Group is pursuing a strategy aimed at protecting society and the environment, and is positioning itself as a player that respects the United Nations' sustainable development objectives. The Group is pursuing a number of well-defined objectives in response to these challenges (see in particular Section 5.8 "Group CSR policy" of this registration document).

In this way, the Group aims to establish relationships with partners committed to CSR, with a target of 80% of the Group's strategic suppliers committed to a sustainable approach by 2027¹².

In addition, the Group wishes to prioritise the well-being of its employees, with the particular objective of including at least 30% of women on its Executive Committee by 2026 and the ambition to have an employee engagement rate of 70% by 2027.

The Group also wants to do even more to protect the environment, with the aim of reducing Scope 1 and 2 emissions by 42% by 2030 and achieving net zero by 2040 for the same scopes, using the recognised SBTi methodology.

Lastly, the Group intends to base its sustainable development strategy on its governance, in particular by including a sustainable development criterion in the remuneration of its senior managers from 2024, by ensuring that all its partners¹³ comply with its ethics charter by 2025 and by ensuring that all new employees receive training in anti-corruption measures by 2025.

The Group believes that integrating this sustainable development strategy into its ongoing activities will enable it to continue and consolidate its growth and profitability.

Strong financial profile combining high growth, margins, and cash flow generation

The Group has a solid financial profile, combining high growth, margins and cash flow generation.

The Group has generated an organic revenue CAGR of 14% over the period 2017-2023 and a total revenue CAGR of 38% over the 2021-2023 period (based on *pro forma* revenue for the year ended 31 December 2023). This strong growth over the 2021-2023 period reflects the Group's outperformance relative to the growth of its underlying markets, and is mainly due to a sharp rise in the Group's sales volumes and the increase in the Group's selling prices, in an inflationary environment.

The strong growth in the Group's activities is also accompanied by high profitability, due in particular to its positioning in high value-added critical components, with an adjusted EBITDA margin of 28.9% for the financial year ended 31 December 2023 (on a *pro forma* basis), and a strong cash generation, with a cash conversion of 69.3% for the period ended 31 December 2023, due in particular to the Group's strong profitability and its disciplined approach to monitoring and ensuring the efficiency of capital expenditure, made possible in particular by the Group's in-depth knowledge of OEM and end-

¹² A strategic supplier is defined as a supplier with a business volume with the Group in excess of €100,000 (or the equivalent in US dollars) or a sole supplier.

¹³ Partners are defined here as suppliers (suppliers with an annual turnover of over €100,000 (or its equivalent in dollars) or sole suppliers), agents or distributors.

user constraints, which enables it to anticipate production capacity requirements as effectively as possible.

Lastly, for the year ended 31 December 2023, the Group recorded a return on capital employed (ROCE)¹⁴ of 23%.

Industry-leading management team delivering Exosens' transformation, strong financial profile, and best positioned to lead future growth

The Group's development is led by a management team centred around Jérôme Cerisier, the Company's Chief Executive Officer, who has deep experience in the industrial sector. Over the last few years, the management team has demonstrated its capacity to generate steady growth in Group revenue and improve profitability, having developed solid commercial relationships with the main market actors and end-users, thanks in particular to a range of products with high technological added value that best meet the needs of the Group's customers. The management team has also successfully integrated a number of acquisitions, expanding the Group's product portfolio and achieving commercial and operational synergies.

The Group also relies on teams and an operating model built around fundamental values such as entrepreneurial spirit, team spirit, respect, trust and passion. The Group's decentralised model also enables more efficient business management.

The Group has also increased the number of PhD graduates it employs from 21 in 2021 to around 80 at the date of this registration document, thereby broadening its talent base. Between 2022 and 2023, the Group has recruited more than 70 new staff members, and has created 3 new positions on the Executive Committee since 2021, to support the growth of its business.

The Group has recently significantly strengthened its management team, with the arrival in 2022 of Claire Valentin as Chief Strategy Officer and Chris Tisse as Chief Technology Officer, and the arrival in 2023 of Pascal Joseph as Chief Operations Officer.

The Group's acquisitions in 2022 and 2023 have also enabled it to integrate new talent into its workforce, including Paul Ryckaert, previously Chief Executive Officer of Xenics and now Head of Imaging, and Sasha Kadyshevitch (El-Mul), now a member of the Detection research and development team.

Finally, the Group relies on employees who have a solid knowledge of the company and its activities, with an average length of service of 16 years.

5.3 Strategy

The Group's ambition is to strengthen its position as a leading technology platform addressing the entire spectrum of particles and light, enabling it to pursue profitable growth by positioning itself in high-growth markets based on a need for high value-added technologies. To this end, the Group intends to draw on its strong capacity for innovation, its global commercial presence and targeted acquisitions, while achieving a balanced distribution of revenue between its Amplification and Detection & Imaging businesses.

¹⁴ Return on capital employed (ROCE) is calculated using the following formula: Adjusted EBIT / [total assets - purchase price allocation of Photonis International following the acquisition of the Group by HLD Europe in 2021 - goodwill relating to Photonis International - cash and cash equivalents - current liabilities excluding short-term financial debt]

As part of the implementation of its strategy, the Group intends to pursue the ongoing improvement of its operational excellence, develop an entrepreneurial mindset, identify the markets it addresses selectively, while focusing on creating value and empowering its employees.

The Group considers that, through its two business segments, it is developing a portfolio of applications with strong growth potential, enabling it to generate a high level of profitability and cash flow. This portfolio of applications, combined with a selective acquisition strategy, should enable the Group to continue to create value over the coming years.

The Group's growth strategy is based on the following five pillars:

5.3.1 Meeting customer needs by leveraging unique innovation capabilities

The growth of the Group's business is based on its capacity to address the needs of its clients positioned in the end markets it serves.

To this end, the Group intends to draw on its strong innovation capacities to develop new technologies (such as scintillators, photocathodes and artificial intelligence), improve the size, weight and energy consumption (*SWAP*) of its products, enhance their performance (especially sensitivity and speed), and improve product testing capacities and ergonomics.

The Group designs its products using its internal resources and the ecosystem in which it operates, which includes industrial partners, universities and start-ups.

The Group has launched a number of products featuring innovative technology, illustrating its determination to be at the cutting edge of innovation at all times and to stand out from competition:

- ScintiFast™: very fast scintillator technology for sub-nanosecond detection in the ion and electron domains;
- 16 mm image intensifier tube: the format of this tube proposed by the Group has made it possible to design modern night vision binoculars that are lighter and smaller, reducing their weight by around 45%; the Group is the only company in the world to provide this type of tube;
- BPTOF detector: highly dynamic detector for microbiology and pharmaceutical mass spectrometry;
- Wildcat/Wildcat +: the most advanced cameras in terms of high speed, low noise and signal-to-noise ratio (SNR) and in SWIR for semiconductors and food sorting;
- MicroCam: high-speed airborne hyperspectral camera with first-in-class time-of-flight acquisition, for faster operations;
- iNocturn: a high-intensity camera with a unique combination of ultra-sensitivity, high frame rate, high-energy photodetectors and nano-second triggering;
- Neutronis: a unique neutron imaging system for high added-value industrial monitoring.

The Group also intends to leverage its innovations to increase the size of its addressable market by responding to new needs. For example, in the aviation sector, the Group has identified certain needs relating to the quality control of aerospace parts, lithium batteries and composite materials, in particular the need to identify compounds such as hydrogen and lithium in parts. The Group has developed a neutron imaging technology that is particularly well-suited to meeting this need, as it can detect these

compounds using high-resolution X-ray imaging, while also drawing on artificial intelligence to improve the quality of the image produced.

5.3.2 Consolidating and targeting leadership positions in high single digit growth niches

The Group is focused on achieving leadership positions in high-growth niche markets.

In these niche markets, its technological and strategic advantage – characterised in particular by close relationships with customers and end-users, the design of products for critical applications that must meet high standards of quality and reliability, unique in-house know-how and skills, and the operational excellence of its industrial processes – make the Group’s positioning difficult to replicate.

The Group’s focus on niche markets also enables it to carry out targeted external growth transactions to consolidate its leadership position. For example, the acquisition of a European player, currently being finalised, in the niche Nuclear market, should give the Group an additional 19% market share gain (compared with 19% before the acquisition).

In general terms, by offering products that address needs identified in high-growth niche markets, the Group has been able to significantly increase its market share since 2019 (15% in the Light Amplification market, 2% in the Detection market, 7% in the Imaging market and 19% in the Nuclear market (with respect to the Nuclear market, 38% when including the ongoing acquisition of a European player in the Nuclear market)).

Some of the high value-added markets with strong growth potential targeted by the Group, with high requirements in terms of the critical performance of equipment, include notably:

- semiconductor inspection, driven in particular by the Internet of Things, 5G and the development of artificial intelligence;
- machine vision cameras, driven by the increasing automation of industrial sites;
- electrical inspection, benefiting from the rising need to inspect electrical batteries and the significant increase in the length of the high-voltage electricity network, particularly in Asia;
- optical detection of gas leaks, driven in particular by climate change considerations and changing regulations;
- life sciences, driven in particular by the development of genomics and molecular analysis;
- nuclear power, driven in particular by the deployment of green energy sources;
- defense, favourably impacted by the current geopolitical context and years of under-investment;
- science in general, in particular with the development of new materials.

In these various target markets, the Group intends to draw on its industrial know-how and its first-in-class research and development capacities to offer its customers and end-users technologies that are critical and differentiated to each of the applications it proposes.

By way of example, the Group has developed highly sensitive ultra-violet cameras that have a multitude of applications, for example in electrical inspection, which includes the inspection of electrical batteries as well as electrical networks, and which is expected to grow by around 44% over the period 2023-2027, mainly driven by the Chinese market (*source: Roland Berger*). To meet the needs of end-users in

this market for early detection of defaults, the Group has developed UV cameras to detect corona discharges on electrical transmission installations, giving it access to this fast-growing market.

More generally, concentrating on niche markets enables the Group to build a leadership position, giving it a competitive advantage by offering products that are at the cutting edge of technology and as close as possible to market expectations, while helping to define a clear strategy for external growth.

5.3.3 Building customer intimacy to generate growth and secure recurring revenue

The end-users of equipment incorporating components developed by the Group operate in sectors where safety and equipment reliability requirements are particularly high, due in particular to strict regulations. In this respect, the components developed by the Group are critical to the final performance and reliability of the equipment. This criticality requires the Group to acquire in-depth knowledge of not only the OEM's technical and operational constraints, but also those of the end-users themselves, which means that close relationships with the end-user are key starting at the design phase of the product. As a result of this positioning, the Group benefits from a protected position insofar as, once the product has been qualified by the end user, the latter would be exposed to significant additional costs as well as potentially high supply risks in the event of switching to a supplier other than the Group.

The Group intends to build on its long-term relationships with its major customers to increase and secure the repeatability of its revenue, and thus grow faster than its underlying markets.

As an illustration, over the 2019-2023 period, the Group's revenue generated from the top 15 customers in its Amplification and Detection & Imaging businesses have increased by more than 30% and more than 15%, respectively, compared with growth of around 9% and around 8% for the Amplification (*source: Renaissance Strategic Advisors; Verified Market Research*) and Detection & Imaging markets (*source: Roland Berger*), respectively.

The Group's ability to offer the most innovative products that best meet the needs of OEMs and end-users also enables it, in some cases, to lead OEMs to outsource the production of certain components to the Group, in order to benefit from the technological differentiation offered by the Group and its in-depth knowledge of their constraints (this was the case, for example, for El-Mul, a Group subsidiary acquired in 2023, which now produces components for around twenty Zeiss products, including scintillators).

5.3.4 Embedding sustainability at core

The Group's strategy is geared towards pursuing business and production that contribute to the sustainable development of the economy. The Group is developing an ESG-friendly approach based on four pillars (see Section 5.8 "*Group CSR policy*" of this registration document).

The Group's products have many applications in areas where environmental, social and governance issues are at stake.

For example, the Group is developing products to detect methane gas in a market that is growing rapidly as a result of the development of regulations in this area. In the field of methane detection, the Group has developed hyper-spectral cameras that can identify and detect methane emissions in real time, whether by day or night, on snow or in water.

5.3.5 Accelerating the Group's growth with selective acquisitions, generating synergies and creating value, strengthening its growth potential

The Group's growth strategy is based in particular on a dynamic acquisitions policy, which is intended to enable it to generate additional revenue growth through carefully targeted acquisitions of companies

selected according to strict criteria and implemented in line with the characteristics of the markets in which the Group operates.

In particular, the Group targets acquisitions that can provide it with high value-added technologies and compatible with its technology platform that complement its current product portfolio, enable it to expand the addressable market and/or enable it to achieve or strengthen a leadership position, while giving the acquired targets the leverage provided by its global commercial footprint and its expertise in operational excellence, in order to accelerate the growth of the Group's activities, improve its profitability and strengthen its cash generation.

The Group follows strategic target selection criteria, including:

- the potential synergies identified, in particular the capacity to draw on the Group's existing global sales network, complementary research and development capacities and operational excellence;
- the strategic positioning of the target, making it possible either to strengthen the Group's market share or to acquire a leadership position in a fast-growing market to increase the size of the addressable market;
- technologies developed by the target, with an emphasis on product portfolios based on highly differentiating technologies that offer a pricing advantage;
- the quality of the target's management team, which should have the capacity to accelerate the company's growth within the Group.

The Group also uses financial criteria to select targets, including:

- revenue: more than €10 million (the average revenue of acquisitions made since 2022 (including the acquisition, currently being finalised, of a European player in the Nuclear market) were around €14 million);
- pre-acquisition revenue growth: double-digit growth over the last 3 years (revenue growth for acquisitions made since 2022 (including the acquisition, currently being finalised, of a European player in the Nuclear market) was around 13% per year);
- EBITDA margin at acquisition: above 10% (the average EBITDA margin at acquisition for acquisitions completed since 2022 (including the acquisition, currently being finalised, of a European player in the Nuclear market) was around 20%);
- acquisition multiple: depending on context and unicity (the average acquisition multiple for acquisitions completed since 2022 (including the acquisition, currently being finalised, of a European player in the Nuclear market) was around 10x adjusted EBITDA);
- expected post-synergy return on invested capital (*ROIC*)¹⁵: over 10% after 3 years (the expected post-synergy return on capital for acquisitions completed since 2022 (including the acquisition, currently being finalised, of a European player in the Nuclear market) was over 13% after 3 years).

The Group has identified a total long-term acquisition pipeline of around 100 potential targets, representing total estimated revenue of around €1.6 billion; medium-term opportunities on around 50 selected potential targets, representing total estimated revenue of around €900 million; and short-term

¹⁵ Defined as operating profit after tax / enterprise value.

opportunities on around 30 potential targets analysed, representing total estimated revenue of around €600 million.

The Group's external growth strategy is focused primarily on the Detection & Imaging market, with the aim of achieving a balanced distribution of revenue between its Amplification and Detection & Imaging businesses by 2027.

In the Detection market, the Group is focusing on targets that will enable it to address new component markets in the field of high-end analysis instruments and metrological instruments. In the Nuclear market, the Group is targeting the integration of technologies for the small modular reactor market, enabling it to increase its market share in the detection of neutron and gamma molecules. In the Imaging market, the Group is concentrating on targets specialising in the production of high-end cameras and in general expanding its technological portfolio by covering the entire electromagnetic spectrum (e.g., SWIR, MWIR and UV).

The Group also intends to consider acquisitions in the Light Amplification market, to further broaden its access to the market and extend its expertise in the design of advanced optronic components.

Lastly, the Group may consider acquiring complementary technologies for optical components, or extending its portfolio to include stand-alone optical control instruments.

The Group has demonstrated its capacity to successfully integrate recently acquired companies.

As an illustration, the Group was able to improve the adjusted EBITDA margin of Xenics and Proxivision, acquired in 2022 and 2023 respectively, by 5 points after one year, by implementing an effective integration process focused on value creation, including in particular:

- implementation of additional cross-selling of products in the integrated companies' portfolios, using the same sales resources;
- rationalisation of the product portfolio;
- synergies in research and development, including the pooling of resources and the sharing of knowledge and skills;
- operational synergies, including the consolidation of multiple sites into two sites after 18 months; and
- procurement synergies, with the consolidation of supplies of LWIR sensors and electronic components.

5.4 History of the Company

In 1937, the Company started operating as a subsidiary of the Philips group under the name Hyperelec, specialising in the manufacture of optical measuring and recording instruments at its original offices in Brive-la-Gaillarde, France.

In 1998, the company left the Philips group and formed the Photonis Group in 2005 through a merger between Delft Electronic Products and Burle.

In 2021, HLD took over control of the Group.

In late 2022 and 2023, the Group acquired several companies (Xenics, Proxivision, El-Mul and Telops) to expand its portfolio of products. In September 2023, the Company changed its name to Exosens.

Key dates of the Group

1937	Hyperelec is created as a subsidiary of the Philips group
1998	Hyperelec leaves the Philips group
2005	Hyperelec merges with Delft Electronic Products and Burle to create Photonis
2007	New registered office in Mérignac
2021	HLD takes over control of the Company
End of 2022	Xenics is acquired
2023	Proxision, Telops and El-Mul are acquired The Company changes its name to Exosens
2024	Signature of the acquisition of a European player in the Nuclear market (currently being finalised)

5.5 Presentation of the markets and competitive position^{16 17}

The Group operates in the Amplification, Detection and Imaging markets, which have enjoyed positive growth in recent years, and which are set to continue to experience such growth in the longer term. The Group is the leader in the Light Amplification market (excluding the United States) and one of the leaders in the Detection and Imaging markets that it targets.

Addressable market size

In 2019, the total addressable market¹⁸ for Amplification and Detection and Imaging was €1.9 billion, including:

- €0.9 billion for Amplification (*source: Renaissance Strategic Advisors and Company estimates*); and
- €1.0 billion for Detection and Imaging (*source: Company estimates*).

The total addressable market for Amplification and Detection and Imaging was €3.2 billion in 2023 (representing an compound annual growth rate (CAGR) of 14% over the period 2019–2023), including:

- €1.2 billion for Amplification (*source: Renaissance Strategic Advisors; Verified Market Research*); and

¹⁶ The information in this section 5.5 relating to the market, including market sizes and growth prospects, is mainly derived from third-party sources, notably: (i) for the Light Amplification market, from a study carried out by Renaissance Strategic Advisors, on terms agreed between the Company and Renaissance Strategic Advisors; (ii) for the Electronic Amplification market, from a study carried out by Verified Market Research entitled “Traveling Wave Tubes (Twt), Global market size, status and forecast to 2031” (with the exception of 2019 figures, which are based on Company estimates); and (iii) for the Detection and Imaging market, from a study carried out by Roland Berger, on terms agreed between the Company and Roland Berger (with the exception of 2019 figures, which are based on Company estimates) (see also Section 1.3 “*Third party information, statements by experts and declarations of interest*” of this registration document).

¹⁷ Unless otherwise stated, data relating to the size of markets, particularly in terms of their past or future development, as well as the Group’s competitive positions and market shares, are all based on the revenue levels of the key players in the sector concerned.

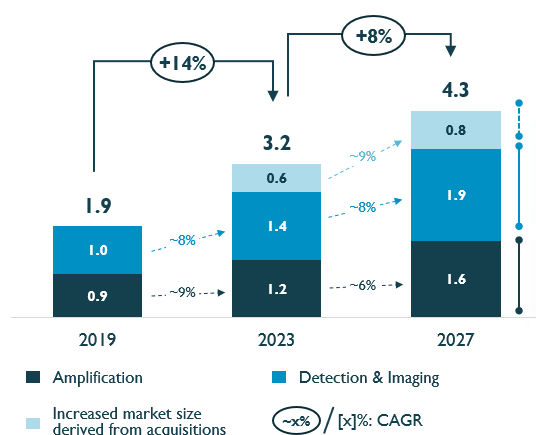
¹⁸ In this registration document, references to the total addressable market (“**TAM**”) mean the market or markets (i) in which the products included in the Group’s current portfolio can be sold; or (ii) in which the Group could sell products not currently included in its portfolio but which it could manufacture within its design and production capabilities. References to the market targeted by the Group refer to the market or markets identified by the Group as those in which the products in its current portfolio are sold. References to the additional market size derived from acquisitions already made by the Group refer to the market or markets which the Group targets with products included in the portfolio of such acquisitions.

- €1.9 billion for Detection and Imaging (*source: Roland Berger*), including €0.6 billion in market size derived from acquisitions already made by the Group (*source: Company estimates*)

The total addressable market for Amplification, Detection and Imaging is expected to continue to grow over time, reaching €4.3 billion in 2027 (an estimated CAGR of 8% over the period 2023–2027), including:

- €1.6 billion for Amplification (*source: Renaissance Strategic Advisors*); and
- €2.7 billion for Detection and Imaging (*source: Roland Berger*), including €0.8 billion in market size derived from acquisitions already made by the Group (*source: Company estimates*).

Group’s total addressable market (in billions of euros)



5.5.1 Amplification market

5.5.1.1 Market trends

The Group’s Amplification activities accounted for 72% (66% on a *pro forma* basis) of the Group’s revenue for the fiscal year ended 31 December 2023, the majority of which came from selling components and modules for integration into instruments and systems used by end-users in the defense sector (mainly the armed forces and internal security services).

The Amplification market covers (i) the Light Amplification market, for which the Group supplies light intensifier tubes (or *Image Intensifier Tubes* (“IITs”)), used mainly in manufacturing equipment for the defense sector, including night-vision equipment for soldiers and army vehicles, and, to a lesser extent, in manufacturing equipment for the commercial sector, such as night vision equipment used for *Air Soft* or leisure activities (astronomy, in nature); and (ii) the Electronic Amplification market, for which the Group supplies power tubes and travelling wave tubes, used predominantly for defense equipment, in certain communication systems and radars in particular, and, to a lesser extent, for commercial equipment, such as in radio and television transmission or research solutions. Light amplification components sold by the Group account for the vast majority of revenue in its Amplification business.

General trends

Given the use of light amplification and electronic amplification components sold by the Group, the development of the Group’s Amplification business is closely linked to trends in the defense sector;

those which have underpinned growth in the Amplification market in recent years and which should continue to do so in the long term.

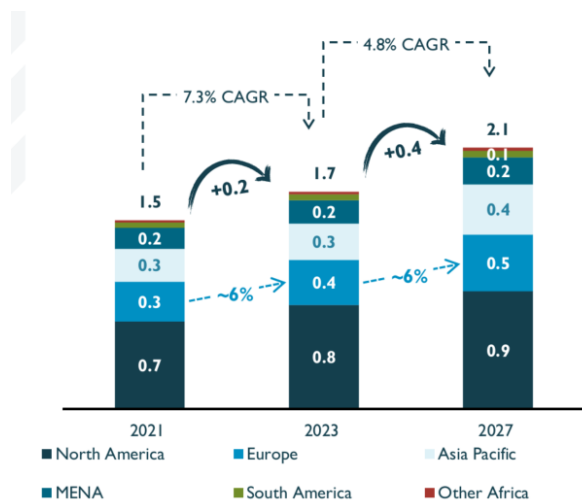
Defense stakeholders are operating in a new environment, marked by the recent emergence of armed conflict in certain regions and by an increased risk of armed conflict in other areas. Recent events such as the war between Russia and Ukraine and the potential threats it poses to security in Europe, the conflict triggered on 7 October 2023 between the terrorist organisation Hamas and Israel and its repercussions in the Middle East, territorial disputes in the South China Sea and the Pacific, and the emergence of new types of attack, such as cyber-attacks, are all contributing to a significant increase in security threats around the world.

Such events have direct implications for the defense sector, with defense budgets expected to continue to rise following a period of underinvestment, particularly in Europe, where defense spending is expected to reach around €0.5 trillion in 2027, compared with around €0.4 trillion in 2023 (driven in particular by increased spending in Germany, Poland, the United Kingdom and France). In North America, defense spending is expected to reach around €0.9 trillion in 2027, up from around €0.8 trillion in 2023. Similarly, Asia-Pacific defense spending is expected to jump from around €0.3 trillion in 2023 to around €0.4 trillion in 2027 (*source: Renaissance Strategic Advisors*).

Armed forces in different geographic markets, such as the United States, the United Kingdom and Germany, have also implemented programmes to modernise their soldiers' equipment with a view to improving their operational capabilities and maintaining a tactical advantage, adding to the increase in demand for the components used to manufacture this equipment. In the United States in particular, innovation and equipment modernisation initiatives are expected to account for around 45% of the total North American defense budget in 2027.

Current conflicts give the Group an excellent view of market trends in the short term as well as beyond 2025 (with the potential for accelerated growth in certain cycles, given the short sales cycles), supported by equipment modernisation programmes. In addition, the market has already experienced several acceleration in investment in night vision equipment in the past, implying additional potential for future growth.

Global defense spending (in trillions of euros)



Source: Renaissance Strategic Advisors

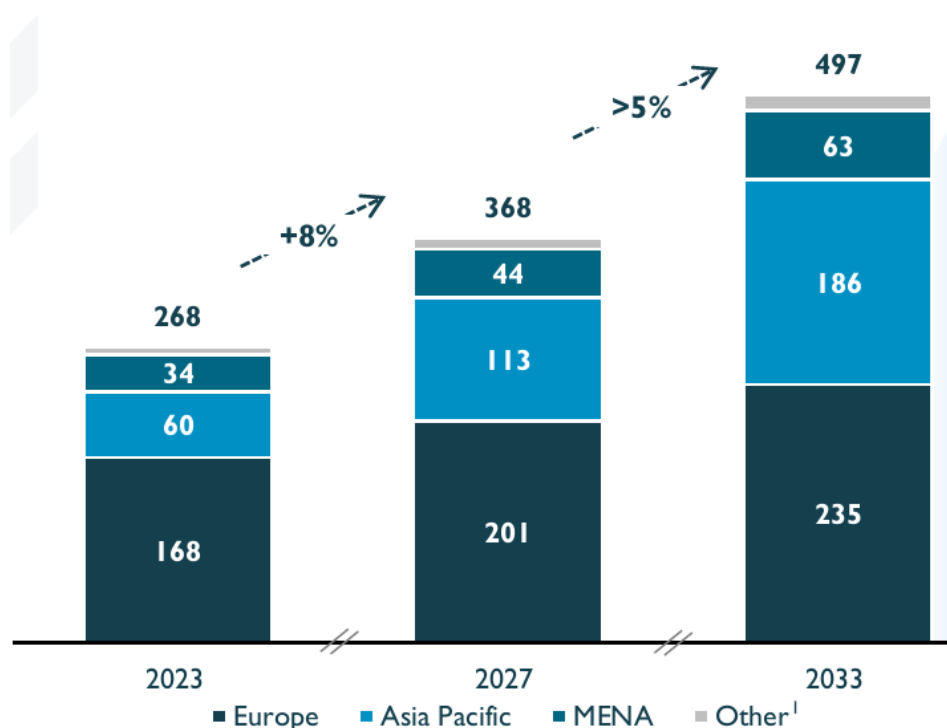
Light Amplification market trends

The Light Amplification market corresponds to the IIT market, manufactured by the Group, which is one of the families of components used in the manufacture of night-vision equipment, along with thermal components and digital components, which are not manufactured by the Group.

For 2023, the total addressable market for light amplification (or IITs) is estimated at €0.5 billion (source: Renaissance Strategic Advisors). On this basis, the Group estimates that the Light Amplification market is worth €0.3 billion in 2023.

The total addressable market for Light Amplification is expected to see an CAGR of nearly 9% over the period 2023–2027 (source: Renaissance Strategic Advisors). Accordingly, the Group estimates that the Light Amplification market addressed by the Group should record an CAGR of around 8% over the same period and above 5% over the period 2027 - 2033.

Light Amplification – Core addressed market – USA excluded (€m)



¹ Including North America (excl. USA), Latin America and Other Africa

Source: Renaissance Strategic Advisors

This significant growth forecast for the Light Amplification market is mainly due to the momentum in the night-vision equipment market.

The war in Ukraine in particular has had, and continues to have, a major impact on this market, as it highlights the need for armed forces to rapidly improve their night combat capabilities in the context of large-scale operations in symmetric, high-intensity warfare.

Following a period of under-investment in soldiers’ equipment, at a time when terrorism dominated security concerns, governments in Europe, the Asia-Pacific region and the United States are re-evaluating and adjusting their past procurement patterns, gearing up their night-fighting equipment and preparing their armed forces for high-intensity warfare (“One soldier, one pair of binoculars”

doctrine). Following this change in doctrine, the majority of NATO countries, as well as major military powers such as Japan and South Korea, are aiming to equip each of their infantry soldiers with night vision binoculars, offering a particularly high potential for future penetration of this type of equipment and ensuring long-term market growth.

Asia-Pacific countries in particular, from Japan to South Korea and Australia, are planning to spend heavily on military modernisation.

Growth in the night-vision equipment market in the United States between now and 2027 is expected to be driven largely by the US government's roll-out of "ENVG B NVG" ("Enhanced Night Vision Goggle – Binocular") and "Next Gen Binos" equipment programmes.

In Europe, the governments of countries such as Germany and Poland and the Nordic countries are investing significantly in equipment for their infantry troops.

This significant investment in night-vision equipment for soldiers is being matched by a shift in demand from monocular goggles to binocular goggles, as soldiers seek to better distinguish field features. This means that more IITs will be needed for night-vision equipment, with twice as much required for binocular glasses versus monocular glasses, thereby increasing the volume of IITs sold.

The Group believes that the risk of IITs being replaced in the medium term by other technologies, particularly digital sensors used for augmented reality technologies, is relatively limited. This is due to the current levels of performance offered by IITs relative to these other technologies in the development phase (particularly in terms of energy consumption, size and weight, cost and operational capacity in the field), in a context where maintaining night-time operational capacity is key. For example, the IVAS (Integrated Visual Augmentation Systems) equipment programme, developed for the design of augmented-reality helmets for the US army, initially based on entirely digital technologies, has faced technical difficulties and is expected to be reworked, returning to technologies incorporating IITs, since digital solutions do not currently offer satisfactory levels of performance for use in operational environments.

Electronic Amplification market trends¹⁹

For 2023, the total addressable market for electronic amplification is estimated at €0.7 billion (*source: Verified Market Research*). On this basis, the Group estimates that the electronic amplification market is worth €0.3 billion in 2023.

The total addressable market for electronic amplification is expected to see a CAGR of approximately 4% between 2023 and 2027 (*source: Verified Market Research*). The Group thus estimates that the electronic amplification market addressed by the Group will record a CAGR of slightly below 4% over the same period.

The development of the electronic amplification market is directly linked to that of the end-markets in which the end-users of equipment that incorporates travelling wave tubes operate.

These markets are shaped on the one hand by growing demand for satellite communications equipment, driven in particular by the rapid roll-out of high-speed internet connections, demand for remote detection applications and the introduction of new-generation satellite constellations, and on the other hand by the modernisation of defense equipment. These markets are currently set against a backdrop of rising geopolitical tensions and security threats, along with increased defense spending by governments

¹⁹ The Electronic Amplification market described in this Section 5.5 refers to the market for travelling wave tubes, as analysed in a study carried out by Verified Market Research entitled "Traveling Wave Tubes (TWT), Global market size, status and forecast to 2031", which provided the data on the Electronic Amplification market contained in this section.

(see above), reflected in increased demand for travelling wave tubes for radar systems, electronic warfare equipment such as jammers, and missile guidance systems. These systems, used for signal detection, jamming and communication, are in fact based on the harnessing of high-power microwaves provided by travelling wave tubes, making them essential components of modern defense applications. Supply programmes set up by the US DoD and the US Navy, where the Group believes it is well positioned, are contributing to the growing demand for electronic amplification components for the defense sector.

5.5.1.2 Competitive environment

Light Amplification market

The Group leads the Light Amplification market it serves (outside the US), holding an estimated market share of approximately 71% in 2023 (*source: Renaissance Strategic Advisors*), up around 15% on 2019.

The Group's main competitors in the Light Amplification market are major manufacturers of components and equipment mainly for the defense sector, such as the American subsidiary of Elbit Systems (Israel) and L3Harris (United States).

The Group has a global presence but focuses particularly on markets within Europe, the Middle East and Asia, while its main competitors, who also have global reach, tend to concentrate on the United States.

Electronic Amplification market

The Group is a niche player in the electronic amplification market, recognised as providing innovative, high value-added products that meet the highest quality standards, enabling it to cater for even the most technically sophisticated of projects.

The Group's main competitors in the electronic amplification market are major aerospace and defense companies, some of which are leaders in their sector, such as Thales in France, Teledyne in the United States and CPI, also in the United States or the American L3Harris.

5.5.2 Detection and Imaging market

One of the key factors in companies' growth and value creation is their ability to provide the highest quality, most competitive products and services, not least by investing in research and development and optimising their production processes.

To this end, and depending on their sector of activity, companies need to understand certain fundamental phenomena, control their production processes, inspect their products and identify and reduce defects and waste. Such action can be carried out by observing the different characteristics (emission spectra, particles of matter) of materials and phenomena in order to determine their condition or status.

The Group's Detection and Imaging components convert these characteristics into an electronic signal which is then processed in data or images.

The Group's Detection and Imaging components target three markets: (i) the Detection market, comprising the sub-segments of mass spectrometry, electron microscopy and optical microscopy; (ii) the Imaging market, comprising the sub-segments of machine vision and process control cameras, semiconductor inspection, optical gas leak detection, research and life sciences and electrical inspection; and (iii) the Nuclear market. Products sold by the Group in the Detection and Imaging markets account for almost all of the revenue of its Detection and Imaging business, split almost equally

between the two markets. Products sold by the Group in the Nuclear market therefore represent a limited proportion of the revenue of its Detection and Imaging business.

5.5.2.1 Market trends

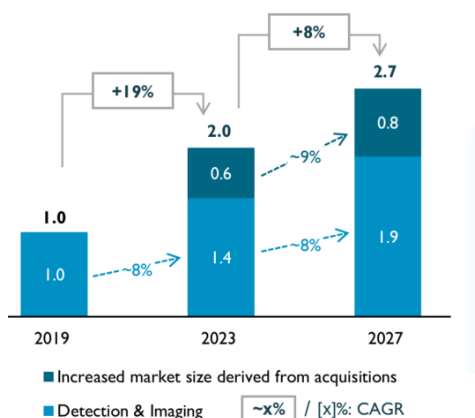
The Group is exposed to a number of fast-growing end markets, including pharmaceutical research and development and life sciences, certain manufacturing industries (semiconductors, electronics, agri-food, waste management), electric vehicle batteries and scientific research and development.

As such, the Group benefits from four general undercurrent trends: rapidly growing underlying markets; an increasing uptake of high-end equipment, the Group’s core focus, for use in both existing and new applications; technological development; and increased outsourcing of the design and production of Detection and Imaging components by original equipment manufacturers (OEMs).

In 2023, the total addressable market for Detection and Imaging was around €1.9 billion (*source: Roland Berger*), including a market size of €0.6 billion stemming from potential acquisitions, and the Detection and Imaging market addressed by the Group was worth €0.7 billion (*source: Roland Berger*).

Over the period 2023–2027, the total addressable market for Detection and Imaging is expected to see a CAGR of around 8%, reaching €2.7 billion (*source: Roland Berger*) in 2027 (*source: Roland Berger*), including €0.8 billion of market size from potential acquisitions. The Detection and Imaging market targeted by the Group should record a CAGR of around 8%, reaching €1.1 billion in 2027 (*source: Roland Berger*).

Evolution of the Detection and Imaging market



Source: Roland Berger

Detection market

In 2023, it is estimated that the addressable Detection market amounted to 0.4 billion euros and that the Detection market addressed by the Group totalled 0.2 billion euros (*source: Roland Berger*). The addressed Detection market is expected to record a CAGR of around 7% over the period 2023–2027, reaching €0.5 billion in 2027 (*source: Roland Berger*). The sub-segments of the Detection market are mass spectrometry, electron microscopy and optical microscopy.

Mass spectrometry

Mass spectrometry is an analytical technique widely used to identify the composition of a biological or inorganic sample by analysing the mass of its molecules. In the mass spectrometry sub-segment, the Group supplies OEMs with ion and electron detectors (see Section 5.6.1.2(a) of this registration document), which are used to characterise the ionised sample. The Group's range of detectors covers the main mass spectrometry technologies.

Growth in the addressable mass spectrometry market is expected to be driven mainly by underlying growth in sales of mass spectrometry systems as a result of the acceleration in replacing detectors and growing uptake of these systems, supported in particular by the accelerated pace of research and development expenditure in the pharmaceutical and biotechnology industries, and the increasingly frequent use of this technology in industry for routine control purposes. In addition, the adoption of particle detectors such as those sold by the Group in its "*Orbitrap*" system – one of the leading research-grade mass spectrometry systems – is actively boosting momentum in this market.

Electron microscopy

Electron microscopy is used to determine the surface of a sample by directing a beam of electrons at it, which are then collected by a set of detectors. In the electron microscopy sub-segment, the Group supplies electron and ion detectors to a variety of OEMs (see Section 5.6.1.2(a) of this registration document), for all the basic detectors used in scanning microscopes and dual-purpose microscopes.

Growth in the addressable electron microscopy market is expected to be driven by underlying growth in sales of electron microscopy systems, underpinned in particular by increased research and development expenditure by end-users to meet high-performance needs in mobility, energy and consumer electronics, along with the growing uptake of these systems in energy transition research (for example, in electric batteries, photovoltaic panels and low-carbon structural materials). In addition, OEMs manufacturing electron microscopy systems are expected to further increase the outsourcing of detection component manufacturing in the future. This is due to the increasing technical complexity and growing use of electron microscopy techniques in corporate laboratories and industrial sites, requiring high productivity and rapid implementation. OEMs focused more on the manufacture of complete systems may therefore prefer to turn to specialist suppliers of detection components, such as the Group, for the supply of high added-value components, rather than manufacturing them themselves.

Optical microscopy

Optical microscopy is an analytical technique used to obtain images of samples by projecting visible light onto the sample.

In the optical microscopy sub-segment, the Group is targeting advanced research techniques that require top-of-the-range image intensifier cameras, focusing on intensifier tubes used to intensify low light levels in various applications such as particularly high-speed imaging, liquid and gas flow imaging, scientific imaging (plasma physics, quantum optics, photon counting, spectroscopy), temporal imaging, medical imaging and the detection of ionisation discharges on electrical transmission installations (see also Section 5.6.1.2(a) of this registration document).

Growth in the addressable optical microscopy market is expected to be driven by underlying growth in sales of optical microscopy systems, underpinned by increased research and development expenditure in the life sciences sector and the accelerating adoption of advanced microscopy techniques in the pharmaceutical industry. Furthermore, technological advancements should increase the feasibility of CMOS camera use as well as the integration of smart tools inside cameras, all of which should help to benefit suppliers of high value-added components with first-in-class Research and Development capabilities – something that the Group believes it is in a position to exploit.

Nuclear market

For 2023, the addressable Nuclear market was an estimated €0.1 billion, with the Nuclear market addressed by the Group estimated at less than €0.1 billion (*source: Roland Berger*). The addressable Nuclear market is expected to see a CAGR of around 9% over the period 2023–2027 (*source: Roland Berger*).

The Group supplies critical components for the nuclear industry, which are used to ensure the safety of nuclear power plants, such as gamma detectors, neutron detectors and mineral-insulated extensions (see Section 5.6.1.2(b) of this registration document).

Growth in the addressable Nuclear market is expected to be driven mainly by the construction of new nuclear reactors (with the anticipated addition of 600 gigawatts by 2040 (*source: Roland Berger*)) and the development of small modular reactors (“SMRs”), with 600 units expected by 2040 (*source: Roland Berger*).

Imaging market

For 2023, the addressable imaging market was an estimated €1.5 billion, with the imaging market addressed by the Group estimated at €0.5 billion (*source: Roland Berger*). The addressable imaging market is expected to record a CAGR of around 9% over the period 2023–2027, reaching €2.1 billion in 2027 (*source: Roland Berger*). The sub-segments of the imaging market are machine vision and process control cameras; semiconductor inspection; optical gas leak detection; research and science; and electrical inspection.

Machine vision and process control cameras

In the machine vision and process control cameras sub-segment, the Group supplies SWIR (*Short-wave Infrared*) and LWIR (*Long-wave Infrared* or thermal infrared) cameras (see Section 5.6.1.2(c) of this registration document).

Machine vision cameras enable IT systems to analyse and process visual information, and are therefore essential in supporting the steady increase in factory automation.

Process control cameras are used to continuously monitor manufacturing processes to ensure quality and protect equipment.

Growth in the addressable market for machine vision and process control cameras is expected to be driven by the increasing automation of factories, supported by the roll-out of Industry 4.0 and the Internet of Things (“IoT”), as well as the tightening of regulatory standards (particularly around food safety, especially in high-population countries such as India and certain African countries, which are seeking to align themselves with Western regulations in this area).

Semiconductor inspection

The Group’s semiconductor inspection sub-segment supplies top-of-the-range components that are integrated into electronic chip production equipment manufactured by the world’s leading OEMs.

The Group’s cameras and detectors cover most stages of the semiconductor production process. The Group’s products are essential in the manufacturing of electronic chips.

Growth in the addressable market for semiconductor inspection is expected to be driven by growth in demand for electronic chip production equipment, to meet the high demand for semiconductors and the increase in the number of cameras required for this equipment. Demand for semiconductors is expected to continue to grow substantially, underpinned by digitalisation, miniaturisation and the relocation of production sites, as well as the roll-out of public investment to safeguard sovereignty. In addition, the

development of 3D semiconductor packaging is expected to lead to the advent of new inspection requirements, meaning that the camera and detector technology used will need to be upgraded.

Optical detection of gas leaks

Gas leak detection (usually aerial) involves attaching an imaging camera or laser sensor to a drone, helicopter or aircraft to monitor pipelines or production sites. To this end, the Group is offering a top-of-the-range LWIR hyperspectral camera for airborne gas leak detection systems.

Currently relatively small in size but expected to grow significantly as a result of anticipated changes in regulations, the addressable market for optical gas leak detection is mainly concentrated in the United States, owing to statutory requirements on the frequency of infrastructure inspections. Consequently, growth in the addressable market for optical gas leak detection is expected to be driven by the adoption of similar regulations in other countries, not least given that 155 countries have committed to reducing methane emissions by 2030 under the “Global Methane Pledge”.

Research and science

The Group produces high-performance cooled MWIR and LWIR cameras (see Section 5.6.1.2(c) of this registration document) for scientific applications requiring the observation of precise temperature changes at a particularly high frame rate.

Between now and 2027, growth in the addressable science and research market is expected to be driven primarily by camera sales volumes, supported by ongoing innovations in resolution, detector costs and interface performance, opening up new potential uses for cooled MWIR and LWIR cameras.

Electrical inspection

The Group’s UV cameras can be used to detect the effects of corona discharge on electrical transmissions before damage is caused to any of the affected equipment.

Key uses include predictive power grid maintenance, which is used (albeit to a limited extent at this stage) to predict electrical faults on high-voltage grid lines (whereas traditional maintenance techniques using visible or infrared cameras only detect faults once they have occurred), and power battery inspection, with potential use in the monitoring and testing of power battery production sites.

Looking forward to 2027, growth in the addressable market for electrical inspection is expected to be driven, in the case of high-voltage line maintenance, by the uptake of UV cameras, enabling predictive maintenance and thus avoiding network outages, as well as by the significant increase in the length of the high-voltage electricity grid, particularly in Asia. Growth in the inspection of electric batteries is expected to be driven by increased demand for lithium-ion batteries to equip electric vehicles, for which the market is expected to be particularly buoyant, and by increased use of UV technology in electric battery production processes.

5.5.2.2 Competitive environment

Detection market

The Group places itself as the market leader in detection, with an estimated market share of around 24% in 2023 (*source: Company estimates based on Roland Berger report*), up slightly from 2019 (based on Group market share estimates).

The leaders in the addressable detection market are “pure-play” suppliers such as the Group, Adaptas (a subsidiary of Michigan Industries) and Hamamatsu. Alongside this, for a relatively small part of the

market, some OEMs such as ThermoFisher manufacture the detection components they use for their in-house systems.

Nuclear market

The Group places itself as the leader in the Nuclear market, achieving an estimated market share of approximately 19% in 2023 (*source: Roland Berger*) (38% when including the market share of a European player in the Nuclear market, whose acquisition is currently being finalised by the Group), up very slightly on 2019 (based on Group market share estimates).

Given the significant sovereignty implications associated with the Nuclear market, competitors in this market are mainly organised geographically. The Group specialises in Europe and China, with the United States dominated by Mirion and Reuter-Stokes and Russia mainly supplied by local companies.

Imaging market

The Group’s share of the imaging market was estimated at around 7% in 2023 (*source: Company estimates based on the Roland Berger report*), up from 2019 (based on Group market share estimates), thanks to the creation of a leading position in several high-end niche segments, both through internal development and acquisitions.

The Group’s main competitors in the imaging market include generalist component manufacturers with a global presence, such as Hamamatsu and Teledyne, and specialist component manufacturers such as Raptor Photonics and Oxford Instruments.

The Group’s strategy in the imaging market is to specialise in high value-adding products for specific, exacting uses.

5.6 Description of the main business activities of the Group

5.6.1 Products sold by the Group

The Group offers products for capturing and displaying signals covering the entire electromagnetic spectrum for high-performance applications.



5.6.1.1 Amplification components and modules

(a) Light amplification

Image intensifier tubes (IITs) are devices that amplify ambient light (from natural sources such as starlight, moonlight or artificial sources such as street lamps or flares) or infrared light to render low-light images visible to the human eye. Light intensification involves using ambient or infrared light, which then passes through an intensifier tube containing a photocathode that converts the photons received into electrons. These electrons are then amplified as they pass through the tube and strike a screen, which converts them back into photons. These photons align identically to the original photons to produce a perfect image. The photons (the particles involved in electromagnetic radiation, i.e., light particles) produced by a low-luminosity image enter a tube where they are converted into electrons (the charged elementary particles in atoms) and amplified – in other words, they are multiplied hundreds of thousands of times before being converted back into photons on a phosphor screen, producing an image that is much brighter than the image produced in the initial light conditions and that can be seen by the human eye once it has been reflected back to the lens.

Through its Photonis brand, the Group offers a wide range of intensifier tubes to its customers, who integrate them into the night-vision devices they design and offer to end-users in the defense sector or the commercial sector (e.g., recreational shooters, hunters or *AirSoft* actors).

Intensifier tubes for the defense sector: Photonis XR5, 4G and 4G+ tubes

Photonis intensifier tubes (XR5, 4G and 4G+ models with a 16 mm or 18 mm diameter) are the models sold to the defense sector. These intensifier tubes are designed to be integrated into soldiers' vision equipment and army vehicles. They can also be used for rescue missions or by law enforcement.

Night vision allows users to operate safely in reduced visibility, at night or in low light. In modern warfare, operations carried out under the cover of darkness require night-vision capabilities, which are essential both from a tactical and security perspective (“*be the first to see*”).

Key performance requirements for night-vision equipment include being easy to use and operate, the weight, offering an adequate detection range (i.e., the distance at which an image can be seen by the human eye), as well as being reliable and robust. In general, night-vision equipment must provide an appropriate balance of size, weight and the technical features mentioned above.



Photonis 4G+ tubes are able to adapt images ultra-fast in the event of sudden changes in light conditions (e.g., a nearby explosion), enabling the user (in this case, the soldier) to retain a visible image and not be “blinded” for a few seconds. These tubes offer high performance thanks to a particularly high figure of merit (FoM²⁰) and extended sensitivity, covering a range from the visible to the near-infrared (spectral range from 350 nm to 1100 nm), enabling users to benefit from the best possible detection range in all changing environments. These tubes are generally used by special forces, whose missions and equipment require a high level of performance.

Photonis 4G tubes (available in 16 mm or 18 mm diameters) have been the benchmark product for conventional ground forces in Europe and some other countries for the past ten years or so, as they are

²⁰ The FoM is calculated by multiplying the signal to noise ratio by the limit of resolution. The higher the FoM, the sharper the quality of the image produced by the tubes.

less costly than 4G+ tubes while still maintaining a high level of performance. Photonis 4G tubes have a slightly lower FoM than Photonis 4G+ tubes and cover the same spectral range from visible to near-infrared.

XR5 tubes are the lowest-performing products in the Photonis range and currently represent a very small proportion of sales of light intensifier tubes.

Intensifier tubes for the commercial sector: Photonis Echo and Echo+ tubes



Photonis intensifier tubes for the commercial sector are sold under the ECHO brand, offering two levels of performance and image quality: ECHO and ECHO+.

The ECHO range serves a wide range of night-vision applications in the commercial market, including *AirSoft* and leisure pursuits (astronomy, nature), as well as civil security and police forces.

(b) Electronic amplification

Power tubes

Power tubes are components that amplify the highest frequencies in the electromagnetic spectrum (i.e., microwaves and radio waves), thereby increasing their intensity compared to a reference signal (calculated in decibels). This type of tube is used to amplify space probe transmitters whose incoming signals are generally of very low power but whose outgoing signals need to be of particularly high power. When such tubes are not used, solid-state transmitters are unable to perform this function partly due to the distances the signals need to travel and partly due to the fact that these transmitters require significant energy to operate.

These components use electrodes placed in a vacuum or rare gas and powered by a source of electrons. A temperature-resistant casing (made out of glass or, in the case of the Group's products, ceramic or metal in order to allow them to meet the reliability and robustness requirements for their intended use) insulates the unit from the external environment. The Group's power tubes also include cooling systems to cool the electrodes, as their temperature rises during the signal amplification process.

The power tubes manufactured and sold by the Group, under the Photonis brand, include a wide variety of tubes (tetrodes and triodes) and their associated circuit components. They are mainly used by the defense sector but are also used for communications, broadcasting, research and other applications.

Power tubes used for defense purposes and UHF mobile tubes



Under the Photonis brand, the Group manufactures and sells a wide range of high-power tubes for the defense sector. These tubes are reliable, robust and effective, offering high performance levels in challenging environments where they can be exposed to severe shocks and vibrations.

These power tubes have multiple applications in the defense sector, e.g., communications systems and radars for mobile on-board installations (ships or aircraft) or in fixed stations. They are critical components and need to meet precise specifications in terms of reliability and quality.

For the defense sector, the Group also offers a range of ultra-high frequency (UHF) mobile tubes, which are more compact and specifically suited to high-temperature environments, or low noise intensifiers, which are essential electronic components in communication and radar systems and are primarily designed to amplify weak signals from an antenna with a minimum of added noise or distortion, thereby preserving the quality of the original signal.



These tubes are widely used as radio-frequency power intensifiers and pulsed radio-frequency power intensifiers in aircraft, as well as in mobile and stationary equipment for the armed forces. The Group also sells UHF mobile tubes that can be used as regulators or distributed intensifiers, making them versatile and suitable for a wide range of applications.

Frequency modulation (FM) power tubes



Under the Photonis brand, the Group manufactures and sells a wide range of power tubes for frequency modulation (FM), which is a radio broadcasting method that uses frequency modulation (as opposed to amplitude modulation (AM)) to transmit a signal, and is specifically designed for commercial transmitters. Frequency modulation provides high-quality sound over broadcast radio.

Power tubes used for research



Under the Photonis brand, the Group manufactures and sells a wide range of power tubes for applications in the research sector, including in particle accelerators. These power tubes are also used for long-range radars.

VHF power tubes



Under the Photonis brand, the Group manufactures and sells VHF (very high frequency) power tubes, which are mainly for television transmitters and therefore supplied to television channels.

Voltage regulators



Under the Photonis brand, the Group manufactures and sells voltage regulators, enabling a circuit to supply constant energy despite voltage variations at the input to the circuit, for LEO (low-earth orbit, or an orbit around 2,200 km above the Earth) and other space applications. These regulators are therefore mainly used on aircraft and fixed stations, as they are designed specifically to withstand extreme temperatures and vibrations.

Other amplification components

Travelling wave tubes are vacuum tubes used in microwave applications to produce low, medium or high power intensifiers, with high levels of effectiveness, robustness, reliability and longevity.

There are a wide range of applications for the travelling wave tubes manufactured and sold by the Group, under the Photonis brand. These travelling wave tubes, which are integrated into devices that amplify satellite and radar signals, are primarily used by end-users in the defense sector to meet their high-frequency and high-power requirements, particularly in electronic counter-measure systems to thwart enemy electronic detection devices, radar systems, airborne military platforms and satellite communication and telecommunications systems. Travelling wave tubes are designed to meet the requirements of these user-critical systems, ensuring a reliable and effective performance in a range of environments.

Also under the Photonis brand, the Group manufactures and sells compact, integrated microwave power modules, which amplify radio frequency signals to high power levels for military and commercial applications.

Travelling wave tubes



Microwave power modules



5.6.1.2 Detection & Imaging components and modules

(a) Detection

The Group supplies electro-optical technologies used for the detection of ions, electrons, photons, neutrons and X-rays, mainly for end-users in the life sciences sector and industrial control sector. The Group's detection products include ion and electron detection, low-light imaging, single-photon detection, neutron imaging and micropore optical plates for X-ray imaging applications.

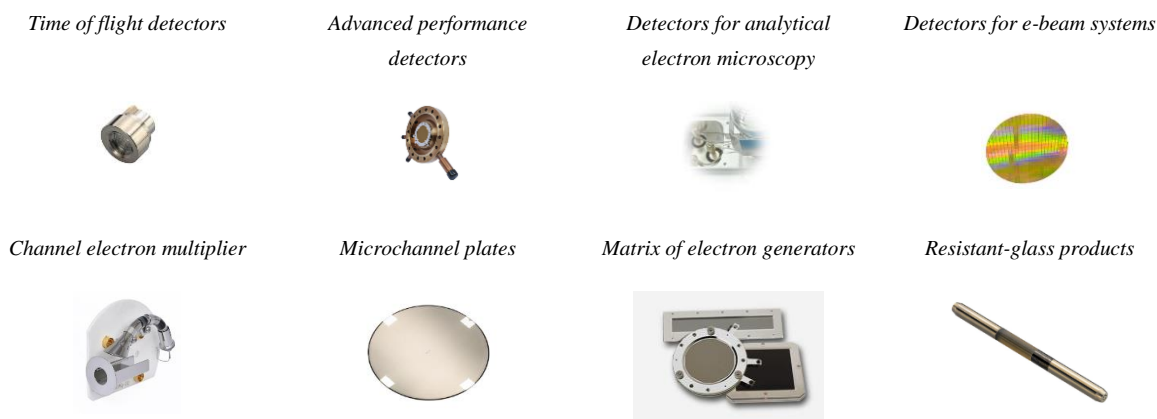
Ion and electron detection

The Group is a leading supplier of electro-optical technologies used for the detection of ions (i.e., atoms or groups of atoms that are positively or negatively charged due to the gain or loss of one or more electrons) and electrons (i.e., negatively charged elementary particles that make up atoms and are

located around their nuclei). Under the Photonis and El-Mul brands, the Group specialises in the design, manufacture and innovation of critical technologies and charged particle detector assemblies. The Group manufactures and sells ion and electron detection technologies designed for a wide range of scientific applications such as mass spectrometry, metrology, astronomy, life sciences and non-destructive testing.

Using the strengths and technological abilities of the Photonis and El-Mul brands, the Group offers its customers tailor-made products that deliver particularly high performances in terms of sensitivity, i.e., the ability to detect very small quantities of ions and electrons, a wide range of spatial resolution (the level of detail expressed as the minimum distance required to separate two contiguous points for the detector to be able to distinguish them) or temporal resolution (the level of detail expressed as the minimum time required to separate two successive images for the detector to be able to distinguish them), and the ability to detect positive and negative ions.

The Group offers a wide range of ion transport solutions able to boost ion throughput by up to 1,000 times compared with traditional solutions.



Low-light imaging

Image intensifiers are used to intensify images in low-light conditions. Under the Photonis brand, the Group offers a wide range of image intensifier tubes (IITs), power supplies and electronics triggers for customers who wish to incorporate low-light intensification into their products. The Group also supplies its products directly to researchers requiring increased camera sensitivity (CCD (charge coupled device) with a photographic sensor based on a charge transfer device or CMOS (complementary metal-oxide semiconductor) which transforms the charges already on the pixel into voltage), with the Cricket2 IIT adapter for IIT functionality that can be used directly as “plug-and-play” in their equipment.

The Group’s multialkali Hi-QE photocathode technology combines a high quantum efficiency (QE)²¹ in the 120–1050 nm spectral range, with a dark count rate²² as low as 50 Hz/cm², yielding an optimum signal-to-noise ratio²³ and, under certain conditions, sub-nanosecond gating speeds.

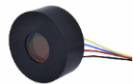
²¹ Quantum efficiency is the ratio between the number of electronic charges collected and the number of incident photons on a photoreactive surface.

²² A count rate measurement consists of dividing the number of events detected over a certain period of time by the measurement time.

²³ The signal-to-noise ratio is the ratio of the powers between (i) the component of the signal comprising the desired information and (ii) the remainder of the signal, composed of disturbances that impair the quality of the desired information. The higher the ratio, the higher the quality of the signal. ²⁴ CMOS image sensors are ultra-fast and mainly used for high-speed camera applications.

The image intensifier tubes supplied by the Group use microchannel plate (MCP) technology, offering high dynamic range (HDR, which improves the contrast of an image while maintaining its clarity) and a light-gathering efficiency of over 95%. The Group's image intensifier tubes can be used to intensify low light levels in a wide range of applications, including particularly high-speed imaging, liquid and gas flow imaging, scientific imaging (plasma physics, quantum optics, photon counting, Raman spectroscopy), temporal imaging, medical imaging and the detection of ionisation discharges on electrical transmission installations.

Image intensifier tubes



IIT Cricket2 adapter



Single photon detection

Single photon counting is a technique used to detect, measure and visualise extremely weak light signals, right down to signals consisting of single photons.

The single photon detectors manufactured and sold by the Group (under the Photonis brand) are used in a wide range of applications, such as light detection and ranging (LiDAR), quantum optics and quantum telecommunications, high-energy physics (which studies the elementary constituents of matter and associated fundamental forces), particle physics, nuclear physics, fluorescence imaging, astronomy and plasma research.

To detect single-photon signals, the Group offers various types of high-sensitivity, fast-synchronisation, low-noise vacuum tube-based single-photon detectors.

Mantis³



MCP-PMT



Vacuum tubes



Neutron imaging

Neutron imaging is a non-destructive method used to see inside objects that may be impenetrable by X-rays or other techniques. Neutrons also offer the advantage of being able to see through heavy metals such as lead, and can also be used to inspect delicate processes.

The neutron imaging equipment offered by the Group, under the Photonis brand, is designed to provide still or video images using cold and thermal neutron imaging techniques for non-destructive testing and neutron tomography (an imaging technique used in medical imaging, as well as in geophysics, astrophysics and material mechanics).



Micropore optical detectors for X-ray imaging applications

Under the Photonis brand, the Group manufactures and sells micropore optical plates for X-ray imaging and analysis applications. Micropore optical systems have been installed on a number of international space missions.

The square micropore plate can be configured in radially packed or square-packed channels and can be provided with iridium coatings to enhance reflection in an optical system, as well as with films to provide a heat shield.

Micropore optics provide a more robust alternative to the standard X-ray and UV imaging products.



(b) Nuclear

The Group is a world leader in the design and manufacture of neutron and gamma-ray detectors, which are essential to the safety and control of nuclear reactors, fuel reprocessing plants, radioactive waste storage and nuclear research facilities.

The detection technology used by the Group is compatible with different types of reactors (including small modular reactors) and capable of withstanding extreme radiation, temperatures and pressure conditions, both in normal and anomalous conditions. Its products are now qualified for both ex-core and in-core use.

The Group's nuclear instrumentation team is organised in accordance with various national and international standards, such as ISO9001, ISO19443, RCC-E, ASME NQA-1 and HAF604.

The Group ensures high levels of quality and reliability, in particular by adapting these products to the specific needs of its customers, based on a long-standing collaboration with the French Alternative Energies and Atomic Energy Commission (CEA), by ensuring that all production takes place at its Brive-La-Gaillarde production site and by implementing a certification and quality assurance programme tailored to key products for nuclear safety.

Gamma detectors

Photonis detectors are called "gas detectors" because they measure gamma radiation by means of the ionisation current that the radiation produces when it passes through the gas contained in the detector (nitrogen or xenon). These ions, or charge carriers, are collected by polarised electrodes (anodes) that transmit the electrical pulses generated via a charging circuit to the electronic measuring instruments, which translate these electrical pulses into gamma radiation measurements that can be used by users.

Under the Photonis brand, the Group offers various sizes of gamma ionisation chambers, which are especially suited to measuring high-intensity gamma radiation in often extreme environments such as those encountered in the reprocessing of spent radioactive fuels or research involving high levels of irradiation.

Gamma ionisation chambers



Miniature gamma ionisation chambers



Neutron detectors

As a neutron has no charge, a neutron detector incorporates a neutronic-to-ionising particle converter, as such particles carry a charge. Incident neutrons (produced during a nuclear fission event) are captured by the converter material, which then produces (detectable) ionising particles by means of a nuclear reaction.

Gas-filled neutron detectors are designed to detect thermal neutrons (< 0.025 eV), meaning that the effective capture cross-section of the detecting material must be as large as possible to capture this low energy. The Group therefore uses uranium for fission chambers designed for in-core measurements (i.e., measurements in the reactor core itself) of neutron flux ranges. It uses boron for smaller flux ranges in the immediate periphery of the vessel (ex-core), using proportional counters. The storage and transport of uranium and boron are subject to specific regulations, described in Chapter 9 of this registration document.

Fission chambers for ex-core use



Boron-lined proportional counters



Fission chambers for in-core use



Mineral-insulated extensions

The extreme conditions in which neutron and gamma ray detectors operate can make it impossible to use nearby electronics, and the signals generated by the detectors often have to be transported several tens of metres before they can be processed. To ensure long-lasting, reliable signal transmission, the Group offers mineral-insulated cable extensions that can withstand these environments over the longer term. They are available in the form of “coaxial” technology, i.e., consisting of a central conductor and an outer conductor, and “triaxial” technology, i.e., consisting of a central conductor and two outer conductors, and are particularly suited to environments and applications with high electromagnetic stresses. The Group also offers HN reinforced (HNR) extensions, able to withstand extreme external pressures of several dozens of bars and remain impervious, even in “anomalous” temperature conditions.

(c) Imaging

The Group offers a diversified range of imaging technologies, under the Photonis, Xenics and Telops brands, covering a broad electromagnetic spectrum from less than 300 nanometres (UV) to 14,000 nanometres in the thermal (LWIR) spectral bandwidth. This portfolio of products covers the full spectrum enabling the Group to address the defense sector as well as the commercial sector, including the industrial control, life sciences and environmental, electronics and semiconductor markets.

The UV technology developed by the Group extends imaging beyond the limits of human vision, in fields such as semiconductor inspection, where insights into phenomena not visible to the naked eye are crucial.

The Group also offers visible and near-infrared (NIR) imaging technology to provide real-time imaging solutions in low-light conditions.

By designing and manufacturing short-wave infrared (SWIR) detectors and cameras in-house, the Group offers its customers a wide range of products tailored to their applications.

Finally, in the medium-wave infrared (MWIR) and long-wave infrared (LWIR) spectral bandwidths, the Group offers cameras and cores with noise-equivalent temperature difference (NETD) options and a range of optical options, pixel resolutions, spectral discrimination and different levels of integration, corresponding to size, weight and power (SWaP) requirements, for various thermal imaging devices.

UV intensified cameras



The Group's UV products, sold under the Photonis brand, are designed to operate within the ultraviolet (UV) wavelength range, spanning 200 to 400 nanometres. The Group's sensitive UV imaging sensor allows users to capture and visualise phenomena that generate UV radiation. UV imaging has a broad range of applications across multiple industries from scientific to industrial that include corona discharge (a loss of electrical charge, particularly in high-voltage cables), the detection of electric arcs (a flow of electric current that passes through the air and is therefore dangerous), power grid maintenance, environmental UV monitoring and fluorescence microscopy.

VIS/NIR (visible/near-infrared) cameras

The VIS/NIR camera range offers real-time imaging capabilities, in colour or monochrome, from daylight to starlight in the visible and near-infrared spectrum. The camera cores are based on sensitive CMOS (complementary metal-oxide-semiconductor)²⁴ sensors, partly developed in-house, and image intensifier tubes covering different bandwidths of the electromagnetic spectrum.

Low-light camera cores feature high-definition resolution, high sensitivity and high dynamic range (HDR, which enhances the contrast of an image while maintaining its clarity), low power consumption and rugged casings. Thanks to their compact size, these camera modules are ideally suited for overhead, mobile and portable surveillance systems. Optimised to meet size, weight and power (SWaP) requirements, low-light camera cores are also an imaging solution well suited to portable uses such as helmet-mounted displays and monocular eyeglasses.

Intensified cameras (iCameras) combine CMOS sensors and image intensifier tubes, bringing together the best of both technologies for ultra-sensitive imaging in very low light conditions. iCameras feature

²⁴ CMOS image sensors are ultra-fast and mainly used for high-speed camera applications.

high-resolution, a high frame rate and very compact design, meaning they are particularly well-suited for the industrial and research markets.

iNocturn



iNocturn-Series



iCMOS



SWIR (short-wave infrared) cameras

Short-wave infrared is a part of the infrared spectrum covering the wavelength range from 900 to 1,700 nanometres. SWIR detectors and cameras, manufactured and sold by the Group under the Xenics and Telops brand, are designed to detect and capture images in this specific wavelength range. SWIR rays are able to penetrate through fog, smoke, dust or other atmospheric interference. SWIR cameras are used in a variety of applications, including industrial inspection, machine vision, material sorting, food inspection, research and development, medicine, security, industrial process control and transport.

SWIR cameras mostly use reflected light, similar to the shorter wavelengths of the visible spectrum, and are often complementary to LWIR cameras. SWIR cameras can be divided into two broad categories, those fitted with an uncooled detector and those with a cooled detector.

Uncooled models are mainly marketed under the Xenics brand and use SWIR beam detectors manufactured by the Group, which are also marketed as stand-alone sensors, also under the Xenics brand name.

WILDCAT/WILDCAT+



BOBCAT/BOBCAT+



LYNX



Cooled models are marketed under the Telops brand:

FAST S1k/S2k



MWIR (mid-wave infrared) cameras

The mid-wave infrared is a part of the infrared range that encompasses the wavelength band from 1,500 to 5,400 nanometres. The MWIR cameras sold by the group are marketed under the Telops brand and use only cryogenically cooled sensors, i.e., sensors that are cooled at very low temperatures, below -150°C. These cameras stand out because of their speed (image rates in excess of the kHz range), high levels of radiometric accuracy and the fact that they can be constantly upgraded. They are available in broadband (FAST) or multispectral (MS) models. They are intended for use in scientific research, experimental mechanics, infrared imaging, combustion and additive manufacturing techniques, as well as in industrial sectors.

FAST Mxx+



FAST HD & SHD



MS Mxx



LWIR (long-wave infrared or thermal infrared) cameras

Long-wave infrared is a part of the infrared range that encompasses wavelengths from 7,500 to 14,000 nanometres. LWIR cameras, also known as thermal imagers, are used for surveillance, homeland security, object and gas detection, and industrial and scientific applications.

LWIR camera cores boast very low noise pollution and exceptional detection sensitivity, enabling the camera to capture clear, high-resolution images. LWIR cameras, manufactured and sold by the Group under the Xenics and Telops brands, are designed to be integrated into a variety of electro-optical systems or used for scientific research. LWIR cameras can be divided into two broad categories: those fitted with an uncooled detector and those that feature a cooled detector.

Uncooled models are sold mainly under the Xenics brand:

DIONE



MicroCube



GOBI+



Cooled models are marketed under the Telops brand:

FAST L200



FAST V1k

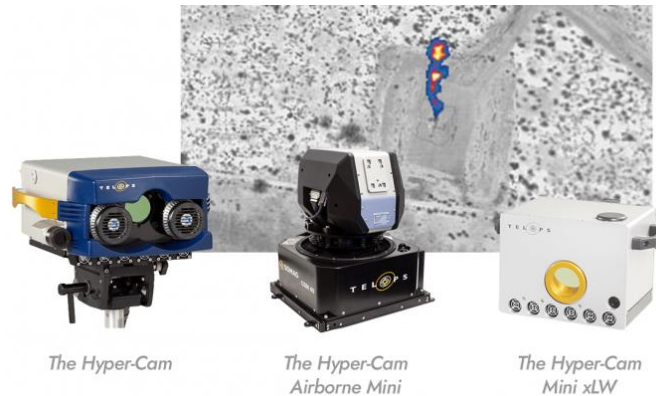


MS Vxx



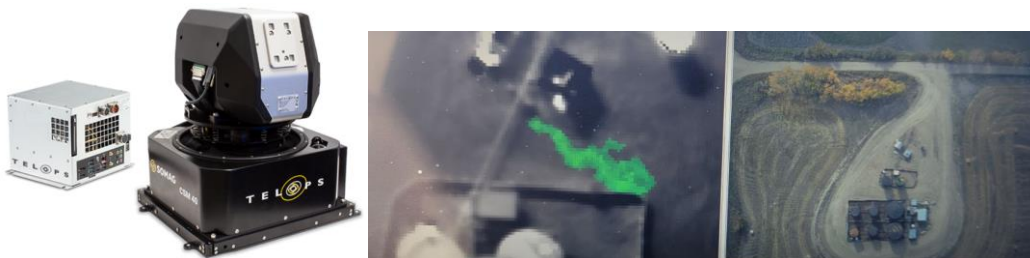
Hyperspectral cameras

The Telops has had a range of hyperspectral cameras on the market for almost 20 years now. These high-performance cameras generate images broken down into several small spectral bands, making it possible to obtain a spectral radiance measurement for each pixel. This is useful for spectroscopic applications including the identification and quantification of matter in remote detection (a technique for remotely acquiring information on the surface of the Earth). Hyper-Cams are available in MWIR and LWIR bands, with both standard and airborne versions to choose from. They are used to detect gases or solid chemical substances and for infrared imaging, geological research and mineral identification.



Aerial surveillance of methane leaks

Under the Telops brand, the Group rents out its Hyper-Cam Mini Airborne cameras and offers flight analysis services to inspect sites and pipelines for methane leaks. These inspections pinpoint methane leaks in oil and gas company infrastructure.



Equipment (TacFusion)

The Group offers vision equipment and systems for the security sector. Equipment includes camera cores manufactured by the Group, enabling in-depth, easy-to-use image capture and analysis.

TacFusion, sold by the Group under the Photonis brand, is a pair of hand-held binoculars that combine a low-light camera core with a thermal imaging sensor. It is widely used by police forces, for border and infrastructure surveillance and for rescue operations.



5.6.2 Targeted end markets

The Group's products are integrated into systems and equipment intended for a wide range of end-users in four main markets: defense and surveillance, life sciences and the environment, industrial monitoring and nuclear power.

5.6.2.1 Defense and surveillance

Defense

Backed by more than 85 years' experience, the Group develops, manufactures and sells night vision components (mainly intensifier tubes, manufactured and sold as part of the Amplification business, see Section 5.6.1.1 above) based on cutting-edge technologies. These components meet the needs of armed forces and help soldiers improve their tactical grasp of their surroundings, enhance their agility and mobility, and improve their intervention and response capabilities under various types of conditions, up to and including the darkest of environments.

The Group's products (chiefly power tubes, manufactured and sold as part of the Amplification business, see Section 5.6.1.1 above) are also used in the manufacture of electronic warfare jammers, anti-missile systems and weapon system simulators, as well as in military and commercial satellite data communication devices.

Some of the Group's products, such as imaging components like VIS/NIR cameras and SWIR cameras, manufactured and sold as part of the Detection and Imaging business (see Section 5.6.1.2 above), are also used in armoured vehicles.

Surveillance

The Group offers a wide range of products to meet current security and surveillance needs under the most extreme conditions. With geopolitical tensions on the rise, security and surveillance have become major issues for governments and businesses alike. Surveillance has become a key priority, particularly for critical infrastructures, search and rescue operations, law enforcement, maritime traffic control and border security. These surveillance systems must therefore operate 24 hours a day, 7 days a week, regardless of the operating conditions, while maintaining the highest possible image quality.

Examples include critical infrastructures such as nuclear power stations and sensitive industrial sites, which require high levels of security for staff and their immediate environments, but also aim to prevent intrusion. As a result, the use of thermal imaging cameras to provide greater levels of night-time surveillance is becoming increasingly common. The Group's products, such as UV-intensification cameras, VIS/NIR cameras and LWIR cameras, manufactured and sold as part of the Detection & Imaging business (see Section 5.6.1.2 above), are designed to meet this increased demand.

5.6.2.2 Life sciences and the environment

The Group's ambition is to use its capacity for innovation to contribute to scientific and industrial research and environmental responsibility.

Life sciences

In the life sciences sector, the Group's products are mainly intended for (analysis or research) laboratories and for healthcare professionals.

One example of this is the need for analysis laboratories, as part of *ex-vivo* observation, to identify and check the health of body tissues, thereby ensuring the ability to carry out the analysis in real time in order to make the most appropriate choice for patients. As part of this effort, the Group offers device manufacturers single-photon detectors (manufactured and sold as part of the Detection and Imaging

business, see Section 5.6.1.2(a) above) covering all phases of the radiation spectrum. Other sensors produced by the Group are installed in the most sophisticated analysis instruments used in the medical sector (e.g., mass spectrographs and electron microscopes) to analyse the composition of molecules and materials and determine their therapeutic or functional capacities.

The Group also offers its detection and imaging products to equip research laboratories already on the cutting edge of the latest developments in physics, requiring top-level components in fields such as quantum optics, fundamental physics and plasma research.

The Group also offers its single-photon detection solutions to equip cellular analysis systems in industry (particularly the food and pharmaceutical industries), used, for example, to detect suspect elements in bacteria samples or to identify bacteria in foodstuffs. It is also used to analyse pharmaceutical or chemical compounds.

The Group's detection and imaging technologies also find their way into equipment used by healthcare professionals to carry out diagnostics or in support of surgical operations, for which the Group offers our wide range of cameras, from UV-intensified cameras to LWIR or SWIR cameras or visible/near-infrared cameras for image production. Such devices are also used, in conjunction with imaging devices, to provide imaging in areas not visible to the naked eye. They are used in ophthalmology to diagnose eye diseases such as glaucoma.

Environment

Environmental and sustainable development issues have become crucial for companies and governments and are at the heart of the Group's development strategy (see also Section 5.8 "*Group CSR policy*" of this registration document).

The Group intends to support this growth by offering its detection and imaging solutions for environmental observation and, where necessary, monitoring of events likely to affect the environment.

The Group's imaging solutions, and in particular its cameras, are integrated into some of the equipment used by aquaculture professionals, who need to closely monitor the behaviour of their fish in ponds using high-sensitivity cameras adapted to low-light environments.

SWIR and LWIR cameras, for instance, as well as the Group's thermal imaging solutions, are sold to manufacturers of gas detection systems and operators of gas transport infrastructures wishing to effectively detect gas leaks in their pipelines and infrastructure in order to limit maintenance costs and pollution risks and comply with regulatory requirements. These cameras can also be fitted to gas detection systems used by the oil and gas industry on production sites.

The Group's high-sensitivity cameras, such as UV intensification cameras, LWIR cameras and SWIR cameras, are also found in systems used by waste management companies. They are particularly useful for plastic sorting, a major environmental issue at the moment that requires high-performance imaging capabilities, particularly given the variety of plastics to be sorted.

The Group's cameras are also used for firefighting equipment. The extreme conditions in which firefighters operate require rapid decision-making, and the use of high-performance thermal imaging cameras (which can be integrated into suits or helmets) can provide invaluable help. The Group's detection and imaging technologies can also be used to prevent major fires at oil and gas sites or IT facilities.

Space exploration

The Group has long-standing relationships with leaders in space industry and research, as well as with space agencies such as NASA and the European Space Agency, which have enabled it to develop innovative, tailor-made detection solutions for use in space.

The Group's detection systems are used, among other things, to identify the composition of asteroids or the atmosphere of planets.

5.6.2.3 Industrial monitoring

Precision and safety are key issues in industry and transport.

Non-destructive testing (NDT) refers to techniques used to analyse a product without destroying it. Most non-destructive testing methods use visual inspection or X-ray analysis, and are used in various sectors such as the food, automotive, aerospace and semiconductor industries. They can be used to monitor product quality on the production line (machine vision), monitor production processes to detect potential faults, prevent damage to high-voltage lines, in particular from ionising electrical discharges (power grid maintenance), as well as for analysing the chemical composition of materials or the shape of a laser beam or combustion stream.

Specialist cameras (from UV intensification cameras to near-infrared cameras) and infrared (SWIR or LWIR) cameras manufactured and sold by the Group are used to manufacture equipment for non-destructive testing.

The Group's cameras are also integrated into vision enhancement systems in the transport sector that are designed to provide enhanced situational visibility for operators, particularly in adverse weather conditions, by enabling them to see through rain and fog and thus contributing to the overall safety of transport operations. These systems can be deployed across a variety of means of transportation, from rail and air to road and sea transport.

5.6.2.4 Nuclear instrumentation

Nuclear instrumentation includes equipment designed to detect, measure and analyse radiation generated by nuclear or radiation-related processes. Such equipment is vital in nuclear power plants, radiotherapy, nuclear research and environmental monitoring. Nuclear instrumentation is essential to ensure safety, reliability and compliance in nuclear-related activities.

In France, the Group works closely with Framatome, the French Alternative Energies and Atomic Energy Commission and TechnicAtome. Outside France, the Group has amassed a wealth of experience enabling it to equip all kinds of reactors, in particular pressurised water reactors (PWRs, including EPR reactors, the latest innovations in this field), boiling water reactors (BWRs), third- and fourth-generation heavy water reactors (HWRs) and medium- and particularly high-temperature reactors. It supplies its nuclear instrumentation products to more than 30 countries around the world.

The Group plays a part in nuclear safety by supplying gamma detectors, such as gamma ionisation chambers, neutron detectors, including fission chambers or boron-coated proportional counters, and mineral-insulated extensions.

5.6.3 The Group's research, development and innovation policy

The Group invests heavily in its research and development efforts, allowing it to provide the most innovative products that best meet its customers' needs in terms of quality, reliability and safety. For the fiscal year ended 31 December 2023, the Group's research and development expenditure (net of

grants and research tax credits) and gross research and development expenditure²⁵ represented, respectively, 5.6% and 7.5% of its total revenue. Sustained and ongoing investment in research and development has enabled the Group to position itself as a major innovator in electro-optics, and to patent more than 130 products (including some 60 unexpired patents at the date of this registration document, including 56 patents granted and 12 patents pending).

The development phase for a new product lasts an average of 5 to 7 years.

During an initial technological and innovation phase, which can last from 1 to 4 years and is run by the Group's innovation and Research and Development teams, the Group draws up ideas based on internal research, customer needs, market studies and partnerships, particularly academic partnerships. In this stage, the innovation teams focus on the disruptive nature of the technology, while the research and development teams concentrate on improving the product itself.

The Group then starts a co-specification phase with the client which can last up to 3 years.

A phase then follows to assess the suitability of launching a new product (3 to 6 months). This phase involves defining the objectives, the resources to be allocated and the necessary budget, as well as assessing the feasibility of the project with the potential customer (in technical and commercial terms). During this phase, the Group may launch initial validation tests. These may lead to the prototyping phase (3 to 24 months), during which the Group designs the product according to the specifications requested by the customer and designs the first prototypes. It then embarks on a phase of testing and validation of the design, performance and manufacturing costs to check whether the product's properties meet market requirements.

Once the prototyping phase is concluded, the Group begins a period of prototype industrialisation (3 to 8 months), at which point the prototype is transferred to the operational teams, who assess the product in terms of manufacturing standards. Finally, once this phase has been completed, the final preparatory phase for the first production run (3 to 6 months) is launched after the project monitoring committee has given its approval.

As of the date of this registration document, nearly 80 of the Group's employees hold a doctorate, with nearly a quarter of the Group's workforce made up of engineers. Furthermore, also as of the date of this registration document, more than 25 programmes are under development. On average, the Group launches around fifteen product improvements a year, and one or two new products a year.

The Group's Research and Development costs mainly comprise the costs incurred by the Group as part of its applied research activities, as well as costs incurred in setting up partnerships (e.g., academic partnerships) or developing new products. The Group's Research and Development costs (net of grants and research tax credits) for the fiscal year ended 31 December 2023, the 12-month period ended 31 December 2022 and the fiscal year ended 31 December 2021 were €16.3 million (of which €8.6 million capitalised), €11.0 million (of which €7.5 million capitalised) and €7.7 million (of which €6.3 million capitalised), respectively (see also Section 7.2.3 of this registration document).

5.6.4 The Group's customers

Most of the Group's customers are OEMs who incorporate components manufactured by the Group into their own systems, and then sell their finished products to end-users. To a more limited extent, the Group also supplies some of its products directly to end-users, in the field of electronic amplification as well as sensors used in the space industry.

²⁵ Gross research and development expenditure includes grants and tax credits.

The Group has developed solid, long-term relationships with its customers, built on technological excellence and the quality of its products. Given the sectors in which end-users operate and the high standards of safety and reliability that characterise them, the Group's customers tend to want to maintain a stable and reliable supplier of their components, effectively limiting attrition rates.

At the time of filing this registration document, the length of the Group's relationships with its ten largest customers based on revenue averaged around 21 years, including relationships of 17 years, 33 years and 33 years for its top three customers, and an average duration of 21 years for the 10 largest customers, representing a zero percent churn.

The average lifespan of systems using the Group's light amplification products is 5 to 8 years, and for systems using the Group's electronic amplification products it is 10 to 20 years. Light amplification and electronic amplification products can be sold under framework contracts with customers for a period of 2 to 5 years, with typical purchase orders running from 3 to 12 months. The contracts cover batch manufacturing using the most up-to-date standard available for the type of product supplied and, in the case of electronic amplification products (especially power tubes), may include product repair.

The lifespan of Detection and Imaging systems that use the Group's detection solutions ranges from 10 to 20 years, while nuclear instrumentation systems have a lifespan of 15 to 60 years and systems that use the Group's imaging solutions have a lifespan of 5 to 8 years. Detection and Imaging products are generally not covered by framework contracts and are sold on the basis of orders subject to the Group's general terms and conditions of sale, which are generally for periods of between 12 and 24 months for detection products, 6 and 12 months for nuclear instrumentation products and 6 and 18 months for imaging products. Although the lifespan of systems using the Group's products is lengthy, business cycles tend to be shorter in comparison.

Detection products as a rule are developed by the end-user or the Group's customers themselves, working in collaboration with the Group where appropriate, and in most cases require regular replacement of components throughout the system's lifespan. Contracts for the supply of nuclear instrumentation and imaging products generally provide for support and regular replacement of components over the system's lifespan.

The contracting process with the Group's customers is long (at least two years and up to four years) and complex, thereby facilitating repeated revenue once the product has been accepted by the end-user.

Customers' purchasing process begins with a 3–6 month tender phase, during which the Group, in competition with other potential suppliers, is invited to submit its technical and financial proposal. Once this phase has been completed, and if the Group's offer is selected, a qualification stage lasting 6 to 12 months begins in the case of Amplification activities, and a co-design stage lasting 1 to 3 years begins for Detection and Imaging activities. At the end of this phase comes a final selection phase (for Amplification activities) or qualification phase (for Detection and Imaging activities) lasting 3 to 6 months, which at this stage marks the inclusion of the Group's solutions in the customer's product for the long term.

5.6.5 The Group's suppliers

The Group's supply chain is made up of around multitude of suppliers, mainly in Europe, Asia and North America. The Group's top ten suppliers accounted for 26.8% of its supplies for the fiscal year ended 31 December 2023.

The Group's main sourcing activities involve the purchase of components such as semiconductors, optical materials (fibre blocks in particular) and sensors (such as CMOS or microbolometers), and the purchase of glass and raw materials such as certain exotic metals (gallium, for example) and energy (electricity and gas). During the fiscal year ended 31 December 2023, the Group's purchases of raw

materials and components represented almost 21% of its consolidated revenue for that year. Historically, the Group's energy costs have been approximately 1.8% of Group revenue, with 2022 being the exception with a peak of over 3.1%. That year was marked by a sharp rise in energy costs due to the Russian-Ukrainian war.

Given the highly regulated nature of the sectors in which the end-users of the Group's products operate, the Group applies a strict policy when monitoring its supply chain. It has a procedure for systematically checking its contractual counterparties before entering into any contracts with them. In addition, in order to limit the risks associated with the failure of a supplier or the temporary or permanent interruption of supplies from a supplier, the Group has a process in place whereby it doubles supply sources. This is standardised and aligned with the Group's criteria for dual sourcing (see also Section 3.6.2.2 "*Operating risks management*" "*Supply chain risks*").

Purchasing and supplies are the responsibility of the Group's purchasing department, which includes a director in charge of coordinating the Group's purchasing who is assisted by buyers responsible for supply systems. The purchasing department is generally responsible for carrying out or coordinating the purchasing of the most strategic products.

The Group's purchasing and supplies are also handled locally within its subsidiaries by local buyers, who coordinate with the Group's purchasing department.

Purchases and supplies are made under framework supply contracts signed with the Group's suppliers, generally for periods of 12 to 36 months, and for which the purchase prices are fixed when the contract is signed for the entire duration of the contract. In the absence of a framework supply contract, purchases are made on the basis of purchase orders, governed by the Group's general terms and conditions of purchase or the supplier's general terms and conditions of sale, as appropriate.

5.6.6 The Group's industrial organisation

The Group has ten industrial and research and development sites spread over a wide geographical area. These include two sites in France, one in Belgium, one in the Netherlands, one in Germany, two in the United States, one in Canada, one in Israel and one in Singapore:



- Industrial site at Bensheim in Germany** (incorporated into the Group following the acquisition of ProxiVision): this site produces high-quality optoelectronic components and detection systems. These include low-light, fast-switching intensified cameras, image intensifiers and detectors for X-rays, UV, visible light, near-infrared and particles.
- Brive-la-Gaillarde industrial site:** the Group's long-standing production site, Brive-la-Gaillarde develops and designs image intensifier tubes and imaging solutions for the defense sector, as well as detection devices including neutron and gamma ray detectors for the nuclear sector.
- Grenoble research and development site:** the site's expertise lies in the management of high-speed, low-noise electronic signals, used in both professional imaging and data conversion. The site focuses on the design and architecture of infrared cameras and camera modules from the visible spectrum to LWIR.
- Lancaster industrial site in Pennsylvania (United States):** this site is involved in design, manufacture and the power tube and travelling wave tube technologies, as well as the sale of imaging photosensor innovations. The products manufactured by this site are used by the US Department of Justice and the US Department of Energy. This site's products are also used by US federal, state and local agencies. A limited selection of its innovative night vision and digital technologies are also commercially available. The Lancaster site offers a variety of customised travelling wave tubes and microwave power modules for electronic warfare, signal jamming and satellite communications. Its power tube product lines provide the massive amounts of power and radio frequency amplification required for ballistic missile defense systems and for the world's most advanced communications networks.
- Leuven (Louvain) industrial site in Belgium** (incorporated into the Group following the acquisition of Xenics): this site designs and manufactures SWIR sensors, imagers, camera cores and infrared cameras for machine vision, scientific and advanced research, transport, process

monitoring, security and medical applications. This site produces a complete portfolio of line-scan and area-scan products for the SWIR and LWIR ranges.

- **Quebec City industrial site in Canada** (incorporated into the Group following the acquisition of Telops): this site designs and manufactures hyperspectral imaging systems and high-performance infrared cameras for applications in the defense, industrial and university research sectors. The Quebec City site also offers research and development services for the technological development of optical systems to meet the specific needs of its customers. It offers products with a wide range of different set-ups for various uses in experimental mechanics, combustion studies, remote gas sensing and other fields.
- **Rehovot industrial site in Israel** (incorporated into the Group following the acquisition of El-Mul): this site produces detection systems for OEMs in the fields of analytical SEM and STEM, focused ion beam, mass spectrometry, semiconductor metrology and electron beam inspection tools.
- **Roden industrial site in the Netherlands**: this site's main area of activity is the production of residual light intensifiers.
- **Sturbridge industrial site in Massachusetts (United States)**: this site produces components and ion detectors for mass spectrometry, intensifiers for industrial applications and special lenses. It offers products with a wide range of different set-ups to meet customer requirements in terms of volume and performance.

5.6.7 Sales organisation

The Group's sales organisation aims to establish close, direct relationships with customers (and, in some cases, end-users) in each sector. This sales network covers more than 50 countries worldwide, enabling acquisitions to benefit from a global sales network.

First, the Group relies on an internal sales force of almost 50 people, organised by product line and at times by geography. These teams focus on key customers in order to develop long-term relationships. They are responsible for calls for tender and sales meetings during tender processes and also cover on-site and off-site technical support. These teams enable the Group to develop its knowledge of the market and to establish close relationships with its customers to identify their future needs, and helping the Group to define its development strategy.

The Group also benefits from a large network of approximately 90 distributors worldwide. They focus on less homogeneous customer bases in the markets in which they operate, and on product portfolios that account for a smaller proportion of revenue than those addressed by in-house sales forces.

Finally, the Group uses a network of independent experts to establish relationships between the Group and potential customers.

5.7 Investments

5.7.1 Main investments made by the Group over the last three financial years

Over the last few years, external growth has actively contributed to the overall growth of the Group's activities. The Group intends to pursue its targeted and synergistic acquisitions policy in the future, with the view to consolidating its market positions, expanding further its product portfolio and increasing its organic growth potential.

During the period ended 31 December 2022, the Group, through its subsidiary Photonis Technologies, acquired all existing shares in Xenics, a Belgian company, the sole provider in Europe of SWIR image sensors, which enabled the Group to consolidate its position in the infrared imaging market. To finance this acquisition, which was worth €39.9 million, the Company supplemented its existing debt with additional debt of €40 million (comprising additional debt of €15 million under “A Bonds”, €6.4 million under its Senior Facility A1 and €8.6 million under its Senior Facility A2 debt, as well as a €10 million credit facility drawn down to finance acquisitions), which it then lent to Photonis Technologies. The acquisition of Xenics did not have any impact on the Group’s results for the period ended 31 December 2022 because, given the date of its acquisition by the Group, no cash flow in respect of that financial year was recognised in the Group’s income statement for that financial year.

For the fiscal year ended 31 December 2023, the Group recorded a return on capital employed (ROCE)²⁶ of 23%.

During the fiscal year ended 31 December 2023, the Group made the following acquisitions, for a total amount (excluding net cash acquired and acquisition costs disbursed) of €69.9 million:

- In June 2023, the Group bought all existing shares in Proxivision, a German company specialising in the development and manufacture of ultraviolet image intensifier tubes for defense applications, semiconductor inspection and high-voltage power line maintenance. This enabled it to strengthen its offering in ultraviolet technologies and its production capacity.
- In July 2023, the Group bought all existing shares in El-Mul, an Israeli company specialising in the supply of advanced, high-performance particle detectors for electron microscopy and mass spectrometry. This enabled it to continue its diversification, strengthen its access to the electron microscopy and semiconductor inspection markets and round out its range of services.
- In October 2023, the Group bought all existing shares in Telops, a Canadian company specialising in the design and manufacture of hyperspectral imaging systems and high-performance infrared cameras. This enabled it to strengthen its offering in ultraviolet technologies and its production capacity.

In addition to acquisitions, the Group is making significant investments in its industrial facilities (capital expenditure (capex)) and, in the other hand, in research and development (Research and Development expenditure) with the aim of increasing production capacity in line with demand and maintaining a reliable industrial base to ensure uninterrupted supplies to its customers. It is also investing in research and development to offer state-of-the-art products that meet customers’ expectations in terms of quality, reliability and safety, for use in sectors with high performance requirements.

The Group’s capital expenditure represents purchases of property, plant and equipment and intangible assets needed to (i) increase production capacity by expanding existing industrial facilities (growth capital expenditure), including the acquisition of new machines, the expansion of existing production sites or the introduction of new technologies (artificial intelligence, new processes) (thanks to the investments made over the period 2021–2023, for example, the Group has been able to increase its production capacity for Light Amplification components by 50% since 2020) or (ii) maintain and repair existing industrial facilities (capital expenditure to maintain industrial facilities and support functions). The acquisition of securities is excluded. It corresponds to purchases of intangible assets and property, plant and equipment, less capitalised Research and Development costs. The Group’s total capital expenditure (excluding acquisitions) for the fiscal year ended 31 December 2023, the 12-month period ended 31 December 2022 and the fiscal year ended 31 December 2021 was €23.7 million, €15.1 million

²⁶ Return on capital employed (ROCE) is calculated using the following formula: Adjusted EBIT / [total assets - purchase price allocation of Photonis International following the acquisition of the Group by HLD Europe in 2021 - goodwill relating to Photonis International - cash and cash equivalents - current liabilities excluding short-term financial debt].

and €10.4 million, respectively. This capital expenditure can be broken down into growth investments and investments to maintain industrial facilities and support services, as shown in the table below:

<i>In € millions</i>	Fiscal year ended 31 December 2023	12-month period ended 31 December 2022	Fiscal year ended 31 December 2021
Growth investments	17.4 <i>(73.4% of total investments expenditure)</i>	9.3 <i>(61.6% of total investments expenditure)</i>	6.2 <i>(59.6% of total investments expenditure)</i>
Investments to maintain industrial facilities and support services	6.3 <i>(26.6% of total investments expenditure)</i>	5.8 <i>(38.4% of total investments expenditure)</i>	4.2 <i>(40.4% of total investments expenditure)</i>
Total capital expenditure	23.7	15.1	10.4
<i>As % of revenue</i>	8.1%	7.5%	6.3%

The Group's research and development costs (net of subsidies and research tax credits) for the fiscal year ended 31 December 2023, the 12-month period ended 31 December 2022 and the fiscal year ended 31 December 2021 were €16.3 million (of which €8.6 million capitalised), €11.0 million (of which €7.5 million capitalised) and €7.7 million (of which €6.3 million capitalised), respectively.

5.7.2 Main investments currently in progress/future investments

The Group has signed a contract to acquire a European player in the Nuclear market for €23.6 million. This player is specialised mainly in the design and production of nuclear instrumentation components such as neutron detectors, Geiger Muller tubes, as well as silicon photodiodes, used primarily for light detection or X-ray detection. This player's market share in the Nuclear market is estimated at around 19%. This player generated revenue of approximately €12.7 million and adjusted EBITDA of approximately €2.7 million (giving an adjusted EBITDA margin of 21.2%)²⁷ for the period ended 4 January 2024.

Actual completion of the takeover, scheduled for the third quarter of 2024, remains subject to a number of contingent conditions, not least securing the requisite regulatory approvals.

5.8 Group CSR policy

The Group is determined to apply an ambitious CSR policy to all its activities, fully integrating the social and environmental requirements that address the challenges posed by today's economy and social concerns into its strategy.

To this end, the Group has developed a CSR policy involving its employees as well as its customers, investors, suppliers and, more generally, all other Group stakeholders. The Group has identified, assessed and prioritised the most significant CSR impacts and developed a dual materiality matrix in line with the ambitions of the European Corporate Sustainability Reporting Directive (CSRD). This matrix forms the basis of the Group's CSR strategy by highlighting the importance of issues both for the Group's economic, social and environmental ecosystem and for the Group's own performance.

²⁷ Unaudited data, in compliance with local accounting standards (UK GAAP).

The Group's CSR strategy is based on four pillars: environmental protection, relationships with partners, employee well-being and corporate governance.

(i) Strengthening environmental responsibility

The Group is committed to reducing its greenhouse gas emissions based on the SBTi's recognised methodology, aiming to cut Scope 1 and 2 emissions by 42% by 2030 and achieve net zero emissions by 2040 in respect of these scopes. The Group intends to set targets for reducing its Scope 3 emissions by 2030 and is in the process of defining these targets together with associated action plans for all scopes. The Group is firmly committed to having a positive impact on the environment and on its own production and plans to integrate an eco-design approach into the development of its products while optimising water and electricity consumption. It aims to introduce eco-design criteria for all its new products by 2027.

The Group's environmental initiatives have already enabled it to achieve ambitious targets. For example, the Group uses 100% renewable energy at its sites in France and the Netherlands, has reduced waste at its subsidiary Photonis France by 5% and reduced water consumption at its subsidiary Photonis Netherlands by 17% between 2022 and 2023.

(ii) Achieving CSR impact with partners

The Group's ambition is to develop strong CSR commitments from its supply chain to its customers. To this end, it aims to align its practices with the CSR framework established by Ecovadis and, through this methodology, which complies with international standards, to be awarded Gold Medal status by the end of 2025. Aware of the CSR challenges involved in the entire value chain, the Group also intends to have an impact on its strategic supplier CSR initiatives. By 2027, the Group aims to have 80% of its strategic suppliers²⁸ committed to using a CSR approach. Furthermore, in order to encourage internal progress by the Group regarding the issue, variable remuneration awarded to executive directors will include ESG targets (see Section 13.2.2 "*Remuneration of the Company's Chief Executive Officer as from the admission of the Company's shares to trading on the Euronext Paris regulated market*" of this registration document)).

(iii) Taking care of individuals

The Group places the health and safety of its employees at the heart of its efforts to reduce the number and intensity of accidents across the Group over the long term. The Group also intends to train 80% of its managers in psychosocial risk management by 2025. Given its strong belief in the importance of taking concrete action to promote gender equality, the Group is keen to raise the profile of the initiatives implemented at its sites, and has set itself the target of including at least 30% women on its Executive Committee by 2026. Lastly, the Group aims to have an employee commitment rate of 70% by 2027.

(iv) Being uncompromising on ethics and compliance

Conducting its business in a transparent and secure manner in line with all applicable laws and regulations is an absolute priority for the Group. The Group is therefore particularly vigilant in dealing with any new threat (cyberattacks, corruption, conflicts over minerals, whistleblowing) so as to prevent any potential inconsistency or conflict with its core values. It aims to ensure that all its partners²⁹ comply with its ethical charter by 2025. Internally, the Group aims to ensure that all new employees receive

²⁸ A strategic supplier is defined here as a supplier with an annual business volume in excess of €100,000 (or the equivalent in dollars) or a sole supplier.

²⁹ Partners are defined here as suppliers (suppliers with an annual turnover of over €100,000 (or its equivalent in dollars) or sole suppliers), agents or distributors.

training in anti-corruption measures by 2025. As part of our cybersecurity policy, phishing tests are regularly carried out on each site.

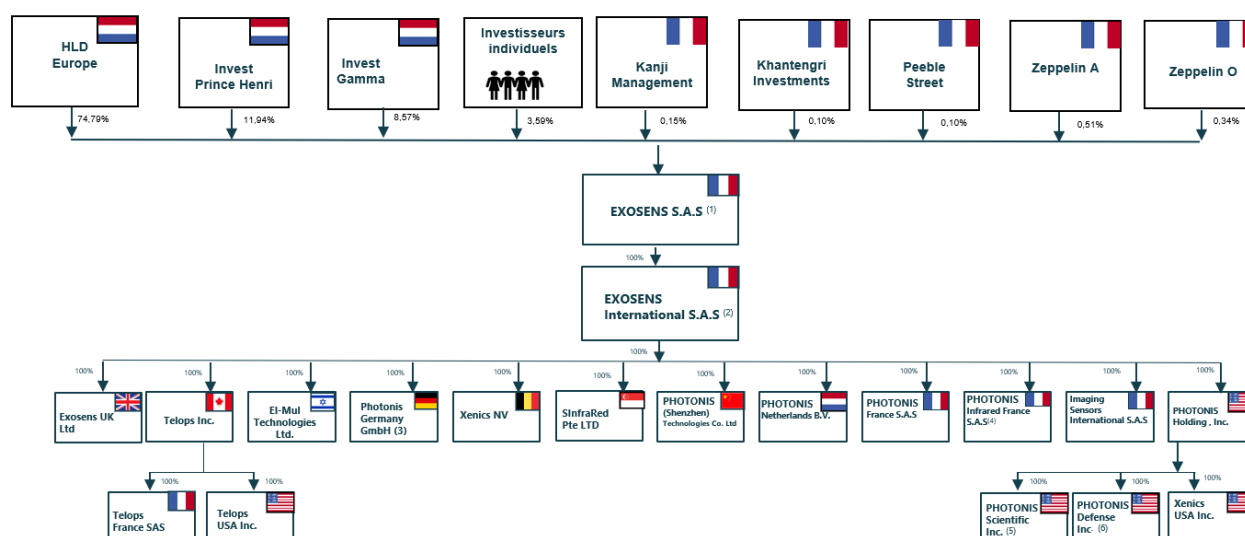
These ambitions, which are in line with the UN’s 17 Sustainable Development Goals, formalise and extend the social and environmental initiatives already underway at the Group’s sites. Of the Group’s 10 sites, all are ISO 9001 certified and two are ISO 14001 certified³⁰. A third site is in the process of obtaining certification. The Group is constantly striving to reduce the use of chemicals that contribute to greenhouse gas emissions in its production processes, or to find less dangerous alternatives to the use of carcinogenic, mutagenic or reprotoxic (CMR) substances. The gender pay gap and employee commitment are also constantly monitored. Other initiatives on environmental risk assessment, waste management and accident reduction are already being rolled out in France, the Netherlands and Belgium.

6. ORGANISATION CHART AND INTRA-GROUP RELATIONS

6.1 Group legal organisation chart

6.1.1 Simplified organisation chart of the Group at the date of this registration document

The simplified organisation chart below shows the legal organisation of the Group and its main subsidiaries as at the date of this registration document, before taking into account the reorganisation that will be implemented in connection with the proposed admission of the Company’s shares to trading on the Euronext Paris regulated market as described in Section 6.1.2 of this registration document (the “Reorganisation”).



(1) Formerly PHOTONIS Group S.A.S.

(2) Formerly PHOTONIS International S.A.S.

(3) Formerly PROXIVISION GmbH.

(4) Formerly Device-Alab S.A.S.

(5) Formerly PHOTONIS USA, Inc.

(6) Formerly PHOTONIS USA Pennsylvania, Inc.

³⁰ Standard specifying environmental management requirements.

At the date of this registration document, the Company is a simplified joint stock company (*société par actions simplifiée*) under French law.

A General Meeting of shareholders will be held no later than the date of approval by the French *Autorité des marchés financiers* of the prospectus relating to the admission to trading of the Company's shares on the Euronext Paris regulated market, in order to decide on the conversion of the Company into a public limited company (*société anonyme*) and to adapt its Articles of Association accordingly, with effect no later than the date of approval of the prospectus by the French *Autorité des marchés financiers*.

6.1.2 Description of the reorganisation

6.1.2.1 Merger of Zeppelin A and Zeppelin O into the Company

On the occasion of the IPO, the Company intends to allow the shareholders of Zeppelin A and Zeppelin O³¹ to become direct shareholders of the Company. To this end, it is planned that Zeppelin A and Zeppelin O will be merged with the Company. Each of these mergers will be subject to the approval of a general meeting of shareholders of each of the companies involved in the mergers, to be held no later than the date of approval of the prospectus by the French *Autorité des marchés financiers*; each of the mergers will then take effect on the date of settlement-delivery of the shares offered in connection with the IPO.

The merger parity will be determined on the basis of the real value of each of the companies involved in the mergers concerned, this value itself being established by reference, on the one hand, to the IPO price and, on the other hand, to the financial rights of the categories of securities (ordinary shares and/or preferred shares) held by Zeppelin A and Zeppelin O. The value of the Company shares issued as part of each merger will be equal to the IPO price.

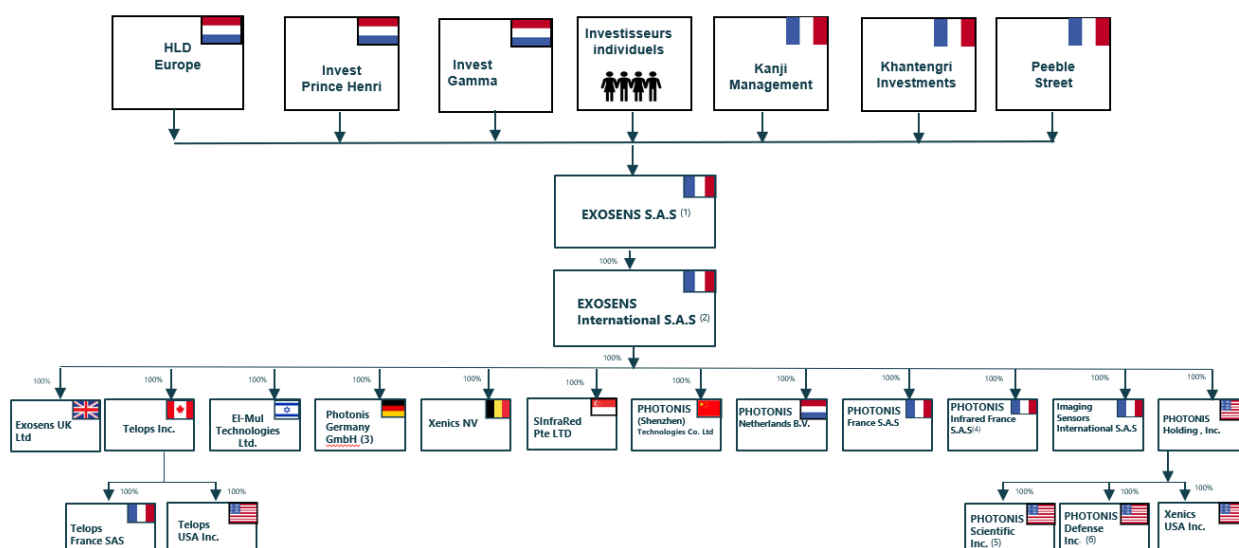
On completion of these mergers, the current shareholders of Zeppelin A and Zeppelin O will become direct shareholders of the Company. The shares in the Company held by Zeppelin A and Zeppelin O received by the Company in connection with each of the mergers will be cancelled.

6.1.2.2 Conversion of the remaining preferred shares into ordinary shares of the Company

Prior to the settlement-delivery of the Company's shares in connection with their admission to trading on the Euronext Paris regulated market, all the remaining preferred shares issued by the Company (see Section 19.1.1 "*Subscribed share capital and authorised but unissued share capital*" of this registration document) will be converted into new ordinary shares. The conversion parity will be determined by reference, on the one hand, to the IPO price and, on the other hand, to the market value of the preferred shares converted, itself determined on the basis of the financial rights attached thereto.

6.1.3 Simplified organisation chart of the Group after taking account of reorganisation operations

³¹ Companies grouping together the investment of certain employees of the Group in the Company.



⁽¹⁾ Formerly PHOTONIS Group S.A.S.

⁽²⁾ Formerly PHOTONIS International S.A.S.

⁽³⁾ Formerly PROXIVISION GmbH.

⁽⁴⁾ Formerly Device-Alab S.A.S.

⁽⁵⁾ Formerly PHOTONIS USA, Inc.

⁽⁶⁾ Formerly PHOTONIS USA Pennsylvania, Inc.

6.2 Subsidiaries and affiliates

6.2.1 Main subsidiaries

The main direct or indirect subsidiaries of the Company at 31 December 2023 are described below:

- **Exosens International SAS** is a simplified joint stock company under French law, with share capital of €386,628,523, having its registered office at Domaine de Pelus, 18 Avenue de Pythagore, Axis Business Park Bat 5^e, 33700 Mérignac, France, and registered under number 534 190 913 in the Bordeaux Trade and Companies Register.
- **Photonis France** is a simplified joint stock company under French law, with a share capital of €10,000,000, having its registered office at Avenue Roger Roncier, 19100 Brive, France, and registered under number 383 300 597 in the Brive Trade and Companies Register.
- **Photonis Netherlands** is a company incorporated under Dutch law, with share capital of €52,377,546, having its registered office in Roden, the Netherlands, and registered under number 820734883 in the Roden Trade and Companies Register.
- **Photonis Defense Inc.** is a US corporation with share capital of USD 130,205,316, having its registered office at 1000 New Holland Avenue, Lancaster, Pennsylvania, and registered under number 976175 in the State of Pennsylvania.
- **Photonis Scientific Inc.** is a US corporation with share capital of USD 8,813,497, having its registered office at 660 Main Street, Sturbridge Park, Sturbridge, Massachusetts, and registered under number 3031581 in the State of Delaware.

The internal rules of procedure of the Board of Directors, which will be adopted with effect from the date of settlement-delivery of the Company's shares in connection with their admission to trading on the regulated market of Euronext Paris, stipulate that a certain number of important decisions relating to the Group's subsidiaries must be authorised in advance by the Company's Board of Directors, acting by a two-thirds majority of its members present or represented (see also Section 19.2.2 "*Stipulations in the Articles of Association relating to administrative and management bodies – Corporate policies and procedures of the Board of Directors*" of this registration document).

6.2.2 Recent acquisitions and disposals

The Group's recent acquisitions and disposals are described in Section 7.2.2 "*External growth transactions*" of this registration document. The Group is also finalising the acquisition of a European player in the Nuclear market (see Section 5.7.2 "*Main investments currently in progress/future investments*" of this registration document).

7. REVIEW OF THE GROUP'S FINANCIAL POSITION AND RESULTS

Readers should read the following information on the Group's results in conjunction with the Group's consolidated financial statements for the periods ended 31 December 2023 and 31 December 2022³², the consolidated financial statements of Exosens International³³ for the fiscal year ended 31 December 2021, as set out in Chapter 18 "*Financial information relating to the assets, financial position and results of the Company*" of this registration document and the *pro forma* financial information of the Group for the fiscal year ended 31 December 2023, as set out in Section 18.3.1 "*2023 pro forma financial information*" of this registration document. The *pro forma* financial information has been prepared for illustrative purposes only and is included in this registration document to describe a hypothetical situation. See the Section "*General remarks*" of this registration document.

The consolidated financial statements of the Group for the fiscal year ended 31 December 2023 and 31 December 2022 and the consolidated financial statements of Exosens International for the financial year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The Statutory Auditors' audit reports on the consolidated financial statements are included in Sections 18.1.2 and 18.1.3 of this registration document. The Group's *pro forma* financial information for the fiscal year ended 31 December 2023 is presented in accordance with Annex 20 of Commission Delegated Regulation (EU) No 2019/980 supplementing Regulation (EU) No 2017/1129. The *pro forma* financial information applies the recommendations issued by ESMA (ESMA 32-382-1138 of 4 March 2021) and the provisions of AMF Position-Recommendation no. 2021-02 on *pro forma* financial information issued on 8 January 2021 and amended on 28 July 2023. The Statutory Auditors' report on the *pro forma* information is set out in Section 18.3.2 of this registration document.

The alternative performance indicators described in Chapters 7 "*Review of the Group's financial position and results*" and 8 "*Cash and shareholders' equity*" of this registration document, where applicable on a restated basis, may not be comparable to similarly titled indicators used by other companies.

Unless otherwise stated, the financial information presented and discussed in this Chapter 7 "*Review of the Group's financial position and results*" is extracted from the Group's consolidated financial statements for the periods ended 31 December 2023 and 31 December 2022, from the consolidated financial statements of Exosens International for the fiscal year ended 31 December 2021 and from the Group's *pro forma* financial information for the fiscal year ended 31 December 2023.

7.1 Overview

The Group is a technology platform providing a broad portfolio of detectors and imaging solutions, such as image intensifier tubes, digital cameras in different wavelengths, ion, electron, neutron and gamma ray detectors as well as power and travelling wave tubes, providing tailor-made solutions to meet the needs of end-users facing complex problems in demanding environments in the fields of defense and surveillance, life sciences, nuclear energy and industrial control.

The Group is the leader in the Light Amplification market (outside the United States) and one of the leaders in the Detection and Imaging markets it serves.

³² The Company's financial year for the period ending 31 December 2022 spans 22 months, commencing on 16 March 2021, the date on which the Company was founded. On 22 July 2021, as part of the acquisition of the Group by HLD, the Company acquired all shares of Exosens International (formerly known as Photonis International). For the purposes of comparability, this registration document also presents interim information for the 12-month period from 1 January 2022 to 31 December 2022 and for the 10-month period from 16 March 2021 to 31 December 2021, in order to make it easier for readers to compare the financial information presented. The term "Group" used in this section refers, for the financial year ended 31 December 2021, to Exosens International and its direct and indirect subsidiaries and affiliates.

³³ Exosens International (formerly known as Photonis International) was the Group's parent company until July 2021, when the Group was acquired by HLD.

The Group's activities are organised into two segments (which also correspond to the segmentation used by the Group for reporting purposes):

- (i) Amplification, which accounted for 72% (66% on a *pro forma* basis) of the Group's revenue for the fiscal year ended 31 December 2023, comprising systems that use the amplification of electrons or electromagnetic waves to produce an image or power source. The majority of Amplification revenue is derived from the sale of components and modules for integration into instruments and systems used by end-users in the defense sector (mainly armed forces and homeland security services);
- (ii) Detection and Imaging, which accounted for 28% (34% on a *pro forma* basis) of the Group's revenue for the fiscal year ended 31 December 2023, comprising systems for detecting a signal (whether optical or electronic) or forming an image in different wavelength bands of the optical spectrum. The vast majority of revenue is derived from the sale of high value-added components and modules for integration into instruments and systems for end-users in commercial markets such as nuclear power generation; research laboratories; the oil and gas industry; the food, life sciences, semiconductor, electronics and recycling industries; and the aerospace sector.

As the Company started to follow segment reporting for the fourth quarter of 2023 and does not have segment information for the fiscal year ended 31 December 2021, the consolidated financial statements for the fiscal year ended 31 December 2021 do not present segment information under IFRS 8. However, certain segmental figures have been prepared by the Company (see note 18 to the Group financial statements for the fiscal year ended 31 December 2021).

For the fiscal year ended 31 December 2023, the 12-month period ended 31 December 2022 and the fiscal year ended 31 December 2021, the Group recorded consolidated revenue amounting to €291.8 million, €200.8 million and €166.2 million, respectively; an adjusted gross margin, as defined in Section 7.4 "*Key performance indicators of this registration document*", amounting to €131.1 million, €79.2 million and €65.4 million, respectively; an adjusted EBITDA, as defined in Section 7.4 "*Key performance indicators of this registration document*", amounting to €86.0 million, €55.6 million and €47.5 million, respectively; and an adjusted EBIT, as defined in Section 7.4 "*Key performance indicators of this registration document*", of €66.1 million, €42.5 million and €35.5 million, respectively. On a *pro forma* basis, revenue, and adjusted EBITDA were €318.8 million and €92.2 million respectively for the fiscal year ended 31 December 2023.

For the year ended 31 December 2023 and the 12-month period ended 31 December 2022, the breakdown of Group revenue by geographical area was as follows: 68% and 71% in Europe, of which 8% and 9% in France; 14% and 17% in North America; 18% and 11% in Asia; and 0% and 1% in Oceania.

7.2 Main factors affecting the results

Certain key factors, including those set out below, as well as certain past events, have had, and may continue to have, an impact on the Group's business and operating profit. The risk factors likely to affect the Group's business are described in Chapter 3 of this registration document. The main factors affecting the Group's results include: (i) changes in the markets in which the Group operates; (ii) external growth operations; (iii) investments and research and development costs; (iv) optimisation of the Group's costs; (v) changes in the cost of raw materials and components; (vi) changes in the cost of financial debt; (vii) the seasonal nature of the business; and (viii) exchange rate fluctuations.

7.2.1 Developments in the markets in which the Group operates

The Group's activities and results are influenced by trends in the Amplification and Detection & Imaging markets, as well as by macroeconomic conditions in general.

The Group's Amplification activities are mainly linked to the defense sector (the majority of the Group's products are sold to OEMs, which then integrate them into their own systems and equipment and sell their products to end-users, who are often government bodies) and are therefore particularly dependent on the level of defense-related expenditure by different governments and public authorities. Over the 2020-2023 period, the defense market has been **particularly** positively impacted by the general increase in defense budgets, linked to changes in the geopolitical context over the period, **in particular** the war between Russia and Ukraine and the increase in geopolitical tensions between China and Taiwan and, more generally, in the Asia-Pacific region. The current conflict between Israel and the terrorist organisation Hamas, and its current and potential repercussions in the region, is also a contributing factor in this context of growing and intensifying conflicts. These events have direct implications for the defense sector, with in particular a further increase in defense budgets anticipated in the long term, after a cycle of under-investment, particularly (a) in Europe, where defense spending is expected to reach €0.5 trillion in 2027, compared with around €0.4 trillion in 2023 (driven in particular by an increase in spending in Germany, Poland, the United Kingdom and France); (b) in North America, with defense spending estimated at around €0.9 trillion in 2027 compared with around €0.8 trillion in 2023; or (c) in Asia-Pacific, with defense spending estimated at around €0.4 trillion in 2027 compared with around €0.3 trillion in 2023 (source: *Renaissance Strategic Advisors*). One of the consequences of these increasing defense budgets has been the growth in demand for defense equipment, particularly night vision equipment, which incorporates light amplification components manufactured and sold by the Group as part of its Amplification business. The war between Russia and Ukraine in particular has highlighted the need for armed forces to rapidly improve their night combat capabilities in the context of large-scale operations in symmetric, high-intensity warfare. The total addressable market for Amplification has risen from €0.9 billion in 2019 (source: *Renaissance Strategic Advisors*) to €1.2 billion in 2023 (source: *Renaissance Strategic Advisors; Verified Market Research*). This market growth has had a positive impact on the Group's Amplification business, with revenue increasing from €121.5 million for the fiscal year ended 31 December 2021 to €209.9 million for the fiscal year ended 31 December 2023, representing a CAGR of 31.4% over the same period.

In the commercial sector markets, the Group mainly sells Detection and Imaging products, and is therefore exposed to a number of fast-growing end markets, including pharmaceutical research and development and life sciences, certain manufacturing industries (semiconductors, electronics, agri-food, waste management), electric vehicle batteries and scientific research and development. The Group's Detection and Imaging activities are therefore exposed to a variety of market trends, and are not dependent on developments in a single sector or industry. The development of its markets has been driven by, and should continue to benefit from, four general underlying trends: rapidly growing underlying markets; increasing penetration of high-end equipment, used for existing and new applications; technological development; and the increasing outsourcing of the design and production of detection and imaging components by original equipment manufacturers (OEMs). The total addressable market for Detection and Imaging has grown from €1.0 billion in 2019 (source: *Company estimates*) to €1.9 billion in 2023 (source: *Roland Berger*). These trends have had a favourable impact on the Group's Detection and Imaging business, with revenue increasing from €43.5 million for the fiscal year ended 31 December 2021 to €82.5 million for the fiscal year ended 31 December 2023, representing a CAGR of 37.7% over the same period. Changes in market growth trends in the commercial sector in particular could have a significant impact on demand for the Group's Detection and Imaging products if the Group's customers and the end-users of the Group's products were to restrict the level of their investments, particularly in the context of an economic slowdown. This correlation with changes in the macro-economic environment is less direct and rapid for the Group's Amplification business, which is more dependent on changes in defense budgets.

7.2.2 External growth operations

Over the past few years, as part of its dynamic external growth policy, the Group has made a large number of targeted acquisitions that have contributed significantly to the growth of its business (see in particular Section 5.7 “*Investments*”), including the acquisition of Xenics at the end of 2022 and the acquisitions of ProxiVision, El-Mul and Telops in 2023.

In the future, the Group intends to continue its development through acquisitions targeted and synergistic acquisitions (sales acceleration with access to the Group’s global sales network, research and development, operational excellence) in order to consolidate its market positions, to further expand its product portfolio and to increase its organic growth potential.

In the period ended 31 December 2022, through its subsidiary Photonis Technologies, the Group acquired all the shares in Xenics, a Belgian company specialising in the design of SWIR image sensors, in December 2022 enabling the Group to consolidate its position in the infrared imaging market. To finance this acquisition, the purchase price of which was €39.9 million, the Company supplemented its existing debt with additional debt of €40 million (including additional debt of €15 million in A Bonds, €6.4 million in Senior debt – Facility A1 and €8.6 million in Senior debt – Facility A2, as well as the drawdown of a €10 million credit facility for the purpose of financing acquisitions).

During the fiscal year ended 31 December 2023, the Group made the following acquisitions, for a total amount (excluding net cash acquired and acquisition costs disbursed) of €69.9 million:

- In October 2023, the acquisition, for €39.1 million (excluding net cash acquired of €0.5 million and acquisition costs disbursed of €1.6 million) of all the securities in Telops, a Canadian company specialising in the design and manufacture of hyperspectral imaging systems and high-performance infrared cameras, enabling the Group to strengthen its offering in ultra-violet technologies and its production capacities. The acquisition of Telops was financed through debt, with the drawdown of a Senior Debt – Acquisition Facility permitted under the Senior Credit Facilities Agreement (see Section 8.2.2.1 of this registration document) and the issue of Additional Bonds (see Section 8.2.2.2 of this registration document), which were also used to finance the acquisition of El-Mul (see below).
- In July 2023, the acquisition for €24.0 million (excluding net cash acquired of €1.0 million and acquisition costs disbursed of €0.6 million) of all existing securities in El-Mul, an Israeli company specialising in the supply of advanced, high-performance particle detectors for electron microscopy and mass spectrometry, enabled the Group to continue its diversification, strengthen its access to the electron microscopy and semiconductor inspection markets and round out its range of services. The acquisition of El-Mul was financed through borrowing, with the drawdown of a Senior Debt – Acquisition Facility permitted under the Senior Credit Facilities Agreement (see Section 8.2.2.1) and the issue of Additional Bonds (see Section 8.2.2.2 of this registration document), which were also used to finance the acquisition of Telops (see above).
- In June 2023, the acquisition for €6.8 million (excluding net cash acquired of €(0.7) million and acquisition costs disbursed of €0.3 million) of all the securities in ProxiVision, a German company specialising in the development and manufacture of ultra-violet image intensifier tubes for applications such as missile launch detectors, semiconductor inspection and high-voltage power line maintenance, enabling the Group to strengthen its offering in ultra-violet technologies and its production capacity. The acquisition of ProxiVision was financed out of the company’s available cash.

Acquisitions made by the Group can have, and have had, a significant impact on the growth of its revenue and adjusted gross margin (adjusted) for the financial year in which the acquisition takes place, with the revenue and gross margin (adjusted) generated by the newly acquired company being included

in the Group's results from the date of acquisition of the company and its inclusion in the Group's scope of consolidation. In addition, acquisitions can have, and have had, a positive or negative impact on the Group's margin rate, depending on whether the businesses acquired are more or less profitable than the Group was before the acquisition.

The acquisition of Xenics did not have any impact on the Group's results for the period ended 31 December 2022 since, given the date of its acquisition by the Group, no cash flow in respect of that year was recognised in the Group's income statement for the financial year. For the period ended 31 December 2022, Xenics' revenue, adjusted EBITDA and net profit would have been €17.0 million, €3.0 million and €1.3 million respectively (unaudited figures). In addition, Xenics would have had a negative impact on the Group's adjusted EBITDA margin of -0.8% for the 12-month period ended 31 December 2022 (unaudited data), resulting in a Group adjusted EBITDA margin after taking this impact into account of 26.9% (unaudited data). The acquisitions of ProxiVision, El-Mul and Telops had a significant impact on the Group's results for the fiscal year ended 31 December 2023, contributing 8.2% to the Group's revenue growth for that year (compared to total revenue growth of 45.4% for the financial year).

The acquisitions of ProxiVision, El-Mul and Telops had a significant impact on the Group's results for the fiscal year ended 31 December 2023, contributing 8.2% to the Group's revenue growth for that year (compared to total revenue growth of 45.4% for the financial year). These acquisitions also had a dilutive impact on the adjusted EBITDA margin of -1.3% for the year ended 31 December 2023 (on a *pro forma* basis) (offset, however, by an improvement in the *pro forma* adjusted EBITDA margin of 3.4% (compared with an adjusted EBITDA margin for the 12-month period ended 31 December 2022 of 26.9% (unaudited data), taking into account the -0.8% negative impact of the Xenics acquisition), due in particular to price increases and an improved product mix, as well as economies of scale made possible by higher volumes.

In total, the cumulative revenue generated by the acquisitions made by the Group in 2022 and 2023 and the acquisition being finalised amount to more than €70 million (unaudited figures³⁴). The adjusted EBITDA margin of the companies acquired by the Group since 2022 (including the acquisition, currently being finalised, of a European player in the Nuclear market), prior to their integration, averaged around 20% in the year prior to the respective acquisitions (measured on the basis of accounts prepared under local accounting standards).

In addition, when acquisitions are financed wholly or partly by additional debt, these additional debts increase the Group's financing costs and consequently have an impact on the Group's net profit (see Section 7.2.6 "*Changes in and cost of financial debt*"). Acquisitions made by the Group may also give rise to the recognition of goodwill, which may be subject to impairment (see note 16 to the Group's financial statements for the financial years ended 31 December 2023 and 2022).

7.2.3 Investments and research and development costs

In order to meet customer demand as effectively as possible, the Group is making significant investments in its industrial facilities in order to increase production capacity in line with demand and maintain a reliable industrial base to ensure uninterrupted supplies to its customers. It is also investing in research and development, in order to offer state-of-the-art products that meet customer expectations in terms of quality, reliability and safety, for use in highly demanding sectors.

The Group's capital expenditure ("*Capex*") represents purchases of property, plant and equipment and intangible assets needed to (i) increase production capacity by expanding existing industrial facilities

³⁴ Revenue generated by Xenics, ProxiVision, El-Mul and Telops in 2023 and revenue generated in 2022 by the European player in the Nuclear market (unaudited data and in local accounting standards), whose acquisition is being finalised (see Section 5.7.2 of this registration document).

(growth capital expenditure), including the acquisition of new machines, the expansion of existing production sites or the introduction of new technologies (artificial intelligence, new processes) (thanks to the investments made over the period 2021–2023, for example, the Group has been able to increase its production capacity for Light Amplification components by 50% since 2020) or (ii) maintain and repair existing industrial facilities (capital expenditure to maintain industrial facilities and support functions). The acquisition of securities is excluded. It corresponds to purchases of intangible assets and property, plant and equipment, less capitalised Research and Development costs.

The Group's total investments for the fiscal year ended 31 December 2023, the 12-month period ended 31 December 2022 and the fiscal year ended 31 December 2021 amounted to €23.7 million (of which €17.4 million in growth capital expenditure and €6.3 million in capital expenditure to maintain production facilities and support functions), €15.1 million (including €9.3 million in growth investments and €5.8 million in investments to maintain industrial facilities and support functions) and €10.4 million (including €6.2 million in growth investments and €4.2 million in investments to maintain industrial facilities and support functions), respectively. Historically, the Group's capital expenditure consisted mainly of investments to maintain its industrial facilities and support functions. Since 2021, the Group has significantly increased the proportion of growth capital expenditure, raising capital expenditure to 8.1% of revenue for the fiscal year ended 31 December 2023, in order to meet the significant increase in demand particularly in the Amplification business, which has seen a 73% increase in revenue between 2021 and 2023. The Group intends to reduce the level of capital expenditure to around 6% of revenue by 2024 and then to a normative level in the region of less than 5% in the medium term.

The Group's research and development costs mainly comprise the costs incurred by the Group as part of its applied research activities, as well as costs incurred in setting up partnerships (e.g., academic partnerships) or developing new products. Research and development costs mainly comprise staff costs in relation to employees assigned to these activities, as well as purchases and external charges, related in particular to the production costs of prototypes developed by the Group. These costs are recognised as an expense as incurred or, provided certain criteria are met, are capitalised as intangible assets and are subsequently amortised over their estimated useful lives. A portion of these costs may be financed by subsidies from public authorities or research tax credits.

The Group's Research and Development costs (net of subsidies and research tax credits) for the fiscal year ended 31 December 2023, the 12-month period ended 31 December 2022 and the fiscal year ended 31 December 2021 were €16.3 million (of which €8.6 million capitalised), €11.0 million (of which €7.5 million capitalised) and €7.7 million (of which €6.3 million capitalised), respectively. The Group's target is to maintain research and development costs at around 6% of turnover.

The Group's capital expenditure and research and development costs therefore have a significant impact on the Group's costs and may affect its profitability for some time, insofar as the projects for which these costs have been incurred generally do not immediately generate the expected additional turnover.

7.2.4 Optimising Group costs

For the fiscal year ended 31 December 2023, approximately 70% of the Group's costs comprise production costs, including the cost of sales (primarily the cost of raw materials and components), which are mainly variable, and manufacturing costs (mainly including the cost of energy, labour costs directly related to production sites, transport, maintenance and quality control costs, including related staff costs, as well as depreciation and amortisation costs), which are mainly fixed. Around 30% of the Group's costs also include general and administrative expenses, which are mainly fixed (primarily comprising the costs of support functions such as human resources, finance and IT systems, consisting mainly of staff costs), sales and marketing expenses, two-thirds of which are fixed (primarily comprising advertising and distribution costs), and other costs, which are mainly fixed.

The table below sets out the Group's cost structure by type for the fiscal year ended 31 December 2023:

<i>In € millions</i>	Fiscal year ended 31 December 2023	Type	As a percentage of the total cost base after gross margin
Revenue	291.8	-	
Cost for goods and consumables (including in particular payroll expense costs)	(160.8)	Variable/fixed	
Gross margin	131.1	-	
Fixed general and administrative expenses	(24.6)	Fixed	36%
Fixed payroll expense	(16.3)	Fixed	24%
Variable general and administrative expenses	(6.0)	Variable	9%
Distribution and selling costs	(5.8)	Variable	9%
Profit sharing	(5.6)	Variable	8%
Other expenses	(6.4)	Variable	10%
Variable payroll expense	(2.6)	Variable	4%
Total cost base after gross margin	(67.4)	-	
Total cost base³⁵	(228.2)	-	

For the fiscal year ended 31 December 2023, 62% of the Group's total cost base and around 40% of the total cost base after gross margin was variable.

Among the Group's costs, its employee benefits expense has seen a significant increase in recent years (30.5% increase in the fiscal year ended 31 December 2023 and 10.9% increase in the 12-month period ended 31 December 2022), as the Group has made a significant number of new hires, in order to cope with the increase in demand and volumes to be produced. In addition, to meet the urgent need for manpower owing to strong growth in its business, while retaining the flexibility required to limit the proportion of its fixed costs, the Group has made significant use of temporary staff over the last two financial years, with a sharp increase in temporary staff employee benefits expense of €8.0 million in the 12-month period ended 31 December 2022 and €17.6 million in the fiscal year ended 31 December 2023.

The Group is seeking to reduce the proportion of its fixed costs by implementing measures to improve its cost structure, in particular by setting up integrated management of its production in order to benefit, depending on the products and contracts, from the most favourable production, subcontracting and transport costs possible, and to benefit from a degree of flexibility in its production process. In addition, the Group regularly analyses its industrial facilities to ensure that they are well adapted to the competitive demands of its customers and ensures that stock levels are optimised in line with customer demand and production capacity. Moreover, the Group regularly invests in its industrial equipment to improve operating efficiency and ensures that best practice is shared between its production sites. Finally, the Group is implementing cost-cutting initiatives and measures to improve its operating leverage.

7.2.5 Changes in the cost of raw materials and components

The Group's activities consume raw materials and components such as certain exotic metals (gallium, for example), glass and optical materials (fibre blocks in particular). In total, the Group's purchases of

³⁵ The total cost base comprises all profit/expenses between revenue and EBIT, excluding amortisation expenses for the purchase price allocation, the "other income and expenses" and other expenses that the Group considers non-recurring.

raw materials and components accounted for 21%, 23% and 13% of the Group's consolidated revenue for the fiscal year ended 31 December 2023, the 12-month period ended 31 December 2022 and the fiscal year ended 31 December 2021.

The Group's activities also consume energy, particularly electricity and gas. Historically, the Group's energy costs have stood at approximately 1.8% of Group revenue, with an exceptional peak of over 3% in 2022, when energy costs rose sharply due to the Russian-Ukrainian war. The price of gas and electricity used at the Group's industrial sites varies according to events beyond its control. Although the Group has not set up financial instruments to hedge against fluctuations in energy prices, it seeks to limit its exposure to such fluctuations by negotiating predetermined prices directly with its energy suppliers. All energy supplies for 2024 for the Brive site (which accounts for almost half of the Group's energy consumption) and half of the Brive site's energy supplies for 2025 were negotiated by the Group on the basis of prices determined in advance when the contract was signed.

Changes in the price of raw materials, components and energy used by the Group therefore have an impact on the cost of products sold by the Group.

The Group buys supplies from its suppliers on an order basis or through supply contracts for periods generally ranging from 12 to 36 months, for which the purchase prices are fixed for the duration of the contract.

The Group concludes its commercial contracts with its customers after an initial call for tenders, at the end of which its technical and financial proposal is sent to the potential customer. After the call for tenders phase, qualification and selection phases are carried out by the customer to test the quality of the Group's products and its ability to deliver the required volumes. If these various phases (which can take a minimum of two years from the call for tenders to the signing of the contract) are successful, the supply contract is signed with the customer. Insofar as the final price of the product indicated by the Group at the time of the call for tenders commits it under the supply contract, the Group is thus exposed to the risk of an increase in the cost of raw materials and components required to manufacture the product between tendering phase and the execution of the supply contract, which could not be reflected in the agreed sales price.

The Group endeavours to include price review clauses in its commercial contracts that take into account, directly or indirectly, changes in the cost of raw materials. Most of the Group's commercial contracts (generally framework agreements, signed for a period of 2 to 5 years, with orders lasting 3 to 12 months, for the Amplification business; and orders with the application of the Group's general terms and conditions of sale, for periods of 6 to 24 months, for the Detection and Imaging business) do not, however, contain such clauses, and the application of increases in the Group's costs is therefore subject to commercial negotiation with customers when orders are placed or contracts renewed.

Over the last two years, as in most industrial sectors, the Group has seen a significant rise in energy costs, against a backdrop of inflation linked primarily to the consequences of the war between Russia and Ukraine. In the 12-month period ended 31 December 2022, this increase had a negative impact of -0.9% on the Group's adjusted EBITDA margin, as the Group was unable, due to the sudden and unexpected nature and scale of the increase, to reflect this increase in energy costs immediately and fully in its sales prices (although this was the case for the increase in raw material costs), thus contributing to the fall in adjusted EBITDA margin over this period from 28.6% for the fiscal year ended 31 December 2021 to 27.7% for the 12-month period ended 31 December 2022. However, in the fiscal year ended 31 December 2023, against a backdrop still overshadowed by inflation, the Group was able to absorb these increases in energy costs by reflecting them in its sales prices, which, combined with other factors improving profitability, enabled an increase in adjusted EBITDA margin of 174 basis points between the 12-month period ended 31 December 2022 and the fiscal year ended 31 December 2023.

7.2.6 Changes in and cost of financial debt

At 31 December 2023, 31 December 2022 and 31 December 2021, the Group's total gross financial debt amounted to €317.9 million, €253.4 million and €226.2 million, respectively, and its net debt amounted to €302.3 million, €221.4 million and €210.3 million, respectively. For the fiscal year ended 31 December 2023, the 12-month period ended 31 December 2022 and the fiscal year ended 31 December 2021, the cost of net debt was €26.9 million, €15.2 million and €37.6 million, respectively. The Group's intention is to refinance at the same time as its IPO (see Section 8.1 of this registration document).

At 31 December 2023, the Group's variable rate net debt outstanding before interest rate hedging amounted to €302.3 million. After hedging interest rate risk, the Group's variable rate net debt amounted to €92.3 million. The Group's ability to manage its exposure to interest rate fluctuations appropriately in the future or to continue to do so at a reasonable cost is likely to have an influence on its results (see Section 3.4.2 "*Interest rate risks*" of this registration document).

Interest expenses, particularly in a context of rising interest rates, can have a significant negative impact on the Group's net profit. In addition, interest charges and equipment repayments have an impact on the Group's cash position.

7.2.7 Seasonality

Group revenue is affected by the seasonal nature of the products sold to its customers. The level of orders is typically higher at the end of the year, particularly for Amplification products, most of which are linked to the defense sector, which has to meet budgetary constraints. The first quarter of the year generally sees the lowest order intake of the year. The sales recorded by the Group in the last quarter of the year are therefore significantly higher, and those recorded in the first quarter of the year are generally lower than in the other quarters, so cannot be extrapolated to the full financial year.

Income and expenses arising from ordinary activities that the Group receives or incurs on a seasonal, cyclical or occasional basis are recognised in accordance with the same rules as those used for the annual financial statements. They are neither anticipated nor deferred at the date of the quarterly statements. Expenses and income invoiced on an annual basis are taken into account on the basis of an annual estimate pro rata to the period elapsed. Finally, provisions for risks arising during the quarter are recorded in the financial statements for the period.

7.2.8 Exchange rate fluctuations

The Group's consolidated financial statements are presented in euros. However, in each of the countries in which it operates, the Group generally makes sales and incurs expenses in local currencies, such as the US dollar, the Canadian dollar, the shekel, the Singapore dollar or the yuan. As a result, these transactions must be converted into euros when preparing the financial statements. In the case of the income statement, this conversion is carried out by applying to transactions the average exchange rate for the period of each currency against the euro. For the balance sheet, this conversion is carried out using the exchange rates applicable at the balance sheet date. Fluctuations in exchange rates may therefore have an impact on the value in euros of the Group's revenue, expenses and results (see Section 3.4.1 of this registration document).

For the fiscal year ended 31 December 2023, 24% of the Group's sales were in currencies other than the euro (25% in financial year 2022 and 26% in financial year 2021), the majority of which were in US dollars (in their entirety in financial year 2022 and 2021). In addition, 100% of the financial debt was denominated in euros (in its entirety at the end of 2022 and 2021).

The Group is also exposed to exchange rate fluctuations on its transactions when one of its subsidiaries buys or sells in a currency other than the functional currency. However, the foreign exchange risk generated by commercial transactions is limited: most of the Group's Amplification sales are in euros, and the portion denominated in dollars is offset by purchases in dollars for an equivalent amount. In addition, almost all sales made by the US entities are denominated in US dollars (99% for the 12-month period ended 31 December 2022).

7.3 Main income statement items

The Group's main income statement items, which are used by management to analyse its consolidated net financial income, are described below:

Revenue

Group revenue includes all income from the sale of goods, services and license fees.

Sales of goods

Sales of goods correspond to sales of finished and semi-finished products. The Group recognises revenue in accordance with IFRS 15 – Revenue from Contracts with Customers. This standard requires each contract and the various performance obligations contained therein to be identified. Most of the Group's contracts generally include only one performance obligation, which must be met at a point in time.

Variable elements included in the sales price of the contract are only taken into account if they are highly probable. Finally, contractual amendments negotiated with customers are only included in the price when they become legally enforceable.

Revenue from contracts for the sale of standard products is recognised when control of the goods is transferred to the customer for an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has entered into revenue arrangements where it is the principal, as it has control over the goods before transferring them to the customer.

Income is recognised when control of the asset is transferred to the customer (generally upon delivery of the equipment to the customer). The standard payment period is 30 to 90 days from delivery.

The Group examines whether customer contracts include several separate performance obligations. The Group has not identified any contracts of this type for previous financial years. Each contract consists solely of the delivery of products (no training, maintenance or significant warranty services).

Sales are recorded net of any late delivery penalties imposed by customers.

Sales of services

In the case of service contracts, revenue can only be recognised if (i) the stage of completion of the contract can be measured reliably and (ii) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Income from the Group's service contracts is recognised using the percentage-of-completion method, measured on the basis of the efforts and costs involved.

If the profit from the contract cannot be measured reliably, income is recognised only to the extent of the contract costs incurred.

Estimated contract margins are reviewed regularly. A provision is made for losses on completion as soon as such losses are foreseeable.

Licence fees for technology transfer

In the case of licence fees for technology transfer, revenue is recognised according to a contractual schedule that defines the stages of the technology transfer and their associated remuneration. The stage of the technology transfer and the completion of the contract are reflected in the revenues recorded.

Cost of sales

Cost of sales made mainly include cost of sales of raw materials, components (such as certain exotic metals (e.g., gallium), glass and optical materials (e.g., fibre blocks)) and energy, as well as consumables (e.g., small tools).

Other purchases and external expenses

Other purchases and external expenses mainly include temporary staff costs, fees (in particular external consultancy fees incurred in connection with the Group's acquisition projects), travel and entertainment expenses, subcontracting costs, rent, maintenance costs, communication expenses (advertising, publications, public relations), insurance premiums, transport costs for goods and staff, postage and telecommunications expenses, charges for banking and similar services, research and study expenses and other expenses (such as costs related to various external services, co-ownership or rental charges).

Employee benefits expense

Employee benefits expense mainly comprises wages and salaries, social security charges, post-employment benefits and other employee benefits cost.

Other operating income and expenses

Other operating income mainly comprises investment subsidies and the Research Tax Credit (a system of tax credits available to companies in France for certain eligible research and development expenditure).

Other operating expenses mainly comprise operating foreign exchange losses and a variety of other operating expenses.

Depreciation, amortisation and provisions

Depreciation, amortisation and provisions include impairment of current assets, charges to other non-current assets and charges to provisions.

Non-current assets include (i) intangible assets, such as development costs, software, concessions and patents, customer relationships and brands; (ii) property, plant and equipment, such as buildings and technical installations; and (iii) rights to use leased assets, mainly buildings and technological installations.

Current assets mainly comprise stocks, trade receivables and other current assets.

Other income and expenses

Recognised as other income and expenses are items that do not form part of the performance measurement carried out by Management because of their type or their significant, unusual or abnormal

nature. They include business acquisition costs and changes in earnouts not taken into account in the initial determination of the consideration transferred, as well as any impairment of goodwill.

Current operating profit

Current operating profit corresponds to revenue less cost of sales made, other purchases and external charges, taxes and personnel costs, plus or minus other operating profit and expenses, less depreciation, amortisation and provisions.

Operating profit

Operating profit corresponds to current operating profit, plus or minus other income and expenses.

Net financial income

Net financial income corresponds to the sum of (i) the cost of net debt, which includes interest expense on bank debt and borrowings, financing costs on leases and other financing costs, and (ii) net financial gains or losses on derivatives, which include foreign exchange gains and losses, financial income on derivatives and other financial gains or losses on derivatives.

Net profit before tax

Net profit before tax corresponds to operating profit less or plus net financial income.

Income tax

Income tax comprises current and deferred tax. Corporation tax comprises current and deferred tax for consolidated entities.

Current income tax corresponds to the income tax payable to the tax authorities by each of the consolidated companies in the country in which they operate. It is calculated in accordance with local rules and includes any adjustments in respect of previous years.

Deferred tax is calculated, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, based on applied tax rates or those reasonably estimated to be applicable at the date on which these temporary differences are expected to reverse.

Deferred tax is recognised at the time of initial recognition of transactions arising from business combinations or those that affect accounting income or taxable income.

Deferred tax assets are recognised only to the extent that it is probable that future taxable income will be available to absorb temporary differences and tax loss carryforwards.

An analysis of tax positions is carried out periodically, and if any are considered unlikely to be accepted by the tax authorities, the most likely amount is provisioned to cover the risk. Assets/liabilities arising from uncertainties related to tax treatment are presented as current or deferred tax assets/liabilities in the consolidated statement of financial position.

Net profit

Net profit corresponds to net profit before tax, less or plus income tax.

7.4 Key performance indicators

The Group uses key financial and non-financial measures to analyse the performance of its business. The key performance indicators used include revenue, adjusted gross margin, adjusted EBITDA and adjusted EBIT.

Adjusted gross margin is the difference between the sales price and the cost of products and services sold (including in particular payroll expense costs).

Adjusted EBITDA corresponds to operating profit, after deducting (i) depreciation, amortisation and reversal of impairment losses on non-current assets; (ii) non-recurring income and expenses as presented in the consolidated income statement under “Other income” and “Other expenses”; and (iii) the impact of items that do not reflect the Group’s core operating performance, such as costs relating to business reorganisation and adaptation operations and expenses associated with share-based payments (IFRS 2).

Adjusted EBIT corresponds to operating profit, after deducting (i) non-recurring income and expenses as presented in the consolidated income statement under “Other income” and “Other expenses”; and (ii) the impact of items that do not reflect the Group’s core operating performance, such as costs relating to business reorganisation and adaptation operations and expenses associated with share-based payments (IFRS 2). Depreciation, amortisation and reversal of impairment losses on non-current assets, included in adjusted EBIT, exclude the amortisation of the part of non-current assets corresponding to purchase price allocation.

Adjusted EBITDA, adjusted EBIT and adjusted gross margin are not accounting measures that meet generally accepted definitions. They should not be considered as a substitute for operating profit, net profit, cash flow from operating activities or as an indicator of liquidity. Other companies may calculate adjusted EBITDA, adjusted EBIT or adjusted gross margin using different definitions to those used by the Group. See the Section “General remarks” of this registration document.

Performance indicators (in millions of euros)	Fiscal year ended 31 December 2023	Change	12 months ended 31 December 2022	Change	Fiscal year ended 31 December 2021
Revenue	291.8	91.0	200.8	34.6	166.2
Adjusted gross margin	131.1	51.9	79.2	13.8	65.4
Adjusted EBITDA	86.0	30.4	55.6	8.1	47.5
Adjusted EBIT	66.1 ³⁶	23.6	42.5	7.0	35.5

Reconciliation of operating profit to adjusted EBITDA

(In millions of euros)	Fiscal year ended 31 December 2023	12 months ended 31 December 2022	Fiscal year ended 31 December 2021
Adjusted EBITDA	86.0	55.6	47.5
Restatement of depreciation, amortisation and provisions	(29.4)	(20.5)	(12.0)
Restatement of other income and expenses	(4.3)	(3.9)	(146.3)
Other restatements*	(4.0)	(3.4)	(3.6)
Operating profit	48.3	27.8	(114.4)

³⁶ €70.9 million on a *pro forma* basis.

* Other restatements correspond to the restatement of the impact of items that do not reflect the Group's core operating performance, such as costs relating to business reorganisation and adaptation operations, and expenses associated with share-based payments (IFRS 2).

Reconciliation of operating profit to adjusted EBIT

<i>(In millions of euros)</i>	Fiscal year ended 31 December 2023	12 months ended 31 December 2022	Fiscal year ended 31 December 2021
Adjusted EBIT	66.1	42.5	35.5
Restatement of depreciation, amortisation and provisions of non-current assets corresponding to the purchase price allocation	(9.5)	(7.4)	-
Restatement of other income and expenses	(4.3)	(3.9)	(146.3)
Other restatements*	(4.0)	(3.4)	(3.6)
Operating profit	48.3	27.8	(114.4)

* Other restatements correspond to the restatement of the impact of items that do not reflect the Group's core operating performance, such as costs relating to business reorganisation and adaptation operations, and expenses associated with share-based payments (IFRS 2).

7.5 Analysis of results for the year ended 31 December 2023 and the 12-month period ended 31 December 2022

The table below sets out the Group's consolidated income statement (in € thousands) for the fiscal year ended 31 December 2023 and the 12-month period ended 31 December 2022.

INCOME STATEMENT	Fiscal year ended 31 December 2023	12 months ended 31 December 2022
<i>(in € thousands)</i>		
Revenue	291,819	200,752
Cost of sales	(75,977)	(55,675)
Other purchases and external expenses	(54,069)	(31,125)
Taxes	(1,607)	(1,340)
Employee benefits expense	(81,277)	(62,290)
Other operating income	4,547	2,172
Other operating expenses	(416)	(358)
Depreciation, amortisation and provisions	(30,407)	(20,546)
CURRENT OPERATING PROFIT	52,614	31,590
Other income	336	418
Other expenses	(4,665)	(4,241)
OPERATING PROFIT	48,285	27,766
Cost of net debt	(26,914)	(15,153)
Income from derivatives	(1,661)	4,584
Other	528	(91)
Net financial income	(28,046)	(10,662)
NET PROFIT BEFORE TAX	20,239	17,104
Income tax	(1,833)	(5,893)

INCOME STATEMENT	Fiscal year ended 31 December 2023	12 months ended 31 December 2022
NET PROFIT, ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY	18,406	11,212
EARNINGS PER SHARE		
Basic (in €)	0.10	0.01
Diluted (in €)	0.10	0.01

7.5.1 Revenue

<i>(In millions of euros)</i>	Fiscal year ended 31 December 2023	12 months ended 31 December 2022
Sales of goods	277.8	197.6
Sales of services & Licence fees	14.1	3.1
Total revenue	291.8	200.8

The Group's consolidated revenue increased by €91.0 million, or 45.4%, from €200.8 million for the 12-month period ended 31 December 2022 to €291.8 million for the fiscal year ended 31 December 2023. On a *pro forma* basis, the Group's consolidated revenue would have amounted to €318.8 million in the fiscal year ended 31 December 2023.

This increase in revenue was mainly due to:

- organic revenue³⁷ growth of 37.1%, resulting (i) mainly from significant growth in Group sales volumes, particularly in Amplification products, driven by a strong increase in demand (see below), and (ii) to a lesser extent, from price increases in an inflationary environment;
- the impact over most or part of the second half of 2023 of the integration of Telops, El-Mul and ProxiVision, acquired in October 2023, July 2023 and June 2023 respectively (see below), into the Detection and Imaging business. Over the full 2023 financial year, the contribution of the three acquisitions, on a *pro forma* basis, would have been €43.5 million.

The table below shows the breakdown of revenue by segment for the fiscal year ended 31 December 2023 and the 12-month period ended 31 December 2022:

<i>(In millions of euros)</i>	Fiscal year ended 31 December 2023	Change (%)	12 months ended 31 December 2022
Amplification	209.9	34.7%	155.8
Detection and Imaging	82.5	76.6%	46.7

³⁷ Organic growth is the growth in revenue achieved by the Group on a like-for-like basis, which corresponds to revenue achieved during period "n" by all the companies included in the Group's scope of consolidation at the end of period "n-1" (excluding any contribution from companies acquired after the end of period "n-1"), compared with revenue achieved during period "n-1" by the same companies, regardless of when they entered the Group's scope of consolidation. Organic growth for the fiscal year ended 31 December 2023 therefore excludes the contribution of ProxiVision, El-Mul and Telops, acquired by the Group in June 2023, July 2023 and October 2023 respectively.

Other, eliminations and unallocated	(0.6)	(66.7%)	(1.8)
Total revenue	291.8	45.4%	200.8

The table below shows the breakdown of revenue by geographical area for the fiscal year ended 31 December 2023 and the 12-month period ended 31 December 2022:

<i>(In millions of euros)</i>	Fiscal year ended 31 December 2023	Change (%)	12 months ended 31 December 2022
Europe	197.5	38.5%	142.6
<i>Of which France</i>	24.0	35.3%	17.7
North America	40.9	19.5%	34.2
Asia	52.3	139.6%	21.8
Oceania	0.9	(53.0%)	1.8
Africa	0.1	(83.1%)	0.3
Other	0.2	-	-
Total Revenue	291.8	45.4%	200.8

The Asia region recorded the strongest growth in revenue (+139.6%), driven mainly by the Detection and Imaging business (notably nuclear detection and cameras in China) and by a contract to supply light amplification components in Asia. Europe also provided a strong contribution to the Group's growth in revenue (+38.5%), driven by the continued growth in defense equipment, which was particularly high in the countries in this region close to the war zone between Russia and Ukraine. Finally, North America contributed to Group revenue growth (+19.5%) driven by increased defense spending in the United States against a backdrop of rising geopolitical tensions worldwide.

The Africa region recorded the sharpest decline, at 83.1% of revenue, while the Oceania region saw a 53.0% drop in revenue, due to the completion of major contracts in these regions.

7.5.1.1 Amplification business revenue

The sharp 34.7% increase in revenue generated by the Amplification business was mainly due to (i) significant growth in the Group's sales volumes, linked to a general rise in defense spending by governments and a rise in demand for defense equipment, especially night vision equipment, mainly resulting from the heightened tensions due to the war between Russia and Ukraine and the desire of the world's main armed forces to rapidly improve their night combat capabilities in the context of large-scale operations in symmetric, high-intensity warfare, and (ii) a rise in the Group's sales prices in an inflationary environment.

7.5.1.2 Detection and Imaging business revenue

The sharp 76.6% increase in revenue generated by the Detection and Imaging business was mainly due to the effects of deploying the Group's strategy of expanding its product portfolio, with the impact on almost all, or part as the case may be, of the second half of 2023, the inclusion in the Group's scope of consolidation of Telops, El-Mul and ProxiVision, acquired in October 2023, July 2023 and June 2023 respectively, which contributed €16.5 million to the total €35.8 million increase in Detection and Imaging revenue for the fiscal year ended 31 December 2023. Excluding the effect of integrating these acquisitions, revenue growth in the Detection and Imaging businesses was due partly to the full-year impact of integrating Xenics, acquired in December 2022, and partly to higher sales volumes, linked to growth in demand in the underlying markets (particularly for cameras), where the Group has continued

to gain market share by positioning itself with customers and end-users whose business is growing strongly, as well as an increase in the Group's sales prices in an inflationary environment. Organic growth for the fiscal year ended 31 December 2023 is less significant than in the previous year, which was marked by a build-up of inventories by customers and end-users, which contributed to a greater increase in demand (see Section 7.6.1.2 of this registration document).

7.5.2 Cost of sales

Cost of sales increased by €20.3 million, or 36.5%, from €55.7 million for the 12-month period ended 31 December 2022 to €76.0 million for the fiscal year ended 31 December 2023. On a *pro forma* basis, cost of sales would have represented an expense of €84.3 million for the fiscal year ended 31 December 2023.

This 36.5% increase in cost of sales during the fiscal year ended 31 December 2023 is directly correlated with the 45.4% increase in revenue over the same period.

7.5.3 Other cost of sales and external expenses

Other cost of sales and external expenses increased by €22.9 million, or 73.7%, from €31.1 million for the 12-month period ended 31 December 2022 to €54.1 million for the fiscal year ended 31 December 2023. On a *pro forma* basis, other cost of sales and external expenses would have represented an expense of €57.7 million for the fiscal year ended 31 December 2023.

The increase in other cost of sales and external expenses is mainly due to the strong growth in the Group's business. In particular, the Group recorded a sharp increase in temporary staff employee benefits expense, which more than doubled over the period, from €8.0 million for the 12-month period ended 31 December 2022 to €17.6 million for the fiscal year ended 31 December 2023, due to significant use of temporary staff by the Group (in addition to the recruitment of full-time equivalents, see Section 7.5.4 below) in response to an urgent need for staff to meet increased demand. The Group also recorded an increase in fees, from €8.3 million for the 12-month period ended 31 December 2022 to €11.8 million for the fiscal year ended 31 December 2023, due to a scope effect with the integration of the new acquisitions, additional costs for strategic market research and corporate marketing costs. Lastly, among the most significant increases in other cost of sales and external expenses, maintenance costs rose from €3.8 million in the 12-month period ended 31 December 2022 to €6.5 million in the fiscal year ended 31 December 2023, mainly as a result of the strong growth in business.

7.5.4 Employee benefits expense

Employee benefits expense increased by €19 million, or 30.5%, from €62.3 million for the 12-month period ended 31 December 2022 to €81.3 million for the fiscal year ended 31 December 2023. On a *pro forma* basis, employee benefits expense would have represented an expense of €90.6 million for the fiscal year ended 31 December 2023.

The increase in employee benefits expense in the fiscal year ended 31 December 2023 is mainly due to the increase in the Group's average headcount from 945 at 31 December 2022 to 1,210 at 31 December 2023; this was due to the strong growth in the Group's business, but also to the integration of the staff of Telops, El-Mul and ProxiVision (i.e., more than 200 employees), which were acquired in October 2023, July 2023 and June 2023.

7.5.5 Other operating income and operating expenses

Other operating income and other operating expenses decreased from net income of €1.8 million for the 12-month period ended 31 December 2022 to net income of €4.1 million for the fiscal year ended 31

December 2023. On a *pro forma* basis, other operating income and other operating expenses would have represented net income of €5.2 million for the fiscal year ended 31 December 2023.

Other operating income mainly comprises investment subsidies, amounting to €0.6 million for the 12-month period ended 31 December 2022 and €2.6 million for the fiscal year ended 31 December 2023, and the Research Tax Credit, which amounted to €1.0 million for the 12-month period ended 31 December 2022 and €1.2 million for the fiscal year ended 31 December 2023.

Other operating expenses include various individually immaterial items amounting to €0.4 million in respect of the 12-month period ended 31 December 2022 and €0.4 million in respect of the fiscal year ended 31 December 2023.

7.5.6 Depreciation, amortisation and provisions

The amount of the allowances for depreciation and amortisation of the Group's property, plant and equipment (including rights to use leased assets) and intangible assets increased by €6.2 million, or 32.8%, from €19.0 million for the 12-month period ended 31 December 2022 to €25.2 million for the fiscal year ended 31 December 2023. On a *pro forma* basis, allowances for depreciation and amortisation of property, plant and equipment and intangible assets would have represented an expense of €32.9 million for the fiscal year ended 31 December 2023.

The increase in allowances for depreciation and amortisation of property, plant and equipment and intangible assets during the fiscal year ended 31 December 2023 is mainly due to the increase in the amount of these assets, linked in particular to (i) the investments made in 2022 and 2023, in particular, with regard to intangible assets, Research and Development costs, which were capitalised in the amount of €7.5 million and €8.6 million respectively (i.e., 3.7% and 2.9% of revenue, respectively) and, in respect of property, plant and equipment, the acquisition of additional equipment and infrastructure work on the existing sites and (ii) the recognition of allowances for depreciation and amortisation in respect of the property, plant and equipment and intangible assets of Telops, El-Mul and ProxiVision, acquired in October 2023, July 2023 and June 2023 respectively, and of Xenics, acquired in December 2022, for which no cash flow had been recognised in the 12-month period ended 31 December 2022 given its acquisition date.

Impairment losses on current assets increased by €2.5 million from €0.6 million for the 12-month period ended 31 December 2022 to €3.1 million for the fiscal year ended 31 December 2023.

The amount of the allowances for provisions increased by €1.1 million from €1.0 million for the 12-month period ended 31 December 2022 to €2.1 million for the fiscal year ended 31 December 2023.

7.5.7 Current operating profit

Current operating profit increased by €21 million, or 66.6%, from €31.6 million for the 12-month period ended 31 December 2022 to €52.6 million for the fiscal year ended 31 December 2023.

The strong increase in current operating profit is mainly due to (i) the strong growth in the Group's business, which contributed to the significant increase in its revenue, (ii) good inflation management by the Group, with increases in sales prices implemented by the Group aimed in particular at reflecting increases in raw material and energy costs in sales prices, and (iii) control of its operating expenses (in particular other cost of sales and external expenses, which are mainly fixed costs, which rose sharply by 73.7%, albeit relatively modestly in the context of the Group's strong growth, having generated revenue growth of 45.4%).

7.5.8 Other income and expenses

Other income and expenses went from a net expense of €3.8 million for the 12-month period ended 31 December 2022 to a net expense of €4.3 million for the fiscal year ended 31 December 2023. On a *pro forma* basis, other income and expenses would also have represented a net expense of €4.3 million for the fiscal year ended 31 December 2023.

Other income and expenses for the fiscal year ended 31 December 2023 mainly comprise acquisition costs of €4.4 million relating to the acquisitions of Telops, El-Mul and ProxiVision.

Other income and expenses for the 12-month period ended 31 December 2022 mainly relate to acquisition costs of €2.3 million relating to the acquisition of Xenics.

7.5.9 Operating profit

Operating profit rose by €20.5 million, or 73.9%, from €27.8 million for the 12-month period ended 31 December 2022 to €48.3 million for the fiscal year ended 31 December 2023. On a *pro forma* basis, operating profit would have been €51.0 million for the fiscal year ended 31 December 2023.

This change results from the increase in current operating profit described in Section 7.5.7 above, partially offset by an increase in other expenses, due to the increase in acquisition costs related to the acquisitions of Telops, El-Mul and ProxiVision during the fiscal year ended 31 December 2023.

7.5.10 Net financial income

Net financial income decreased by €17.4 million, from an expense of €10.7 million for the 12-month period ended 31 December 2022 to an expense of €28 million for the fiscal year ended 31 December 2023. On a *pro forma* basis, net financial income would have been €32.0 million for the fiscal year ended 31 December 2023.

This decrease is mainly due to an increase in financial expenses, as a result of the Group taking out new loans to finance the acquisitions made in 2023 (see Sections 8.4.2 “*Acquisitions of companies or businesses*” and 8.5.3 “*Cash flow from financing activities*” of this registration document).

7.5.11 Net profit before tax

Net profit before tax rose by €3.1 million, or 18.3%, from €17.1 million for the 12-month period ended 31 December 2022 to €20.2 million for the fiscal year ended 31 December 2023. On a *pro forma* basis, net profit before tax would have been €18.9 million for the fiscal year ended 31 December 2023.

This increase is mainly due to changes in operating profit and net financial income, as described in Sections 7.5.9 and 7.5.10 above.

7.5.12 Income tax

Income tax decreased by €4.1 million, or 68.9%, from an expense of €5.9 million for the 12-month period ended 31 December 2022 to an expense of €1.8 million for the fiscal year ended 31 December 2023. On a *pro forma* basis, income tax for the fiscal year ended 31 December 2023 would have been €1.8 million.

This decrease is mainly attributable to deferred tax, which rose from an expense of €1.2 million in the 12-month period ended 31 December 2022 to income of €3.0 million in the fiscal year ended 31 December 2023, mainly as a result of a consolidation effect of €1.1 million and a reversal of a deficit of €1.6 million in the financial year 2022.

7.5.13 Net profit

Net profit increased by €7.2 million, or 64.2%, from €11.2 million for the 12-month period ended 31 December 2022 to €18.4 million for the fiscal year ended 31 December 2023, for the reasons described in the sections above. On a *pro forma* basis, net profit would have been €17.1 million for the fiscal year ended 31 December 2023.

7.5.14 Adjusted gross margin

Adjusted gross margin increased by €51.9 million, or 65.5%, from €79.2 million (or 39.4% of revenue) for the 12-month period ended 31 December 2022 to €131.1 million (or 44.9% of revenue) for the fiscal year ended 31 December 2023.

The increase in adjusted gross margin during the fiscal year ended 31 December 2023 was mainly due to (i) the Group's strong revenue growth of 45.4%, resulting from strong organic growth and the integration of Telops, El-Mul and ProxiVision, acquired in October 2023, July 2023 and June 2023 respectively, and Xenics, acquired in December 2022, and for which no cash flow had been recognised for the 12-month period ended 31 December 2022 given its acquisition date, (ii) good inflation management by the Group, with sales price increases implemented by the Group aimed in particular at reflecting increases in raw material and energy costs in sales prices, and (iii) continued implementation of measures to improve operating efficiency and its cost structure (see Section 7.2.4 "*Optimising the Group's costs*" of this registration document).

The table below shows the breakdown of the adjusted gross margin by segment for the fiscal year ended 31 December 2023 and the 12-month period ended 31 December 2022:

<i>(In millions of euros)</i>	Fiscal year ended 31 December 2023	Change (%)	12 months ended 31 December 2022
Amplification	93.3 (44.5% of revenue)	65.6%	56.4 (36.2% of revenue)
Detection and Imaging	37.7 (45.7% of revenue)	65.6%	22.7 (48.7% of revenue)
Other, eliminations and unallocated	0.1	25.8%	0.1
Total adjusted gross margin	131.1 (44.9% of revenue)	65.5%	79.2 (39.4% of revenue)

Adjusted gross margin of the Amplification business

The adjusted gross margin of the Amplification business increased by €37.0 million, or 65.6%, from €56.4 million, or 36.2% of revenue, for the 12-month period ended 31 December 2022 to €93.3 million, or 44.5% of revenue, for the fiscal year ended 31 December 2023.

The increase in the adjusted gross margin of the Amplification business was mainly due to (i) a strong 34.7% increase in revenue by the Amplification business, resulting from significant growth in the sales volumes, linked to a general rise in defense spending by governments and a rise in demand for defense equipment, especially night vision equipment, mainly resulting from the heightened tensions due to the war between Russia and Ukraine and the desire of the world's main armed forces to rapidly improve their night combat capabilities in the context of large-scale operations in symmetric, high-intensity warfare, (ii) a rise in the Group's sales prices in an inflationary environment with the aim of reflecting

the increased cost of raw materials and energy in sales prices, resulting in an improvement in the adjusted gross margin as a percentage of revenue and (iii) a normalisation of energy cost, after a strong increase of energy cost during fiscal year 2022, in relation to the war between Russia and Ukraine.

Adjusted gross margin for the Detection and Imaging business

The adjusted gross margin of the Detection and Imaging business increased by €14.9 million, or 65.6%, from €22.7 million, or 48.7% of revenue, for the 12-month period ended 31 December 2022 to €37.7 million, or 45.7% of revenue, for the fiscal year ended 31 December 2023.

The increase in the adjusted gross margin of the Detection and Imaging business is mainly due to (i) a very sharp 76.6% increase in revenue in the Detection and Imaging business, linked to the effects of the deployment of the Group's strategy of expanding its product portfolio, with the impact on almost all, or part as the case may be, of the second half of 2023, of the inclusion in the Group's scope of consolidation of Telops, El-Mul and ProxiVision, which were acquired in October 2023, July 2023 and June 2023 respectively, and Xenics, which was acquired in December 2022 and for which no cash flow had been recognised in respect of the 12-month period ended 31 December 2022 given its acquisition date, and (ii) an increase in the Group's sales prices, in an inflationary environment, with the aim of reflecting the increase in the cost of raw materials and energy in sales prices. The decrease of adjusted gross margin as a percentage of revenue (-3.0 points) between the 12-month period ended 31 December 2022 and the fiscal year ended 31 December 2023 results primarily from inventories write-off. Excluding this impact, the adjusted gross margin as a percentage of revenue would be almost at the same level between the two periods.

7.5.15 Adjusted EBITDA and adjusted EBIT

Adjusted EBITDA increased by €30.3 million, or 54.5%, from €55.6 million (or an adjusted EBITDA³⁸ margin of 27.7% of revenue) for the 12-month period ended 31 December 2022 to €86.0 million (or an adjusted EBITDA margin of 29.5% of revenue) for the fiscal year ended 31 December 2023. On a *pro forma* basis, adjusted EBITDA would have been €92.2 million (or an adjusted EBITDA margin of 28.9% on a *pro forma* basis) for the fiscal year ended 31 December 2023 (including €6.3 million generated by Telops, El-Mul and ProxiVision from 1 January 2023 until their respective acquisition dates in 2023).

Adjusted EBIT increased by €23.6 million, or 55.4%, from €42.5 million (or an adjusted EBIT margin of 21.2% of revenue) for the 12-month period ended 31 December 2022 to €66.1 million (or an adjusted EBIT margin of 22.7% of revenue) for the fiscal year ended 31 December 2023. On a *pro forma* basis, adjusted EBIT would have been €70.9 million (or an adjusted EBIT margin of 22.2% on a *pro forma* basis) for the fiscal year ended 31 December 2023.

The increase in the adjusted EBITDA margin and adjusted EBIT margin is mainly due to (i) the strong growth in the Group's business, which contributed to the significant increase in its revenue, (ii) good inflation management by the Group, with increases in sales prices implemented by the Group aimed in particular at reflecting increases in raw material and energy costs in sales prices, and (iii) control of its operating costs (in particular other cost of sales and external expenses, which are mainly fixed costs, which rose sharply by 75.5%, albeit relatively modestly in the context of the Group's strong growth, resulting in revenue growth of 45.4%). These factors offset the -1.3% dilutive impact (on a *pro forma* basis) on the adjusted EBITDA margin of the acquisitions made during the fiscal year ended 31 December 2023 (measured on the basis of financial statements prepared in local GAAP).

³⁸ The adjusted EBITDA margin is the ratio of adjusted EBITDA to revenue.

7.6 Analysis of results for the 12 months period ended 31 December 2022 and the fiscal year ended 31 December 2021

The table below sets out the Group's consolidated income statement for the 12-month period ended 31 December 2022 and Exosens International's consolidated income statement for the fiscal year ended 31 December 2021.

INCOME STATEMENT	12 months ended 31 December 2022	Fiscal year ended 31 December 2021
<i>(in thousands of euros)</i>		
Revenue	200,752	166,168
Cost of sales	(55,675)	(42,916)
Other cost of sales and external expenses	(31,125)	(23,219)
Taxes	(1,340)	(1,309)
Employee benefits expense	(62,290)	(56,172)
Other operating profit	2,172	2,041
Other operating expenses	(358)	(652)
Depreciation, amortisation and provisions	(20,546)	(11,982)
CURRENT OPERATING PROFIT	31,590	31,955
Other income	418	-
Other expenses	(4,241)	(146,343)
OPERATING PROFIT	27,766	(114,388)
Cost of net debt	(15,153)	(37,599)
Income from derivatives	4,584	1,748
Other	(91)	(27)
Net financial income	(10,662)	(35,878)
NET PROFIT BEFORE TAX	17,104	(150,265)
Income tax	(5,893)	1,299
NET PROFIT, ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY	11,212	(148,965)
EARNINGS PER SHARE		
Basic	0.01	N/A
Diluted	0.01	N/A

7.6.1 Revenue

The Group's consolidated revenue increased by €34.6 million, or 20.8%, from €166.2 million for the fiscal year ended 31 December 2021 to €200.8 million for the 12-month period ended 31 December 2022.

The acquisition of Xenics at the end of December 2022 did not have any impact on the Group's consolidated revenue for the 12-month period ended 31 December 2022, as, given the date of its acquisition by the Group, no related cash flows for the 12-month period ended 31 December 2022 were recognised in the Group's 2022 consolidated income statement.

The table below shows the breakdown of revenue by activity for the 12-month period ended 31 December 2022.

<i>(In millions of euros)</i>	12 months ended 31 December 2022	Change (%)	Fiscal year ended 31 December 2021
Amplification	155.8	28.2%	121.5
Detection and Imaging	46.7	7.4%	43.5
Other, eliminations and unallocated	(1.8)	-254.8%	1.2
Total revenue	200.8	20.8%	166.2

The table below shows the breakdown of revenue by geographical area for the 12-month period ended 31 December 2022 and the fiscal year ended 31 December 2021:

<i>(In millions of euros)</i>	12 months ended 31 December 2022	Change (%)	Fiscal year ended 31 December 2021
Europe	142.6	46.3%	97.4
<i>Of which France</i>	17.7	-15.1%	20.9
North America	34.2	5.6%	32.4
Asia	21.8	-23.6%	28.6
Oceania	1.8	46.3%	1.2
Africa	0.3	-95.0%	6.5
Total Revenue	200.8	20.8%	166.2

Europe recorded the strongest growth in revenue (+46.3%), driven mainly by the increase in demand for defense equipment, which was particularly high in the countries in this region close to the war zone between Russia and Ukraine. North America also contributed to Group revenue growth (+5.6%), albeit to a more limited extent, driven by increased defense spending in the United States against a backdrop of rising geopolitical tensions worldwide.

The Asia region saw a 23.6% fall in revenue, while the Africa region recorded a 95% drop in sales, due to major contracts in these regions coming to their contractual end.

7.6.1.1 Amplification business revenue

The sharp 28.2% increase in revenue generated by the Amplification business was mainly due to (i) significant growth in the Group's sales volumes, driven in particular by a sharp rise in demand for defense equipment, especially night vision equipment, mainly resulting from the heightened tensions due to the war between Russia and Ukraine and the desire of the world's main armed forces to rapidly improve their night combat capabilities in the context of large-scale operations in symmetric, high-intensity warfare, and (ii), by a rise in prices in an inflationary environment.

7.6.1.2 Detection and Imaging business revenue

The 7.4% increase in revenue generated by the Detection and Imaging business was primarily due to higher sales volumes, mainly as a result of inventory building by the Group's customers and end-users, as well as growth in demand in the underlying markets, where the Group gained market share by positioning itself with customers and end-users experiencing strong growth in their business.

7.6.2 Cost of sales

Cost of sales increased by €12.8 million, or 29.7%, from €42.9 million for the fiscal year ended 31 December 2021 to €55.7 million for the 12-month period ended 31 December 2022.

This increase in cost of sales is mainly due to the strong growth in the Group's business. The Group also observed a sharp increase in the cost of energy, as a result of the war between Russia and Ukraine, and in the cost of components such as semi-conductors, against a backdrop of shortages of these components affecting all industrial sectors. The Group also purchased supplies in anticipation of the growth of these activities in 2023. For these reasons, the rate of increase in cost of sales, at 29.7%, although in line with the increase in revenue, was in fact higher than that of the revenue increase, which stood at 20.8%.

7.6.3 Other purchases and external expenses

Other purchases and external expenses increased by €7.9 million, or 34.0%, from €23.2 million (or 14.0% of revenue) for the fiscal year ended 31 December 2021 to €31.1 million (or 15.5% of revenue) for the 12-month period ended 31 December 2022.

The increase in other purchases and external expenses is mainly due to the strong growth in the Group's business. In particular, the Group recorded a sharp increase in temporary staff employee benefits expense, which more than doubled over the period, from €3.9 million for the fiscal year ended 31 December 2021 to €8.0 million for the 12-month period ended 31 December 2022, due to significant use of temporary staff by the Group (in addition to the recruitment of full-time equivalents, see Section 7.6.4 below) in response to an urgent need for staff to meet increased demand. The Group recorded an increase in fees from €6.3 million for the fiscal year ended 31 December 2021 to €8.3 million for the 12-month period ended 31 December 2022, mostly related to the acquisitions during the period. The Group also recorded a sharp increase in advertising, publications and public relations costs, which almost doubled over the period, rising from €0.8 million for the fiscal year ended 31 December 2021 to €1.5 million for the 12-month period ended 31 December 2022, as the 2021 financial year was affected by the limitations on communication and public relations events, against a backdrop of travel restrictions linked to the COVID-19 pandemic.

7.6.4 Employee benefits expense

Employee benefits expense increased by €6.1 million, or 10.9%, from €56.2 million (or 33.8% of revenue) for the fiscal year ended 31 December 2021 to €62.3 million (or 31.0% of revenue) for the 12-month period ended 31 December 2022.

The increase in employee benefits expense in the 12-month period ended 31 December 2022 was mainly due to the increase in the Group's average headcount from 862 at 31 December 2021 to 945 at 31 December 2022, in line with the strong growth in the Group's business.

7.6.5 Other operating profit and operating expenses

Other operating profit and operating expenses decreased from net profit of €1.4 million for the fiscal year ended 31 December 2021 to net profit of €1.8 million for the 12-month period ended 31 December 2022.

Other operating profit mainly comprised investment subsidies of €1.5 million for the fiscal year ended 31 December 2021, including €0.8 million in respect of the Research Tax Credit, and investment subsidies of €1.5 million for the 12-month period ended 31 December 2022, including €1.0 million in respect of the Research Tax Credit.

Other operating expenses mainly comprised expenses relating to the destruction of stocks in France and the Netherlands, amounting to €0.4 million, for the fiscal year ended 31 December 2021, and expenses relating to operating foreign exchange losses, amounting to €0.2 million, for the 12-month period ended 31 December 2022.

7.6.6 Depreciation, amortisation and provisions

Depreciation of the Group's property, plant and equipment (including rights to use leased assets) and intangible assets increased by €7.5 million, or 65.3%, from €11.5 million for the fiscal year ended 31 December 2021 to €19.0 million for the 12-month period ended 31 December 2022.

The increase in allowances for depreciation and amortisation of property, plant and equipment and intangible assets during the 12-month period ended 31 December 2022 was mainly due to the increase in the amount of these assets, linked mainly to the investments made in 2020 and 2021 to support the growth of the Group's business, in particular, as regards intangible assets, Research and Development costs, which were capitalised in the amount of €4.8 million and €6.3 million, respectively (i.e., 3.2% and 3.8% of revenue, respectively), and with regard to property, plant and equipment, the acquisition of equipment and infrastructure works to increase or modify production areas at existing sites.

Impairment losses on current assets increased by €0.2 million, or 39.4%, from €0.4 million for the fiscal year ended 31 December 2021 to €0.6 million for the 12-month period ended 31 December 2022.

Charges to provisions increased by €0.9 million, from €0.1 million for the fiscal year ended 31 December 2021 to €1.0 million for the 12-month period ended 31 December 2022.

7.6.7 Current operating profit

Current operating profit fell by €0.4 million, or -1.1%, from €32.0 million for the fiscal year ended 31 December 2021 to €31.6 million for the 12-month period ended 31 December 2022.

Despite a strong increase in revenue due to increased volumes and higher sales prices in an inflationary environment, the significant rise in energy costs could not be fully reflected in the Group's sales prices in 2022, and the Group also recorded a significant increase in other cost of sales and external charges, including a sharp increase in temporary staff costs, which more than doubled in 2022, as the Group made extensive use of temporary staff (in addition to recruiting full-time equivalents, see Section 7.4.4 below) in response to an urgent need for staff to meet the increase in demand. The Group also recorded a significant increase in depreciation of intangible assets and property, plant and equipment, linked to the considerable investments it will be making in 2020 and 2021 to support the growth of its business. As these increases in operating expenses were not fully offset by the rise in revenue, the Group recorded a slight decline in current operating profit of 1.1% in the 12-month period ended 31 December 2022.

7.6.8 Other income and expenses

Other income and expenses decreased from a net expense of €146.3 million for the fiscal year ended 31 December 2021 to a net expense of €3.8 million for the 12-month period ended 31 December 2022.

Other income and expenses for the fiscal year ended 31 December 2021 correspond mainly to an expense of €143.9 million for the impairment of the Group's goodwill in connection with the acquisition of Photonis International by Photonis Group in July 2021. The Company used the transaction value as its value in use, which, compared with the carrying amount, showed an impairment loss of €143.9 million (see also note 5 to the consolidated financial statements of Exosens International for the fiscal year ended 31 December 2021).

Other income and expenses of €2.3 million for the 12-month period ended 31 December 2022 mainly relate to acquisition costs incurred in connection with the acquisition of Xenics.

7.6.9 Operating profit

Operating profit increased by €142.2 million, from an operating loss of -€114.4 million for the year ended 31 December 2021, to an operating profit of €27.8 million for the 12-month period ended 31 December 2022.

This increase is due to the fact that a non-current goodwill impairment charge of €143.9 million (see Section 7.6.8) was recorded in the fiscal year ended 31 December 2021, whereas current operating profit for that financial year was €32.0 million. During the 12-month period ended 31 December 2022, other income and expenses represented a net expense of only €3.8 million, which was deducted from current operating profit of €31.6 million, resulting in operating profit of €27.8 million.

7.6.10 Net financial income

Net financial income increased by €25.2 million, or 70.3%, from an expense of €35.9 million for the fiscal year ended 31 December 2021 to an expense of €10.7 million for the 12-month period ended 31 December 2022.

This decrease is mainly due to the change in the Group's financing structure following the acquisition of the Group by HLD.

7.6.11 Net profit before tax

Net profit before tax increased by €167.4 million, from a loss before tax of -€150.3 million for the fiscal year ended 31 December 2021 to an operating profit of €17.1 million for the 12-month period ended 31 December 2022.

This increase is due to changes in operating profit and net financial income, as described in Sections 7.6.9 and 7.6.10 above.

7.6.12 Income tax

Income tax went from a tax income of €1.3 million for the fiscal year ended 31 December 2021 to a tax expense of €5.9 million for the 12-month period ended 31 December 2022.

The tax income of €1.3 million for the fiscal year ended 31 December 2021 corresponds to the amount of unused tax losses that could be carried forward to subsequent financial years, resulting mainly from the tax-deductible portion of the charge relating to the impairment of the Group's goodwill, in connection with the acquisition of Photonis International by Photonis Group in July 2021 (see Section 7.6.8 above).

The tax expense of €5.9 million for the 12-month period ended 31 December 2022 mainly relates to corporation tax payable on net profit before tax of €17.1 million for the 12-month period ended 31 December 2022.

7.6.13 Net profit

Net profit increased by €160.2 million, from a net loss of €149.0 million for the fiscal year ended 31 December 2021 to a net profit of €11.2 million for the 12-month period ended 31 December 2022, for the reasons described in the sections above.

7.6.14 Adjusted EBITDA and adjusted EBIT

Adjusted EBITDA increased by €8.1 million, or 17.1%, from €47.5 million (or an adjusted EBITDA margin of 28.6% of revenue) for the fiscal year ended 31 December 2021 to €55.6 million (or an adjusted EBITDA margin of 27.7% of revenue) for the 12-month period ended 31 December 2022.

Adjusted EBIT increased by €7.0 million, or 19.7%, from €35.5 million (or an adjusted EBIT margin of 21.4% of revenue) for the fiscal year ended 31 December 2021 to €42.5 million (or an adjusted EBIT margin of 21.2% of revenue) for the 12-month period ended 31 December 2022.

The strong growth in the Group's business has contributed to the significant increase in its revenue, adjusted EBITDA and adjusted EBIT. However, the Group faced significant increases in energy costs, which could not be fully reflected in its sales prices, resulting in a 90 basis point decline in the Group's adjusted EBITDA margin in the 12-month period ended 31 December 2022.

8. CASH AND SHAREHOLDERS' EQUITY

8.1 Overview

The Group's main financing requirements include working capital requirements, capital expenditure (particularly on research and development), interest payments and expenditure on its acquisition strategy.

The Group's principal sources of liquidity during the fiscal year ended 31 December 2023, the 12-month period ended 31 December 2022 and the fiscal year ended 31 December 2021 were as follows:

- cash flows from operating activities, which amounted to €50.5 million for the fiscal year ended 31 December 2023, €47.5 million for the 12-month period ended 31 December 2022 and €42.7 million for the fiscal year ended 31 December 2021 (see Section 8.5.1 "*Cash flow from operating activities*" of this registration document);
- a Senior Credit Facilities Agreement for a total gross amount of €90.0 million, comprising three term loan facilities and a revolving credit facility, of which the principal amount outstanding at 31 December 2023 is €73.7 million (see Section 8.2.2.1 "*Senior Credit Facilities Agreement*" of this registration document); and
- bond issues under a Bond Facilities Agreement, for a total gross amount of €235.0 million, with a principal amount outstanding at 31 December 2023 of €235.0 million (see Section 8.2.2.3 "*Bond issues*" of this registration document)

At the time of its IPO, the Group intends to proceed, with effect from the settlement-delivery date of the Company's shares offered in connection with their admission to trading on the Euronext Paris regulated market, (i) to repay in full the term loans (Facility A1, Facility A2 and Acquisition Facility) made available under the Senior Credit Facilities Agreement and the cancellation of all available commitments under the revolving credit facility (RCF) and (ii) the redemption in full of the A Bonds, B Bonds and Additional Bonds issued under the Bond Facilities Agreement and the cancellation of all the commitments available under the Additional 2024 Bonds, together with (x) the proceeds of the drawdown to be made by the Company on the term loan made available under the New Senior Credit Agreement (see Section 8.3 of this registration document) for a maximum amount of €250.0 million and (y) for the balance, part of the proceeds of the capital increase of around €180 million to be carried out by the Company in connection with its IPO (the "**Refinancing**").

On the basis of the updated cash flow forecasts, the Group's management considers that it will be in a position to finance its cash requirements during the twelve months following the date of this registration document, and to make interest payments on its financial debt during this period.

Readers are invited to read the following information on the Group's cash flows, in conjunction with the Group's consolidated financial statements for the periods ended 31 December 2023 and 31 December 2022³⁹ and the consolidated financial statements of Exosens International⁴⁰ for the fiscal year ended 31 December 2021, prepared in accordance with IFRS as adopted by the European Union

³⁹ The Company's financial year for the period ended 31 December 2022 spans 22 months, commencing on 16 March 2021, the date on which the Company was founded. On 22 July 2021, as part of the acquisition of the Group by HLD, the Company acquired all of the shares in Exosens International (formerly known as Photonis International). For the purposes of comparability, this registration document also presents interim information for the twelve-month period from 1 January 2022 to 31 December 2022 and for the ten-month period from 16 March 2021 to 31 December 2021, in order to make it easier for readers to compare the financial information presented.

⁴⁰ Exosens International (formerly Photonis International) was the Group's parent company until July 2021, when the Group was acquired by HLD.

and presented in Chapter 18 “*Financial information relating to the assets, financial position and results of the Company*” of this registration document.

8.2 Financial resources and liabilities

8.2.1 Cash flow from operating activities

Cash flow from operating activities amounted to €50.5 million, €47.5 million and €42.7 million for the fiscal year ended 31 December 2023, the 12-month period ended 31 December 2022 and the fiscal year ended 31 December 2021 respectively. A detailed analysis of the Group’s cash flow from operating activities for the fiscal year ended 31 December 2023, the 12-month period ended 31 December 2022 and the fiscal year ended 31 December 2021 is presented in Section 8.6.1 “*Cash flow from operating activities*” of this registration document.

The Group uses its cash and cash equivalents to finance both its day-to-day operating requirements and its capital expenditure. The majority of the Group’s cash is denominated in euros.

8.2.2 Financial liabilities

The Group’s financial liabilities include lease debt and other financial debt and amounted to €317.9 million, €253.4 million and €226.2 million respectively at 31 December 2023, 2022 and 2021. Details of changes in the Group’s debt are provided in note 27 to the Group’s consolidated financial statements for the years ended 31 December 2023 and 31 December 2022 and in Note 13 for the fiscal year ended 31 December 2021.

The table below shows the breakdown of the Group’s debt at the dates indicated:

<i>(in € millions)</i>	31 December 2023	31 December 2022	31 December 2021
A bonds	185.1 ⁽¹⁾	184.1 ⁽²⁾	168.5 ⁽³⁾
B bonds	9.8 ⁽⁴⁾	9.8 ⁽⁴⁾	-
Additional Bonds	33.7 ⁽⁵⁾	-	-
Senior debt ⁽⁶⁾	71.9 ⁽⁷⁾	45.3 ⁽⁸⁾	33.5 ⁽⁹⁾
Lease debt	10.0	9.6	6.1
Financial debt to Exosens Group	-	-	16.4 ⁽¹⁰⁾
Other financial debt	6.2 ⁽¹¹⁾	4.2 ⁽¹¹⁾	1.5 ⁽¹²⁾
Accrued interest	1.1 ⁽¹³⁾	0.3 ⁽¹⁴⁾	0.2 ⁽¹⁵⁾
Financial debt	317.9	253.4	226.2
Derivative financial instruments (liabilities)	-	1.9	-
Derivative financial instruments (assets)	(0.2)	(5.0)	-
Derivative financial instruments (net)⁽¹⁶⁾	(0.2)	(3.1)	-
Cash	(15.4)	(22.4)	(15.9)

Bank deposits with less than three months' notice	(0.01)	(6.5)	(0.01)
Cash and cash equivalents	(15.5)	(29.0)	(15.9)
Total net financial debt	302.3	221.4	210.3

⁽¹⁾ Gross amount of €190.0 million, less €4.9 million in loan issue costs.

⁽²⁾ Gross amount of €190.0 million, less €5.9 million in loan issue costs.

⁽³⁾ Gross amount of €174.2 million, less €5.5 million in loan issue costs.

⁽⁴⁾ Gross amount of €10.0 million, less €0.2 million in loan issue costs.

⁽⁵⁾ Gross amount of €35.0 million, less €1.3 million in loan issue costs.

⁽⁶⁾ "Senior Debt" includes Facility A1, Facility A2, the Acquisition Facility and the RCF. The RCF was not drawn down on the balance sheet date of each of the balance sheets concerned.

⁽⁷⁾ At 31 December 2023, Senior Debt comprises

- €14.5 million: Senior debt – Facility A1 of which €4.3 million due within one year

- €27.8 million: Senior debt – Facility A2

- €29.6 million: Senior debt – Acquisition Facility A3.

The total amount of Senior Debt comprises the gross amount equal to €73.7 million, less €1.8 million in loan issue costs

⁽⁸⁾ At 31 December 2022, Senior Debt comprises

- €17.8 million: Senior debt – Facility A1 of which €4.2 million due within one year

- €27.5 million: Senior debt – Facility A2

The total amount of Senior Debt comprises the gross amount equal to €47.3 million, less €1.9 million in loan issue costs.

⁽⁹⁾ At 31 December 2021, Senior Debt comprises

- €14.3 million: Senior debt – Facility A1 of which €2.7 million due within one year

- €19.1 million: Senior debt – Facility A2

The total amount of Senior Debt comprises the gross amount equal to €35 million, less €1.5 million in loan issue costs.

⁽¹⁰⁾ Debt at the level of Exosens International (formerly Photonis International), the Group's head of consolidation for the financial statements for the fiscal year ended 31 December 2021.

⁽¹¹⁾ Other financial liabilities at 31 December 2022 and 31 December 2023 correspond mainly to several loans taken out by Photonis Infrared France.

⁽¹²⁾ Other financial debt at 31 December 2021 corresponds to several loans taken out by Device-Alab (now Photonis Infrared France).

⁽¹³⁾ Interest accrued in 2023 mainly relates to Senior Debt – Facility A1 (€168,000), Senior Debt – Facility A2 (€389,000) and Senior Debt – Acquisition Facility A3 (€405,000). Interest is accrued and payable in accordance with the contractual schedule for the debt.

⁽¹⁴⁾ Interest accrued in 2022 mainly relates to Senior Debt – Facility A1 for €93,000 and Senior Debt – Facility A2 for €203,000. Interest is accrued and payable in accordance with the contractual schedule for the debt.

⁽¹⁵⁾ Interest accrued in 2021 relates to Senior debt – Facility A1 for €223,000. Interest is accrued and payable according to the contractual maturity of the debt.

⁽¹⁶⁾ Mainly represents foreign exchange and currency hedges (see Note 33.2 to the financial statements for the fiscal year ended 31 December 2023).

At 31 December 2023, 31 December 2022 and 31 December 2021, the Group's ratio of total net debt/adjusted EBITDA ratio (as calculated in accordance with the provisions of the bond issues documentation) was 3.3x, 3.7x and 4.4x respectively. The Group expects to achieve a ratio of net debt/adjusted EBITDA ratio of approximately 1.5x post-IPO and of 1.6x at 31 December 2024 (taking into account the acquisitions made in 2024).

The table below shows the change in the breakdown of the Group’s financial liabilities at 31 December 2023 and the interest rates applicable before and after the Refinancing:

(in € millions)	Total at 31 December 2023 (before Refinancing)	Decrease	Increase	Total at 31 December 2023 (after Refinancing)
A bonds	185.1	185.1	-	-
B bonds	9.8	9.8	-	-
Additional Bonds	33.7	33.7	-	-
Senior debt	71.9	71.9	-	-
New Senior Credit Agreement, including:				
- Term loan	-	-	250.0	250.0
- Revolving credit facility (RCF)	-	-	-	_(1)
Lease debt	10.0	-	-	10.0
Other financial debt	6.2	-	-	6.2
Accrued interest	1.1	-	-	1.1
Gross financial debt	317.9	300.5	250.0	267.4

⁽¹⁾ The revolving credit facility, for a maximum amount of €100.0 million as at of the day of the IPO, made available under the New Senior Credit Agreement, will not be drawn down immediately after the Refinancing.

The A Bonds, B Bonds, Additional Bonds and Senior Debt – Facility A1, Facility A2 and Acquisition Facility made available under the Senior Credit Facilities Agreement will be repaid in full as part of the Refinancing, which will take place at the same time as the settlement-delivery of the Company’s IPO on the Euronext Paris regulated market.

The Group estimates that its cost of debt following the IPO would be EURIBOR + a margin of between 150 and 250 basis points.

The main components of the Group’s financial liabilities are detailed below.

8.2.2.1 Senior Credit Facilities Agreement

An English-language credit facilities agreement, entitled the *Senior Term and Revolving Credit Facilities Agreement*, was entered into on 20 July 2021 (this agreement, as amended by its successive amendments, the “**Senior Credit Facilities Agreement**”) between the Company, as borrower and guarantor, Crédit Industriel et Commercial as agent, Aether Financial Services as security agent, BNP Paribas and Crédit Industriel et Commercial as arrangers and BNP Paribas, Crédit Industriel et Commercial, Banque CIC Sud-Ouest, BNP Paribas European SME Debt Fund 2 S.C.S., Société Générale and Crédit Lyonnais as lending banks.

Credit facilities

Under the terms of the Senior Credit Facilities Agreement, for a total principal amount of €90.0 million, the following credit facilities have been made available to the Company:

- Senior Debt – Facility A1 maturing on 22 January 2027 in the amount of €15.0 million, subject to amortisation, increased by €6.4 million on 22 December 2022 in order to finance the acquisition of Xenics by Photonis Technologies; at 31 December 2023, €6.3 million relating to

the Senior Debt – Facility A1 had been repaid by the Company and the remaining amounts due under the Senior Debt – Facility A1 totalled €15.1 million;

- Senior Debt – Facility A2 maturing on 22 July 2027 in the amount of €20.0 million, repayable at maturity, increased by €8.6 million on 22 December 2022 in order to finance the acquisition of Xenics by Photonis Technologies; at 31 December 2023, the remaining amounts due under the Senior Debt – Facility A2 totalled €28.6 million;
- A Senior Debt – Acquisition Facility maturing on 22 July 2027 in the amount of €30.0 million, repayable in full and used, together with the proceeds from the issue of the Additional Bonds (see Section 8.2.2.3 below), to finance the acquisitions of Telops and El-Mul; at 31 December 2023, the remaining amounts due under the Senior Debt – Acquisition Facility totalled €30.0 million;
- A revolving credit facility (RCF) maturing on 22 January 2027 for a maximum amount of €10.0 million, undrawn at 31 December 2023.

In addition, on 15 November 2023, the Group entered into a mandate letter with the lenders under the Senior Credit Facilities Agreement to set up (i) an additional acquisition facility for a maximum principal amount of €35 million to finance future acquisitions by the Group and (ii) an increase in the revolving credit facility of €15 million. The Senior Credit Facilities Agreement was amended by an amendment dated 15 March 2024.

Interest and charges

Loans contracted under the Senior Credit Facilities Agreement bear interest at a variable rate indexed to 3-month EURIBOR.

The margins applicable to each of the tranches are adjusted as follows on the basis of the ratio of total net debt (as defined in the Senior Credit Facilities Agreement) to adjusted EBITDA calculated on the basis of the Company’s consolidated financial statements, in accordance with the provisions of the Senior Credit Facilities Agreement:

Leverage ratio	Margin (% per year)			
	Facility A1 and complementary Facility A1	Facility A2 and complementary Facility A2	Revolving credit facility (RCF)	Acquisition Facility
Greater than or equal to 4x	2.75	4.25	2.75	3.60
Greater than or equal to 3.5x but less than 4x	2.50	4.00	2.50	3.35
Greater than or equal to 3x but less than 3.5x	2.25	3.75	2.25	3.10
Greater than or equal to 2.5x but less than 3x	2.00	3.50	2.00	2.85
Less than 2.5x	1.75	3.50	1.75	2.60

In addition, the margin may be adjusted downwards if the ESG targets set in the Senior Credit Facilities Agreement have been met by the Company, leading to a 0.05% reduction in the margin for the following 12 months.

Accordingly, taking into account the total net debt/adjusted EBITDA ratio at 31 December 2023, calculated in accordance with the stipulations of the Senior Credit Facilities Agreement on the basis of the Company's consolidated financial statements, the margins applicable at the date of this registration document are as follows:

- for Facility A1 and complementary Facility A1: 2.25% per annum;
- for Facility A2 and complementary Facility A2: 3.75% per annum;
- for revolving credit facility (RCF): margin of 2.25% and a non-usage fee equal to 35% per annum of the margin then applicable;
- for the Acquisition Facility: 3.10% per annum and a non-usage fee equal to 35% per annum of the margin then applicable.

Securities

Under the terms of the Senior Credit Facilities Agreement, the lending banks benefit from securities and guarantees granted by the borrowing and/or guaranteeing Group companies in order to secure their obligations (subject to the usual limitations, in particular to respect their corporate interests). For instance, pledges have been granted to lending banks over (i) securities in the Group's main subsidiaries, (ii) certain bank accounts and (iii) certain receivables arising from intra-group loans.

These securities will be definitively released when the loans granted under the Senior Credit Facilities Agreement are repaid in full, on the date of settlement-delivery of the Company's shares in connection with their admission to trading on the Euronext Paris regulated market.

Undertakings and restrictive clauses

The Senior Credit Facilities Agreement contains certain undertakings to act, undertakings not to act and information undertakings, which are customary for this type of financing, and in particular limitations concerning:

- taking on additional financial debt;
- external growth operations;
- the granting of collateral securities, personal guarantees and off-balance sheet commitments;
- securitisation/assignment of receivables;
- payments to shareholders;
- asset disposals/transfers;
- mergers, demergers, contributions, dissolutions and other forms of reorganisation; and
- joint venture agreements.

In addition, the Group is required to comply with a ratio of net debt (as defined in the Senior Credit Facilities Agreement) to adjusted EBITDA (calculated in accordance with the stipulations of the Senior Credit Facilities Agreement on the basis of the Company's consolidated financial statements), tested on a quarterly basis as follows:

Quarterly date	Leverage ratio
31 December 2021	6.80
31 March 2022	6.80
30 June 2022	6.80
30 September 2022	6.70
31 December 2022	6.30
31 March 2023	6.20
30 June 2023	6.20
30 September 2023	6.00
31 December 2023	5.60
31 March 2024	5.50
30 June 2024	5.40
30 September 2024	5.30
31 December 2024	4.90
31 March 2025	4.80
30 June 2025	4.80
30 September 2025	4.70
31 December 2025	4.30
31 March 2026	4.20
30 June 2026	4.10
30 September 2026	4.10
On each subsequent quarterly date	4.00

Mandatory or voluntary early repayment

The debt contracted under the Senior Credit Facilities Agreement must be repaid early (subject to certain exceptions), in whole or in part, if certain customary events occur, such as a change of control, a sale of all or a substantial part of the Group's assets, the repayment or total cancellation of the bond loan contracted under the Bond Issue Agreement or an IPO (even if this IPO does not result in a change of control).

Borrowers may voluntarily repay early all or part of the debt incurred under the Senior Credit Facilities Agreement, subject to the conditions stipulated in this Agreement, in particular the minimum amounts.

Early redemption

The Senior Credit Facilities Agreement provides for a certain number of events of early redemption that are customary for this type of financing, including in particular payment defaults, failure to comply with the financial ratio or any other undertaking, misrepresentation, cross-default, collective and insolvency proceedings, certain pecuniary judgements or the occurrence of a significant adverse event.

In connection with the admission of the Company's shares to trading on the Euronext Paris regulated market, it is expected that the Senior Credit Facilities Agreement will be terminated and that the

remaining amounts due under the Senior Credit Facilities Agreement will be repaid in full by means of drawdowns under the New Senior Credit Agreement described in Section 8.3 of this registration document. The repayment of the loans granted under the terms of the Senior Credit Facilities Agreement and the implementation of the New Senior Credit Agreement, as well as the release of the securities described above, will be carried out on the settlement-delivery date of the shares offered in connection with the admission of the shares to trading on the Euronext Paris regulated market, prior to said settlement-delivery.

8.2.2.2 Intercreditor Agreement

On 22 July 2021, the Company, as issuer and borrower, entered into an English-language “Intercreditor Agreement” with, *inter alia*, Aether Financial Services S.A.S., as agent for the bondholders and security agent, Crédit Industriel et Commercial, as agent for the lenders under the Senior Credit Facilities Agreement, the arrangers of the Bonds, BNP Paribas and Crédit Industriel et Commercial as arrangers under the Senior Credit Facilities Agreement and certain financial institutions as bondholders and lenders (hereinafter, the “Intercreditor Agreement”). The Intercreditor Agreement is governed by French law.

The Intercreditor Agreement would be terminated as part of the Refinancing.

8.2.2.3 Bond issues

The Company carried out a bond issue in two tranches under the terms of a Bond Facilities Agreement entered into on 20 July 2021 for a maximum principal amount of €185.0 million between the Company as issuer, Aether Financial Services S.A.S. as bondholder agent and security agent and certain investors as arrangers and bondholders (the “**Bond Facilities Agreement**”). The Bond Facilities Agreement is governed by French law and provides for the following issues:

- A bond issue (“**A Bonds**”) in the principal amount of €175.0 million, bearing interest at an annual rate equal to 6-month EURIBOR plus a margin of 6.75% and maturing on 22 July 2028, completed on 22 July 2021. Additional A Bonds were issued by the Company on 22 December 2022 for €15.0 million, to finance the acquisition of Xenics. The total amount of A Bonds issued, i.e., €190.0 million, was reallocated through intra-group loans to Exosens International for €87.5 million, Photonis Technologies for €33 million (including €15.0 million for the acquisition of Xenics), Photonis Netherlands for €38.4 million, Photonis Holding Inc. for €24.2 million and Photonis Defense for €6.1 million; and
- A bond issue (“**B Bonds**”) in the principal amount of €10 million, bearing interest at an annual rate equal to 6-month EURIBOR plus a margin of 6.75% and maturing on 22 July 2028, completed on 22 July 2021 for the acquisition of Xenics.

On 13 October 2023, the Company carried out an additional bond issue (the “**Additional Bonds**”), governed by the Bond Facilities Agreement, for an amount of €35 million and maturing on 22 July 2028, bearing interest at an annual rate equal to 6-month EURIBOR plus a margin of 7%, used, together with the Senior Debt – Acquisition Facility under the Senior Credit Facilities Agreement (see Section 8.2.2.1 above), to finance the acquisitions of Telops and El-Mul.

In addition, on 15 November 2023, the Group entered into a mandate letter with the bondholders under the Bond Facilities Agreement to put in place additional bond issues for a maximum principal amount of €130 million in connection with future acquisitions planned by the Group, bearing interest at an annual rate equal to 6-month EURIBOR plus a margin of 6.75%, subject to adjustment under the same conditions as the margin applicable to the A Bonds and the B Bonds (the “**Additional 2024 Bonds**”). A letter of confirmation for these additional bond issues was signed on 15 March 2024.

Interest and charges

Bonds issued under the Bond Facilities Agreement bear interest at a variable rate indexed to EURIBOR. The applicable margins are 6.75% per annum for A Bonds, B Bonds and Additional 2024 Bonds and 7.00% per annum for Additional Bonds.

The margins applicable to the A Bonds and the B Bonds are adjusted as follows on a quarterly basis according to the total net debt /adjusted EBITDA ratio calculated on the basis of the Company's consolidated financial statements, in accordance with the provisions of the Bond Facilities Agreement:

Leverage ratio (total net debt/adjusted EBITDA)	Applicable annual margin
Greater than 4.0x	6.75%
Greater than or equal to 3.5x and less than 4.0x	6.50%
Less than 3.5x	6.25%

The margin applicable to the Additional Bonds is adjusted as follows on a quarterly basis according to the total net debt/adjusted EBITDA ratio calculated on the basis of the Company's consolidated financial statements, in accordance with the provisions of the Bond Facilities Agreement:

Leverage ratio (total net debt/adjusted EBITDA)	Applicable annual margin
Greater than 4.0x	7.00%
Greater than or equal to 3.5x and less than 4.0x	6.75%
Less than 3.5x	6.50%

Guarantees and securities

Under the terms of the Bond Facilities Agreement, the lending banks benefit from securities and guarantees (including, in particular, pledges of securities accounts, pledges of receivables arising from intra-group loans and pledges of bank accounts) granted by the Company and/or certain of its subsidiaries, in order to guarantee their bonds (subject to the usual limitations).

Undertakings and restrictive clauses

The Bond Facilities Agreement contains certain undertakings to act, undertakings not to act and information undertakings, which are customary for this type of financing, and in particular limitations concerning:

- taking on additional financial debt;
- external growth operations;
- the granting of collateral securities, personal guarantees and off-balance sheet commitments;

- securitisation/assignment of receivables;
- payments to shareholders;
- asset disposals/transfers;
- mergers, demergers, contributions, dissolutions and other forms of reorganisation; and
- joint venture agreements.

Mandatory or voluntary early repayment

The debt contracted under the Bond Facilities Agreement must be repaid early (subject to certain exceptions), in whole or in part, if certain customary events occur, such as a change of control, a sale of all or a substantial part of the Group’s assets, or an IPO (even if this IPO does not result in a change of control).

Borrowers may voluntarily repay early all or part of the debt incurred under the Bond Facilities Agreement, subject to the conditions stipulated in this Agreement, in particular the minimum amounts.

Early redemption

The Bond Facilities Agreement provides for a certain number of events of early redemption that are customary for this type of financing, including in particular payment defaults, failure to comply with the financial ratio or any other undertaking, misrepresentation, cross-default, collective and insolvency proceedings, certain pecuniary judgements or the occurrence of a significant adverse event.

In connection with the admission of the Company’s shares to trading on the Euronext Paris regulated market, it is expected that the Bond Facilities Agreement will be terminated and that the A Bonds, B Bonds and the Additional Bonds will be repaid in full by means of drawdowns under the New Senior Credit Agreement described in Section 8.3 of this registration document.

The repayment of the Bond Facilities Agreement and the implementation of the New Senior Credit Agreement, as well as the release of the securities described above, will be carried out on the settlement-delivery date of the shares offered in connection with the admission of the shares to trading on the Euronext Paris regulated market, prior to said settlement-delivery.

8.2.2.4 Bank loans taken out by subsidiaries

Bank loans have been taken out by certain subsidiaries acquired by the Group, with an outstanding amount of €6.2 million at 31 December 2023.

8.3 New Senior Credit Agreement

On the occasion of the Company’s IPO, the Group intends to carry out the Refinancing with effect from the date of settlement-delivery of the shares offered in connection with the admission to trading on the Euronext Paris regulated market, in particular by repaying all amounts due under the Senior Credit Facilities Agreement (see Section 8.2.2.1 “*Senior Credit Facilities Agreement*” of this registration document).

To this end, the Group will enter into a New Senior Credit Agreement entitled “EUR350,000,000 (or its equivalent in Optional Currencies) FACILITIES AGREEMENT” (the “**New Senior Credit Agreement**”) with a syndicate of international banks comprising BNP Paribas, Citibank, N.A., London Branch, J.P. Morgan SE, Crédit Agricole Corporate Investment Bank, Le Crédit Lyonnais, Natixis,

Société Générale, La Banque Postale, Crédit Industriel et Commercial and Arkéa Banque Entreprises et Institutionnels (the “**Lenders**”), for a term of five years from the date of the first drawdown (said first drawdown to occur on the settlement-delivery date of the IPO). The New Senior Credit Agreement is governed by French law. The drawdown of sums made available to the Group by the Lenders under the New Senior Credit Agreement is subject to certain conditions.

8.3.1 Credit facilities

The New Senior Credit Agreement provides for two credit facilities totalling up to €350 million, broken down as follows:

- a term loan in euros of up to €250 million, with a maturity of five years from the first drawdown, repayable at maturity; and
- a revolving credit facility (RCF) of up to €100 million, with a maturity of five years from the first drawdown of the term loan, each amount drawn down being repayable at the end of the applicable interest period.

8.3.2 Interest and charges

Loans taken out under the New Senior Credit Agreement will bear interest at a variable rate indexed, depending on the currency of the drawdown, on the Term Reference Rate or the Compounded Reference Rate, increased in each case by a margin of 2.00% (increased by 0.40% for loans in US dollars, pounds sterling or Canadian dollars made available under the revolving credit facility).

A non-usage fee will also be payable in respect of the revolving credit facility at a rate of 35% of the margin then applicable per annum.

The table below shows the spread of the margins on each of the credit facilities based on the total net debt/adjusted EBITDA ratio, as defined in the New Senior Credit Agreement. Margins will be reviewed on a half-yearly basis by testing the said ratio on the last day of each half-year and for the first time on the date falling six months after the Company’s IPO.

Leverage ratio (total net debt/adjusted EBITDA)	Term loan margin	Revolving credit facility margin
Greater than 2.5x	2.50%	2.50%
Greater than or equal to 2.0x and less than 2.5x	2.25%	2.25%
Greater than or equal to 1.5x and less than 2.0x	2.00%	2.00%
Greater than or equal to 1.0x and less than 1.5x	1.75%	1.75%
Less than 1.0x	1.50%	1.50%

8.3.3 Guarantees and securities

The Company is the borrower of the commitments under the New Senior Credit Agreement and the guarantor for the commitments of its subsidiaries which will sign the agreement as borrowers.

The New Senior Credit Agreement does not require the Group to create collateral securities in favour of the Lenders.

8.3.4 Undertakings and restrictive clauses

The New Senior Credit Agreement contains certain undertakings to act or not to act, in particular not to:

- provide securities (negative pledge);
- dispose of assets, except for assets representing no more than 10% of the Group's adjusted EBITDA per corporate financial year and a total of €50,000,000 of adjusted EBITDA disposed of until the credit granted under the New Senior Credit Agreement has been repaid in full (calculated in accordance with the stipulations of the New Senior Credit Agreement on the basis of the Company's consolidated financial statements);
- carry out certain mergers, demergers, partial transfers of assets and similar transactions;
- make acquisitions of shares, financial instruments and goodwill; and
- change the nature of the Group's activities.

in each case subject to the *de minimis* amounts stipulated and the usual exceptions for this type of financing.

The New Senior Credit Agreement also contains commitments such as maintaining insurance policies, complying with applicable laws, maintaining the borrowing under the New Senior Credit Agreement at least *pari passu* with other unsecured and unsubordinated bonds of the Company. Lastly, the New Senior Credit Agreement requires compliance with a financial ratio, which will limit the amount of financial debt that can be contracted by Group members. The Group will be required to maintain a leverage ratio (total net debt/adjusted EBITDA, calculated in accordance with the terms of the New Senior Credit Agreement on the basis of the Company's consolidated financial statements), tested at the end of each half-year from the first half-year following the Company's IPO, of less than or equal to 3.0:1 until the expiry of the New Senior Credit Agreement. In addition, the financial debt that may be contracted by the Company's main subsidiaries is limited to (i) financial debt contracted with another member of the Group, (ii) short-term financial debt contracted in the normal course of business and (iii) any other financial debt, the principal amount of which does not at any time exceed the greater of €15 million and an amount corresponding to 15% of adjusted EBITDA.

8.3.5 Voluntary early repayment

The New Senior Credit Agreement authorises voluntary early repayment subject to prior notice and a minimum amount.

8.3.6 Mandatory early repayment

In particular, the New Senior Credit Agreement provides for early repayment and/or cancellation in the event of a change of control. Thus, each Lender has the right to request the cancellation of its available commitments and the repayment of the advances it has made available under the New Senior Credit Agreement within 30 calendar days from the date on which the Company notifies the Credit Agent of the change of control and (x) its available commitments will then be cancelled at the end of a period of five working days following the request for cancellation and (y) its advances will be repaid on the date falling 60 calendar days following the notification of the change of control made by the Company to the credit agent.

A change of control would occur in the event that (i) the Company ceases to hold, directly or indirectly, 100% of the share capital or voting rights of Exosens International or (ii) a person or group of persons

(other than (a) HLD Europe and other funds and/or vehicles and/or companies advised by and/or managed by (A) HLD Associés Europe and/or (B) an affiliate of HLD Associés Europe and (b) the Group's management) acting in concert (within the meaning of Article L. 233-10 of the French Commercial Code) acquires control (within the meaning of Article L. 233-3 of the French Commercial Code) of the Company.

8.3.7 Early redemption

The New Senior Credit Agreement provides for a certain number of events of early redemption that are customary for this type of financing, including in particular payment defaults, failure to comply with the financial ratio or any other undertaking, cross-defaults, collective proceedings and the occurrence of a dispute with a material adverse effect.

8.4 Presentation and analysis of the main categories of use of Group cash

8.4.1 Capital expenditure and Research and Development costs

The Group's capital expenditure ("Capex") represents purchases of property, plant and equipment and intangible fixed assets required to (i) maintain and repair existing industrial facilities, and thus maintain the value of the Group's assets (capital expenditure to maintain industrial facilities and support functions) or (ii) to increase the Group's production capacity (capital expenditure for growth, such as the acquisition of new machinery, the expansion of existing sites or the introduction of new technologies (artificial intelligence, new procedures)). The acquisition of securities is excluded. It corresponds to purchases of intangible assets and property, plant and equipment, less capitalised Research and Development costs.

The Group's total capital expenditure for the fiscal year ended 31 December 2023, the 12-month period ended 31 December 2022 and the fiscal year ended 31 December 2021 was €23.7 million, €15.1 million and €10.4 million, respectively. For more information about the Group's historical, current and future capital expenditure, see Section 5.7 "*Capital expenditure*" of this registration document.

The Group's Research and Development costs mainly comprise the costs incurred by the Group as part of its applied research activities, as well as costs incurred in setting up partnerships or developing new products. Research and development costs mainly comprise staff costs in relation to employees assigned to these activities, as well as purchases and external charges, related in particular to the production costs of prototypes developed by the Group. These costs are recognised as an expense as incurred or, provided certain criteria are met, are capitalised as intangible assets and are subsequently amortised over their estimated useful lives. A portion of these costs may be financed by subsidies from public authorities or research tax credits.

The Group's Research and Development costs (net of subsidies and research tax credits) for the fiscal year ended 31 December 2023, the 12-month period ended 31 December 2022 and the fiscal year ended 31 December 2021 were €16.3 million (of which €8.6 million capitalised), €11.0 million (of which €7.5 million capitalised) and €7.7 million (of which €6.3 million capitalised), respectively.

8.4.2 Acquisitions of companies or businesses

The Group uses part of its cash to finance the acquisition of companies or businesses as part of its external growth policy (see in particular Section 7.2.2 of this registration document).

Acquisition-related cash outflows, net of cash acquired, in respect of the fiscal year ended 31 December 2023, the 12-month period ended 31 December 2022 and the fiscal year ended 31 December 2021 were €69.3 million, €35.5 million and €1.7 million respectively (see Section 7.2.2 "*External growth transactions*" of this registration document).

8.4.3 Interest payments and loan repayments

Part of the Group's cash flow is used to service and repay its debt. The Group paid interest on its loans of €24.5 million, €13.4 million and €21.9 million during the fiscal year ended 31 December 2023, the 12-month period ended 31 December 2022 and the fiscal year ended 31 December 2021 respectively. In addition, it made loan repayments of €5.4 million, €3.1 million and €271.3 million in the fiscal year ended 31 December 2023, the 12-month period ended 31 December 2022 and the fiscal year ended 31 December 2021 respectively.

8.4.4 Financing of working capital requirements

The change in working capital requirements net of impairment losses was -€21.7 million, €1.6 million and €0.2 million respectively for the fiscal year ended 31 December 2023, the 12-month period ended 31 December 2022 and the fiscal year ended 31 December 2021. The change in the Group's working capital requirements had a positive impact on its cash generation for the fiscal year ended 31 December 2021 and the 12-month period ended 31 December 2022, reflecting the Group's efforts to reduce its working capital requirements through a rigorous invoicing and debt collection policy. The change in working capital requirements for the fiscal year ended 31 December 2023 is mainly due to the increase in business during the year (see Section 7.3.1 of this registration document), which resulted in a significant increase in inventories and trade receivables, of 41.1% and 111.7% respectively.

The Group's gross working capital requirement was €80.5 million, €52.3 million and €55.8 million respectively for the fiscal year ended 31 December 2023, the twelve months period ended 31 December 2022 and the fiscal year ended 31 December 2021, corresponding to respectively 27.6%, 26.1% and 33.6% of consolidated revenue. The gross working capital requirements correspond to gross inventory value plus gross trade and other operating receivables less trade payables and other operating liabilities (excluding income tax receivables/payables).

8.5 Group consolidated cash flow for the fiscal year ended 31 December 2023 and the 12-month period ended 31 December 2022

The table below summarises the Group's cash flows for the fiscal year ended 31 December 2023 and the 12-month period ended 31 December 2022:

<i>(In millions of euros)</i>	Fiscal year ended 31 December 2023	12 months ended 31 December 2022
Cash flow from operating activities	50.5	47.5
Cash flow from investing activities	(99.6)	(55.5)
Cash flow from financing activities	35.5	20.3
Effect of changes in currency parities	0.2	0.1
Increase/(Decrease) in cash and cash equivalents	(13.5)	12.4
Cash and cash equivalents on opening	29.0	16.6
Cash and cash equivalents at period-end	15.5	29.0

At 31 December 2023, the Group had cash and cash equivalents of €15.5 million, compared with €29.0 million at 31 December 2022.

8.5.1 Cash flow from operating activities

The following table sets out the Group's cash flow from operating activities for the fiscal year ended 31 December 2023 and the 12-month period ended 31 December 2022:

<i>(In millions of euros)</i>	Fiscal year ended 31 December 2023	12 months ended 31 December 2022
Net profit	18.4	11.2
Adjustments:		
Cost of net debt	21.0	15.2
Other financial income and expenses	7.0	(4.5)
Income tax	1.8	5.9
Depreciation/amortisation of intangible assets and property, plant and equipment	30.9	20.5
Other income and expenses	(0.2)	0.7
Tax received/(paid)	(6.9)	(3.1)
Change in working capital requirements net of impairment losses	(21.7)	1.6
Cash flow from operating activities	50.5	47.5

The Group's cash flow from operating activities was €50.5 million for the fiscal year ended 31 December 2023 and €47.5 million for the 12-month period ended 31 December 2022.

The €3.0 million increase in cash flow from operating activities for the fiscal year ended 31 December 2023 is mainly due to the strong growth in the Group's business, which generated a significant increase in adjusted EBITDA of €30.4 million.

8.5.2 Cash flow from investing activities

The following table sets out the Group's cash flow from investing activities for the fiscal year ended 31 December 2023 and the 12-month period ended 31 December 2022:

<i>(In millions of euros)</i>	Fiscal year ended 31 December 2023	12 months ended 31 December 2022
Net investment in property, plant and equipment and intangible assets	(30.9)	(21.8)
Acquisitions of equity interests, net of cash acquired	(69.3)	(35.5)
Investment subsidies received	1.1	1.8
Cash flow from other financial assets	(0.5)	0.03
Cash flow from investing activities	(99.6)	(55.5)

Net cash flow relating to Group investments mainly relates to intangible assets and property, plant and equipment, as well as acquisitions (see Section 8.4.1 "*Capital expenditure and Research and Development costs*" and Section 8.4.2 "*Acquisitions of companies or businesses*" of this registration document).

Cash flow from investing activities was -€99.6 million for the fiscal year ended 31 December 2023 and -€55.5 million for the 12-month period ended 31 December 2022.

The €44.2 million increase in cash flow from investing activities for the fiscal year ended 31 December 2023 is mainly due to (i) the acquisitions of ProxiVision for €7.5 million, El-Mul for €23.1 million and Telops for €38.6 million (net of cash acquired), which were completed on 30 June 2023, 18 July 2023 and 13 October 2023, respectively, compared with cash outflows of €35.6 million (net of cash acquired) for the acquisition of Xenics, completed on 22 December 2022, and (ii) the increase in the Group's

capital expenditure and capitalised Research and Development costs, in support of the strong growth in its business, with net investment in property, plant and equipment and intangible assets rising from €21.8 million in the 12-month period ended 31 December 2022 to €30.9 million in the fiscal year ended 31 December 2023.

8.5.3 Cash flow from financing activities

The following table sets out the Group's cash flow from financing activities for the fiscal year ended 31 December 2023 and the 12-month period ended 31 December 2022:

<i>(In millions of euros)</i>	Fiscal year ended 31 December 2023	12 months ended 31 December 2022
Increases and decreases in share capital	-	-
Payment of interest on convertible bonds	-	-
Refinancing of non-current borrowings	65.0	40.0
Repayment of non-current borrowings	-	-
Refinancing of current borrowings	0.08	-
Repayment of current borrowings	(5.4)	(3.1)
Payment of accrued interest	0.7	0.05
Repayment of financial debt under IFRS 16	(2.1)	(1.5)
Financial expenses with cash flow linked to loans	(24.5)	(13.4)
Financial expenses with cash flow linked to financial debt (IFRS 16)	(0.6)	(0.5)
Financial income with cash flow linked to derivative instruments	4.1	
Loan issue expenses	(1.8)	(1.3)
Other	-	0.0
Cash flow from financing activities	35.5	20.3

Financing activities generated cash flow of €35.5 million in the fiscal year ended 31 December 2023 and cash flow of €20.3 million in the 12-month period ended 31 December 2022.

The main cash flows for the fiscal year ended 31 December 2023 were as follows:

- Refinancing of non-current borrowings of €65.0 million, corresponding to the subscription of additional financial debt to finance the acquisition of Telops and El-Mul, including the issue of Additional Bonds for €35.0 million and the subscription of a Senior Debt – Acquisition Facility for €30.0 million;
- Interest payments of €24.5 million on the Group's financial debt.

The main cash flows for the 12-month period ended 31 December 2022 were as follows:

- Refinancing of non-current borrowings of €40.0 million, corresponding to the subscription of additional financial debt to finance the acquisition of the Xenics Group, including the issue of €10.0 million of B Bonds and an additional €15.0 million of A Bonds, the subscription of an additional €6.4 million of Senior debt – Facility A1 and an additional €8.6 million of Senior debt – Facility A2;

- Interest payments of €13.4 million on the Group’s financial debt.

8.6 Group consolidated cash flow for the 12-month period ended 31 December 2022 and the fiscal year ended 31 December 2021

The table below shows the breakdown of Group cash flow for the 12-month period ended 31 December 2022 and the fiscal year ended 31 December 2021:

<i>(In millions of euros)</i>	12 months ended 31 December 2022	Fiscal year ended 31 December 2021
Cash flow from operating activities	47.5	42.7
Cash flow from investing activities	55.5	(21.3)
Cash flow from financing activities	20.3	(36.8)
Effect of changes in currency parities	0.1	0.2
Increase/(Decrease) in cash and cash equivalents	12.4	(15.2)
Cash and cash equivalents on opening	16.6	31.1
Cash and cash equivalents at period-end	29.0	15.9

At 31 December 2022, the Group had cash and cash equivalents of €29.0 million, compared with €15.9 million at 31 December 2021.

8.6.1 Cash flow from operating activities

The following table sets out the Group’s cash flow from operating activities for the 12-month period ended 31 December 2022 and the fiscal year ended 31 December 2021:

<i>(In millions of euros)</i>	12 months ended 31 December 2022	Fiscal year ended 31 December 2021
Net profit	11.2	(149.0)
Adjustments:		
Cost of net debt	15.2	37.6
Other financial income and expenses	(4.5)	(1.7)
Income tax	5.9	1.3
Depreciation/amortisation of intangible assets and property, plant and equipment	20.5	12.0
Other income and expenses	0.7	144.7
Tax received/(paid)	(3.1)	(2.0)
Change in working capital requirements net of impairment losses	1.6	0.2
Cash flow from operating activities	47.5	42.7

The Group’s cash flow from operating activities was €47.5 million for the 12-month period ended 31 December 2022 and €42.7 million for the fiscal year ended 31 December 2021.

The increase in cash flow from operating activities of €4.8 million for the 12-month period ended 31 December 2022 is mainly due to the strong growth in the Group’s business, which generated a significant increase in adjusted EBITDA of €8.2 million, and to the efforts to improve the Group’s working capital requirements (see Section 8.4.4 “*Financing of working capital requirements*” of this

registration document), which had a positive impact on cash flow of €1.6 million for the 12-month period ended 31 December 2022, compared with a positive impact of €0.2 million from the change in working capital requirements for the fiscal year ended 31 December 2021.

8.6.2 Cash flow from investing activities

The following table sets out the Group's cash flow from investing activities for the 12-month period ended 31 December 2022 and the fiscal year ended 31 December 2021:

<i>(In millions of euros)</i>	12 months ended 31 December 2022	Fiscal year ended 31 December 2021
Net investment in property, plant and equipment and intangible assets	(21.8)	(17.1)
Acquisitions of equity interests, net of cash acquired	(35.5)	(1.7)
Investment subsidies received	1.8	0
Cash flow from other financial assets	0.0	(2.5)
Cash flow from investing activities	(55.5)	(21.3)

Cash flow from investing activities amounted to -€55.5 million for the 12-month period ended 31 December 2022 and -€21.3 million for the fiscal year ended 31 December 2021.

Cash flow used in investing activities therefore increased by €34.2 million during the 12-month period ended 31 December 2022, this increase being mainly due to (i) the acquisition of Xenics, for €35.6 million (net of cash acquired), completed on 22 December 2022, compared with acquisition-related cash outflows of €1.7 million during the fiscal year ended 31 December 2021, related to the exercise of the call option on the remaining securities (i.e., 60.1% of the share capital) in Device-Alab (now Photonis Infrared France) on 5 March 2021 and (ii) the increase in the Group's capitalised capital expenditure and Research and Development costs, to support the strong growth of its business, with net investment in property, plant and equipment and intangible assets rising from €17.1 million in the fiscal year ended 31 December 2021 to €21.8 million in the 12-month period ended 31 December 2022.

8.6.3 Cash flow from financing activities

The following table sets out the Group's cash flow from financing activities for the 12-month period ended 31 December 2022 and the fiscal year ended 31 December 2021:

<i>(In millions of euros)</i>	12 months ended 31 December 2022	Fiscal year ended 31 December 2021
Increases and decreases in share capital	-	42.7
Internal financing	-	18.0
Refinancing of non-current borrowings	40.0	212.1
Repayment of non-current borrowings	-	(258.9)
Refinancing of current borrowings	-	0.4
Repayment of current borrowings	(3.1)	(12.4)
Payment of accrued interest	0.0	(9.1)
Repayment of financial debt under IFRS 16	(1.5)	0.4
Financial expenses with cash flow linked to loans	(13.4)	(21.9)

Financial expenses with cash flow linked to financial debt (IFRS 16)	(0.5)	(0.4)
Loan issue expenses	(1.3)	(7.7)
Other	0.0	-
Cash flow from financing activities	20.3	(36.8)

Financing activities generated cash flow of €20.3 million in the period ended 31 December 2022 and used cash of €36.8 million in the fiscal year ended 31 December 2021.

The main cash flows for the 12-month period ended 31 December 2022 were as follows:

- Refinancing of non-current borrowings of €40.0 million, corresponding to the subscription of additional financial debt to finance the acquisition of the Xenics Group, including the issue of €10.0 million of B Bonds and an additional €15.0 million of A Bonds, the subscription of an additional €6.4 million of Senior debt – Facility A1 and an additional €8.6 million of Senior debt – Facility A2;
- Financial expenses with cash flow related to borrowings for €13.4 million, corresponding to interest paid by the Group on its financial debt.

Following the acquisition of the Group by HLD, the main cash flows for the fiscal year ended 31 December 2021 were as follows:

- For €42.7 million, the amount of a capital increase in Photonis International fully subscribed by the Company by way of set-off against the debt held by the Company on Photonis International under a delegation agreement, giving rise to a cash payment of €44.9 million to Photonis International, partially offset against the credit balance of the partners' current account;
- Repayment of non-current and current borrowings of €271.3 million, comprising mainly the repayment of €167.0 million of convertible bonds and €94.6 million of junior debt – PIK, repaid with the proceeds of the issue of A Bonds and drawdowns under the Senior Credit Facilities Agreement referred to below, as part of the refinancing of the Group's existing debt implemented when the Group was acquired by HLD in July 2021;
- The refinancing of non-current and current borrowings, in the amount of €210.0 million, with the issue of the A Bonds for a principal amount of €175.0 million, the drawdown of Senior Debt – Facility A1 in the amount of €15.0 million and Senior Debt – Facility A2 in the amount of €20.0 million under the Senior Credit Facilities Agreement, as part of the refinancing of the Group's existing debt implemented when the Group was acquired by HLD in July 2021;
- Financial expenses with cash flow related to borrowings for €21.9 million, corresponding to interest paid by the Group on its financial debt.

8.7 *Cash conversion*

The main performance indicator used by the Group to analyse its cash flows is cash conversion. This performance indicator enables the Group to measure its ability to convert profitability into cash flow to support its investment strategy. This performance indicator is monitored on a regular basis by the Group to analyse and assess its activities and their trends, measure their performance, prepare results forecasts and make strategic decisions.

Cash conversion is an alternative performance indicator within the meaning of AMF position no. 2015-12.

Cash conversion is not a standardised accounting aggregate with a single definition generally accepted by IFRS. It should not be considered as a substitute for operating profit, net profit or cash flow from operating activities, which are measures defined by IFRS, or a measure of liquidity. Other issuers may calculate cash conversion differently from the definition used by the Group.

Cash conversion is calculated using the following formula: (Adjusted EBITDA – capitalised Research and Development costs – capital expenditure)/(Adjusted EBITDA – capitalised Research and Development costs)

Reconciliation of operating profit to cash conversion

<i>(In millions of euros)</i>	Fiscal year ended 31 December 2023	12 months ended 31 December 2022	Fiscal year ended 31 December 2021
Operating profit	48.3	27.8	(114.4)
Restatement of depreciation, amortisation and provisions	29.4	20.5	12.0
Restatement of other income and expenses	4.3	3.9	146.3
Other restatements*	4.0	3.4	3.6
Adjusted EBITDA	86.0	55.6	47.5
Capitalised Research and Development costs	(8.6)	(7.5)	(6.3)
Capital expenditure	(23.7)	(15.1)	(10.4)
Adjusted EBITDA – capitalised Research and Development costs – capital expenditure	53.6	33.0	30.7
Adjusted EBITDA– capitalised Research and Development costs	77.4	48.1	41.2
Cash conversion	69.3%	68.6%	74.7%

* Other restatements correspond to the restatement of the impact of items that do not reflect the Group's core operating performance, such as costs relating to business reorganisation and adaptation operations, and expenses associated with share-based payments (IFRS 2).

The Group's cash conversion was 69.3%, 68.6% and 74.7% for the fiscal year ended 31 December 2023, the 12-month period ended 31 December 2022 and the fiscal year ended 31 December 2021 respectively.

The slight decrease in cash conversion during the 12-month period ended 31 December 2022 and the fiscal year ended 31 December 2023, compare to the cash conversion for the fiscal year ended 31 December 2021, is explained by the significant increase in the Group's capital expenditure during these periods, which could not be fully offset by the significant increase in adjusted EBITDA recorded. Since 2021, the Group has significantly increased the proportion of growth capital expenditure, raising capital expenditure to 8.1% of revenue for the fiscal year ended 31 December 2023, in order to meet the significant increase in demand particularly in the Amplification business, which has seen a 72.8% increase in revenue between 2021 and 2023. The Group intends to reduce the level of capital expenditure to around 6% of revenue by 2024 and then to a normative level in the region of less than 5% in the medium term.

8.8 Shareholders' equity

The following table shows the Company's shareholders' equity as derived from the Group's consolidated financial statements for the periods ended 31 December 2022 and 31 December 2023:

<i>(in thousands of euros)</i>	Share capital	Additional paid-in capital	Reserves			Total
			<i>Currency translation differences</i>	<i>Other reserves</i>	<i>Retained earnings</i>	
On 16 March 2021	0	0	0	0	0	0
Actuarial gain/(loss) on post-employment benefits	-	-	-	240	-	240
Currency translation differences	-	-	291	-	-	291
Other comprehensive income	-	-	291	240	-	531
Net profit for the period	-	-	-	-	(3,404)	(3,404)
Total comprehensive income for the period	-	-	291	240	(3,404)	(2,873)
Capital increase	1,900	188,100	-	-	-	190,000
Acquisition of Photonis International	-	-	-	(16,101)	-	(16,101)
Other	-	-	-	(412)	-	(412)
On 31 December 2021	1,900	188,100	291	(16,273)	(3,404)	170,614
Change in cash flow hedges	-	-	-	(124)	-	(124)
Actuarial gain/(loss) on post-employment benefits	-	-	-	1,339	-	1,339
Currency translation differences	-	-	(85)	-	-	(85)
Other comprehensive income	-	-	(85)	1,215	-	1,130
Net profit for the period	-	-	-	-	11,212	11,212
Total comprehensive income for the period	-	-	(85)	1,215	11,212	12,342
Capital increase	41	(41)	-	-	-	0
Other	-	-	-	97	-	97
On 31 December 2022	1,941	188,059	206	(14,961)	7,808	183,053
Change in cash flow hedges	-	-	-	124	-	124
Actuarial gain/(loss) on post-employment benefits	-	-	-	(60)	-	(60)
Currency translation differences	-	-	562	-	-	562

<i>(in thousands of euros)</i>	Share capital	Additional paid-in capital	Reserves			Total
			<i>Currency translation differences</i>	<i>Other reserves</i>	<i>Retained earnings</i>	
Other comprehensive income	-	-	562	64	-	626
Net profit for the period	-	-	-	-	18,406	18,406
Total comprehensive income for the period	-	-	562	64	18,406	19,032
Capital increase	6	(6)	-	-	-	0
Other	-	-	-	1,980	-	1,980
On 31 December 2023	1,947	188,053	768	(12,917)	26,214	204,065

9. LEGISLATIVE AND REGULATORY ENVIRONMENT

The Group operates in two business sectors: (i) Amplification, which accounted for 72% (66% on a *pro forma* basis) of the Group's consolidated revenue for the fiscal year ended 31 December 2023, predominantly linked to the defense sector and (ii) Detection and Imaging, which accounted for 28% (34% on a *pro forma* basis) of the Group's revenue for the fiscal year ended 31 December 2023, the vast majority linked to commercial sector markets such as nuclear power generation, research laboratories, the oil and gas industry, the agrifood, life sciences, semiconductor, electronics and recycling industries, or the aerospace sector.

Given the diversity of the sectors in which the Group operates, it is required to comply with a wide range of laws, regulations, and standards applicable in the countries in which its production sites are located and from which its products are exported, as well as in the countries in which its products are distributed.

The main regulations specifically applicable to the Group's activities and likely to have a significant impact on its business are summarised below.

9.1 Export control regulations

A majority of the products manufactured and sold by the Group as part of its Amplification activities, and to a lesser extent certain products manufactured and sold as part of its Detection and Imaging activities, have been determined by the Group to fall within the definition of goods specially designed for a defense application or dual-use goods. As such, the Group is subject to export control regulations for the products it manufactures.

9.1.1 European regulations

Dual-use goods

The Group's technologies produced in Europe, in particular at its production sites in France, Germany, Belgium and the Netherlands, are subject to the provisions of Regulation (EU) 2021/821 of 20 May 2021 on the control of exports of dual-use goods (the "**Dual-Use Regulation**"), which applies directly in these countries.

Dual-use goods are goods, software, or technologies that meet a number of needs and can be used in commercial applications but can also be used for defense purposes. These goods may consist of raw materials, components, systems, or related technological know-how. They may also consist of goods used in the production or development of defense products, such as machine tools, chemical materials, software or source code. Controls under the Dual-Use Regulation apply to exports of goods outside the customs territory of the European Union, with the exception of the transfer of certain dual-use goods within the customs territory of the European Union, for which prior authorisation is also required due to the sensitive nature of these transfers.

Annex I of the Dual-Use Regulation contains a list common to all twenty-eight Member States of products (including software and technologies) that are classified as dual-use goods, and includes products covered by various non-proliferation regimes and/or international export control groups, in particular the NSG (Nuclear Suppliers Group) against the proliferation of nuclear goods and technologies or the Wassenaar Arrangement, whose controls focus on transfers of industrial and cryptological goods and advanced technologies that could be used in various military programmes. The types of dual-use items listed in this annex are very varied and include items used in the security, electronics, IT, avionics, nuclear, aerospace, marine and telecommunications sectors. The Group must therefore determine whether the products it sells are on this list, in order to determine whether authorisation is required for the export of the product(s) concerned. For example, this list includes

“nuclear materials, installations and equipment”, as well as “sensors and lasers”, which concern some of the Group’s products.

The Group estimates that around 80% of its revenue comes from dual-use products, such as light intensifier tubes, infrared cameras, neutron and gamma radiation detectors, cooled cameras and UV detectors.

Under the Dual-Use Regulation, exports of dual-use items from one EU country to another are generally not subject to authorisation, unless the items in question are listed in Annex IV (Article 22(1) of the Regulation). On the other hand, any export outside the European Union of dual-use items listed in Annex I of the Dual-Use Regulation requires an export licence from the competent authority of the Member State in which the exporter is established, such as the French Export Control Office on Dual-Use Goods (SBDU) attached to the French Directorate General of Economic Affairs, Finance and Industrial and Digital Sovereignty. This licence may, where appropriate, be applicable to several countries of export.

Export authorisations take the form of licences, of which there are three types: the individual licence (authorising the export of goods in one or more consignments, for a certain quantity, to an identified consignee), the global licence (authorising the export of goods to one or more identified consignees, with no limit on quantity or amount) and the general licence (a general authorisation issued by the European Union or a national general licence allowing any exporter or supplier with the right to use it to carry out export operations within its scope (specified goods and destinations) and under the conditions set out for the licence concerned, without first having to apply for an individual licence for each of these operations). The general licence may be a Union general authorisation, of which there are eight in the Dual-Use Regulation, or a national general authorisation. For example, dual-use goods manufactured and sold from the Group’s production sites in France, Belgium and the Netherlands can be exported under licence EU001 to Australia, Canada, Japan, New Zealand, Norway, Switzerland and the United States under a general authorisation, without the need for individual licences.

It is up to the exporting companies themselves to determine whether or not their products are covered by “dual-use goods” controls, based on the technological characteristics of their products, and the exporter is responsible for their use in accordance with European and national regulations. To this end, the Group has established an Internal Export Control Compliance Program based on demanding standards, which applies to all Group employees (see Section 3.6.2.2 “Operational risk management” of this registration document).

War materiel and the like

At European level, Directive 2009/43/EC of the European Parliament and of the Council of 6 May 2009 provides a framework for transfers of defense-related products within the European Union (the “**Transfers Directive**”). It establishes an authorisation system based on the granting of transfer licences to suppliers of defense-related products and facilitates the movement of these products within the European Union, with the aim of boosting the competitiveness of the European defense sector. The products falling into the category of defense-related goods to which this directive refers are listed in the annex to the directive.

Exports of goods considered to be war materiel, both between EU countries and to third countries, require a licence under the Transfers Directive.

Furthermore, in France, the control of war materiel is based on the general principle of prohibition of arms imports and exports, in application of article R.311-2 of the National Security Code and articles L.2335-1 et seq. of the Defense Code, by virtue of which technologies developed for the defense market must also obtain specific authorisations from the French Ministry of Defense and the Directorate General of Armaments for any export outside the European Union.

The Group estimates that less than 5% of its revenue is generated by products classified as non-lethal war materiel. In the European Union, the products concerned are mainly particularly high-performance power tubes produced at the Brive-la-Gaillarde site and products manufactured by the Group's German subsidiary.

In France, the manufacture and sale of products classified as war materiel are subject to a specific authorisation granted by the government. AFCIs (authorisation to manufacture, trade, brokering, exploitation and use of war materiel) can be issued by the Ministry of the Armed Forces or the Ministry of the Interior, depending on the nature of the company's activity and the classification of the equipment, weapons, ammunition, and their components. The Photonis France Group subsidiary has an AFCI issued by the Directorate General of Armaments.

Management by the Group

The Group implements numerous control and compliance measures to comply with the Dual-Use Regulation and with European and national regulations on war materiel and the like, and regularly monitors these regulations. The Group has also joined the Industry Trade Association for Strategic Products (SIEPS) in France to keep abreast of regulatory developments relating to the export of such products.

In particular, the Group has an export control department with dedicated staff in charge of controlling products subject to these regulations throughout the supply chain, from the potential sale to the dispatch of the product or products covered, by each of the subsidiaries concerned. In addition, all new Group employees are required to undergo export control training, and regular training sessions are also compulsory for staff classified as 'sensitive' (sales, purchasing and procurement teams, and research and development staff).

The validity period of licences varies according to the export country. For example, the validity period for licences in France is two years for dual-use goods and three years for war materiel; one year in Belgium and the Netherlands for dual-use goods and war materiel and four years in the United States for war materiel. The average time taken to obtain a licence varies from country to country. In France, it is around four weeks for dual-use goods and around ten weeks for war materiel; in Belgium and the Netherlands it is three months on average and in the United States it is four to five weeks on average.

9.1.2 US regulations

Dual-use goods

In the United States, provisions similar to the European framework apply through the *Export Administration Regulations (EAR)*, which subject exports of dual-use goods manufactured in the United States to an authorisation system based on licences issued by the US Department of Commerce (specifically, the Bureau of Industry and Security within the US Department of Commerce) depending on the country of export.

The scope of the EAR covers a wide range of goods and technologies, the classification process is highly technical and the need for a licence depends not only on the type of good but also on its end-use and end-user. In general, all products of US origin or physically located in the US are subject to the EAR and the specific conditions applicable to their export will depend on this classification.

EAR regulations require a licence for the export of dual-use items on the Commercial Control List (CCL). Goods that are not listed on the CCL, referred to as EAR99 goods,⁴¹ can generally be exported

⁴¹ EAR99 items are generally low-tech consumer goods and can be exported without a licence, but exporters of EAR99 items must take reasonable care to ensure that the item is not destined for an embargoed or sanctioned country, a prohibited end-user or a prohibited end-use.

without a licence, unless the export is to an embargoed country (such as Cuba, Iran or North Korea) or a restricted country, or is to a prohibited person or end-use.

The re-export of a US good is subject to the same controls as its initial export, and the EAR also applies to goods containing US components, unless the value of these US components within a set is below a certain threshold (the “*de minimis*” rule). The EAR therefore applies to companies in the European Union that manufacture goods incorporating components, software and/or technology of American origin. Consequently, whenever the Group uses a component manufactured in the United States representing a certain percentage of the total value of the finished product in which this component is incorporated, it must ensure compliance with the EAR. In addition, certain products manufactured by the Group’s subsidiaries in the United States are dual-use goods listed on the CCL, and as such require an export licence.

War materiel and the like

Some of the Group’s products manufactured in the United States may be subject to the US International Traffic in Arms Regulations (**ITAR**). Electronic amplification products (which account for a very small proportion of Amplification revenue) and certain cooled imaging products under the Group’s Telops brand are subject to ITAR regulations.

ITAR regulations govern defense-related goods and components and national defense-related technologies on the US Military List (**USML**). The ITAR regime also applies to products of American origin that incorporate a component or sub-assembly that is itself subject to the ITAR. These regulations are also likely to apply to a product of non-US origin, if a US entity is involved in the export operation (including in particular the involvement of US personnel or the transfer of technical data that passes through US data carriers).

Any export or re-export subject to ITAR is restricted to US organisations and individuals, unless a licence is obtained from the US Department of State, or a special exemption is granted. Under these regulations, a US person wishing to export goods listed on the USML, or a product incorporating such a component, to a foreign person must first obtain authorisation from the US Department of State. In particular, for any transfer of US-origin defense technology controlled under the ITAR to a non-US entity, the US entity is required to accept a technical transfer agreement or obtain a licence from the US authorities. Once the export has been approved by the US authorities, the US entity must submit to the Directorate of Defense Trade Controls (**DDTC**), within 30 days of exporting the goods in question, a copy of the US export licence signed by all parties.

To ensure effective control of the risks associated with exposure to foreign regulations, and in particular ITAR and EAR regulations, which could affect the Group’s sensitive activities, the local Export Control Managers monitor regulations with a US law firm for ITAR rules.

9.2 Foreign investment control regulations

Although Regulation (EU) No 2019/452 of 19 March 2019 establishing a framework for screening foreign direct investment does not create a screening mechanism at EU level, it sets out a framework and minimum requirements for screening mechanisms applicable by EU Member States that have the option of adopting restrictive measures regarding foreign direct investment on grounds of national security and public order. This regulation sets out a non-exhaustive list of factors that may be taken into consideration when determining whether a foreign direct investment is likely to undermine security or public order. In addition, the regulation establishes a system for cooperation between Member States and requires States that introduce such national legislation to provide a means of appeal for foreign investors and the companies concerned against the screening decisions of the national authorities.

In France, certain foreign investments in companies incorporated under French law operating in a limited number of sectors are subject to prior authorisation by the Minister of the Economy, particularly when all or part of the target's business relates to a strategic sector such as defense, energy, transport, public health or telecommunications. At the date of this registration document, some of the Group's activities are covered by the regulations applicable to foreign investments in France, in particular the Group's activities in the national defense and nuclear energy sectors, but also the production of dual-use goods. As a result, the Company and one of its French subsidiaries fall within the scope of the legal and regulatory provisions applicable to foreign investments in France set out in articles L. 151-3 and R. 151-2 et seq. of the French Monetary and Financial Code.

Under these provisions, the acquisition, by a non-French citizen, a French citizen not resident in France, a non-French entity or a French entity controlled by these persons or entities, of control, within the meaning of article L. 233-3 of the French Commercial Code, or of all or part of a branch of activity of the Company or of one of its French subsidiaries carrying on activities listed in the aforementioned provisions is subject to a prior authorisation procedure by the Minister of the Economy. In addition, any acquisition by an investor who is not a national of a Member State of the European Union or of a State party to the Agreement on the European Economic Area (EEA) which results in the threshold of 25% of the voting rights of the Company or of one of its French subsidiaries carrying on these activities being exceeded, either directly or indirectly, alone or in concert, is subject to the same procedure. Decree no. 2023-1293 of 28 December 2023 perpetuated the lowering of this threshold to 10% of voting rights for French companies whose shares are admitted to trading on a regulated market, which will be the case for the Company following its IPO.

In the context of this prior authorisation procedure, the Minister of the Economy is responsible in particular for verifying that the conditions of the planned transaction protect national interests; in this respect, the Minister may attach one or more conditions to the authorisation of such a transaction in order to ensure the long-term survival of the activities concerned, industrial capacities, research and development capacities or associated know-how, or even, on the basis of a reasoned decision, refuse such authorisation, in particular if national interests cannot be protected (see in particular Section 16.4.1 "*Commitments made by HLD Europe to the French Government*" of this registration document).

Any transaction carried out in breach of these provisions is null and void; it is also liable to a fine of up to double the amount of the irregular investment and to the criminal penalties provided for in article 459 of the French *Code des douanes*.

In addition, as part of its external growth operations, the Group may have to comply with a similar set of rules introduced in other jurisdictions. In the United States, foreign investments that raise national security concerns are subject to prior authorisation by the Committee on Foreign Investments in the United States (**CFIUS**). The CFIUS is an inter-agency government committee established in 1975 and codified in Section 721 of the Defense Production Act of 1950 (as amended by Section 5021 of the Omnibus Trade and Competitiveness Act of 1988). This committee is responsible for verifying the operations covered by the regulations in order to protect the national security of the United States and for recommending to the President whether or not to authorise operations presenting a threat, or to subject them to conditions designed to mitigate the risks.

The Foreign Investment Risk Review Modernisation Act (**FIRRMA**), which came into force on 13 August 2018, expanded the powers of CFIUS. Previously, CFIUS' jurisdiction was limited to reviewing mergers, acquisitions or takeovers that could result in "foreign control" of a US company. FIRRMA now extends CFIUS' jurisdiction to cover investments, including minority or non-voting investments, in certain US companies identified as strategic (those operating in "critical infrastructures" and "critical technologies" and those that store or collect sensitive personal data of US citizens) (see in particular Section 16.4.2 "*Commitments made by HLD Europe to the US Government*" of this registration document).

As part of its external growth operations, the Group may be subject to similar legislation relating to the control of foreign direct investment in the jurisdictions where these operations are carried out.

9.3 Regulations governing the Group's activities in the nuclear sector

Radiation protection

Articles L. 1333-1 to L. 1333-20 and R. 1333-1 to R. 1333-112 of the French Public Health Code set out the rules for the general protection of the public against ionising radiation. All nuclear activities are subject to a declaration or authorisation system. As a holder of sealed radioactive sources⁴² (whose structure or packaging prevents any dispersal of radioactive materials during normal use), the Group is subject to reporting obligations to the French Nuclear Safety Authority (ASN), an independent administrative authority responsible for monitoring nuclear activities in France. On behalf of the State, it is responsible for monitoring nuclear safety and radiation protection in France to protect workers, patients, the public and the environment from the risks associated with nuclear activities.

Articles L. 4451-1 et seq. and R. 4451-1 et seq. of the French Labour Code govern the protection of workers against ionising radiation. These can have an impact on living matter, with effects that can be deterministic (short-term tissue damage) or stochastic (random, increased risk of cancer in the long term). Radiation protection involves assessing the risks associated with exposure to ionising radiation and, if necessary, implementing protective and preventive measures to reduce these risks. In addition to various obligations incumbent on employers of employees likely to be exposed, such as determining supervised and controlled zones, monitoring radiation emitters and developing collective and individual protection measures, the French Labour Code sets limits on the exposure of workers to ionising radiation, in particular the dose limit of 20 millisieverts (mSv) over twelve consecutive months.

In this context, the Group is required to have a management system certified by the French Company certification of companies that train and monitor personnel subject to ionising radiation in the workplace, under the responsibility of a member of staff with the title of "Designated manager" and a member of staff with the title of "Competent person in radiation protection". In addition, it is obliged to implement preparatory methods to avoid or limit the radiation received by workers, as well as a process for detecting, analysing and dealing with compliance deviations and significant events (by determining the technical, organisational and human causes, defining appropriate curative, preventive and corrective actions, implementing them and then evaluating them).

French Nuclear Safety Authority (ASN)

As a company supplying customers operating in the nuclear sector, the Group is subject to ASN decisions. For example, the Group is required to report its own safety, radiation protection and environmental incidents to the ASN, and the nuclear instrumentation products it produces must be authorised by the ASN.

The ASN plays an important role in the development of regulations applicable to the nuclear industry; it is consulted on draft decrees and ministerial orders of a regulatory nature relating to nuclear safety, and it may issue regulatory decisions of a technical nature to supplement the terms of application of decrees and orders issued in the field of nuclear safety or radiation protection. The ASN may also issue individual decisions and impose requirements under the conditions defined by Articles L. 592-1 et seq. of the Environmental Code and, in particular, Articles L. 592-19 et seq. of this Code.

9.4 Environmental regulations

⁴² The radioactive materials in the sources are sealed inside a protective container. The waves or energetic particles emitted by these materials are known as ionising radiation.

Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (**REACH Regulation**), as amended by Regulation (EU) No 2021/979 of 17 June 2021, imposes a series of obligations on all industrial sectors regarding the registration, use and restriction of chemicals used in production processes. Professionals must register their substances in order to describe the potential risks, and after diagnosis, if they pose no risk or if the risk is under control, they can be used, or they present certain risks, and their use is regulated or even prohibited. The Group is therefore a downstream user (defined as anyone other than the manufacturer or importer who uses a substance, either on its own or in a preparation), which means that it must ensure that its suppliers have registered their substances if they are not exempt. However, the Group is also an importer of articles, which imposes obligations on it to inform its customers about the substances incorporated in its products.

In addition, the Group is subject to the provisions of Decree no. 2013-988 of 6 November 2013, transposing the RoHS “Restriction of Hazardous Substances” Directive 2011/65/EU of 8 June 2011, as amended by Directive (EU) 2015/863 of 31 March 2015. This directive aims to limit the use of ten hazardous substances in electrical and electronic equipment (e.g., lead, mercury and cadmium). To date, only lead has been identified as being present in products marketed by the Group and subject to the restrictions imposed by the RoHS Directive. However, exceptions apply to certain categories of equipment, certain applications, certain components and certain materials, and the Group’s products identified as containing lead benefit from several exemptions under the RoHS Directive, including those applicable to equipment necessary for the protection of the essential security interests of Member States, equipment intended to be sent into space and equipment that is specifically designed to be installed as part of another type of equipment that does not fall within the scope of the RoHS Directive. The Group also benefits from time-limited exemptions granted by the European Commission, which concern, for its activities at the date of this registration document, electrical and electronic components containing lead in glass or microchannel wafers containing lead. Non-compliance with the RoHS Directive is penalised at national level by the relevant supervisory authorities, so penalties can vary considerably from one Member State to another.

Such restrictions and/or bans can have a significant impact on the Group’s activities and must be carefully monitored and anticipated as soon as possible in order to identify suitable alternative substances.

9.5 Regulations on economic sanctions and the fight against corruption

The Group is subject to various regulations aimed at fraud and abuse. These regulations cover fraud such as misappropriation of assets or corruption, unethical behaviour in interactions with third parties, including government officials, customers, and suppliers, as well as inappropriate marketing or promotional practices and conflicts of interest.

The Group is therefore subject to the anti-corruption regulations applicable in the countries in which it operates, such as the Sapin II law in France, the US Foreign Corrupt Practices Act (**FCPA**) and the provisions of the Dutch and German Criminal Codes.

In addition, some of the Group’s products are likely to use gold so it must comply with Regulation (EU) 2017/821, laying down obligations for importers of tin, tantalum and tungsten, their ores and gold from conflict or high-risk areas (the **Conflict Minerals Regulation**). In politically unstable areas, the extraction and trade of these minerals can lead directly or indirectly to armed conflict, human rights violations, corruption and money laundering. Under the terms of this regulation and in accordance with OECD guidelines, companies are subject to a duty of care with regard to their supply chain, and must ensure that they source minerals and metals responsibly and do not contribute to conflicts, their harmful effects or other illegal activities. Companies subject to the duty of care must identify the risks associated with sourcing raw materials from politically unstable or conflict zones and put in place risk management, independent third-party verification and reporting systems. They must also determine

whether the exploitation of these raw materials is likely to encourage the financing of conflict, forced labour or any other risk covered by the Conflict Minerals Regulation.

Lastly, the Group is keeping a close eye on changes in the restrictive measures imposed by the European Union on imports from countries under embargo or conflict zones (for example, products or services originating directly or indirectly in Russia or Belarus) that could affect its supply chain.

9.6 Regulations on the protection of personal data

In the course of its business, the Group collects and processes information that is subject to legislation and regulations on the protection of personal data in Europe and in other regions where the Group operates.

In Europe, Regulation No 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data (**GDPR**) applies to the Group. The GDPR established the new regulatory framework for the protection of personal data in Europe when it came into force on 25 May 2018. The GDPR applies to the automated or non-automated processing of personal data carried out by any entity established on the territory of the European Union or to processing carried out by an entity outside the European Union where the processing activities relate to the offering of goods or services to individuals within the European Union or to the monitoring of the behaviour (targeting) of those individuals. Personal data is broadly defined as any information relating to an identified or identifiable natural person, whether directly or indirectly, regardless of that person's country of residence or nationality.

Under the GDPR, the Group must comply with a number of essential rules:

- personal data must be processed lawfully and transparently, ensuring fairness to the individuals whose personal data are processed (“lawfulness, fairness and transparency”);
- there must be specific purposes for processing the data and the Group must indicate these purposes to data subjects when it collects their personal data (“purpose limitation”);
- the Group may only collect and process personal data that are necessary to achieve these purposes (“data minimisation”);
- the Group must ensure that personal data is accurate and kept up to date in relation to the purposes for which it is processed, and correct it where necessary (“accuracy”);
- the Group must ensure that personal data is kept no longer than is necessary for the purposes for which it was collected (“retention limitation”); and
- the Group must put in place appropriate technical and organisational measures to ensure the security of personal data, including protection against unauthorised or unlawful processing and against accidental loss, destruction, or damage, using appropriate technology (“integrity and confidentiality”).

In addition, the GDPR:

- provides for greater responsibility on the part of data controllers and processors, requiring them to be able to demonstrate compliance with the rules imposed by the GDPR at all times and on an ongoing basis, in particular through the implementation of technical and organisational measures and an obligation to provide documentation. To this end, the GDPR requires a register to be kept of the data processing carried out;

- strengthens the rights of those affected by data processing, in particular by introducing additional information related, for example, to the legal framework for processing, the legitimate interests pursued by the controller, the right to limit data processing and data portability and, where processing is based on consent, the right to withdraw consent;
- requires notification of data breaches to the supervisory authority and to the persons affected by the breach;
- requires a full impact assessment to be carried out for high-risk processing operations involving sensitive data, setting out the characteristics of the operation, the risks and the measures adopted to protect them;
- requires certain data controllers to appoint a Data Protection Officer (DPO) under certain conditions.

Depending on the offence, failure to comply with the provisions of the GDPR may result in penalties of up to 20 million euros or 4% of the offender's annual worldwide revenue, whichever is greater.

The GDPR gives EU Member States the option of adopting local specifications. France made use of this option in the context of the Act of 20 June 2018 reforming Act No. 78-17 of 6 January 1978 on data processing, data files and individual liberties ("Data Protection Act") and its implementing decrees, when certain articles of the GDPR referred to national legislation. Therefore, in addition to the GDPR, local data protection laws in the countries in which the Group is established or offers services must be taken into account, in this case the Data Protection Act in France.

The Group has implemented a number of measures to ensure GDPR compliance within the various Group entities affected by this regulation, which it intends to reinforce over the coming months.

10. TREND INFORMATION

10.1 Business Trends

A detailed description of the Group's results for the fiscal year ended 31 December 2023 is given in Chapter 7 "*Review of the Group's financial position and results*" of this registration document.

10.2 Mid-term Outlook

The objectives and trends presented below are based on data, assumptions and estimates, particularly with regard to the economic outlook, which the Group considers reasonable at the date of this registration document.

This outlook and these objectives, which result from the Group's strategic orientations, do not constitute forecasts or estimates in relation to the Group's profits. The figures, data, assumptions, estimates and targets set out below may change or be modified in an unforeseeable way, depending, among other aspects, on changes in the economic, financial, competitive, legal, regulatory, accounting and tax environment, or depending on other factors of which the Group is unaware at the date of this registration document.

In addition, the materialisation of certain risks described in Chapter 3 "*Risk factors*" of this registration document could have a negative impact on the Group's business, financial position, market conditions, results or outlook, and thus call into question its capacity to achieve the objectives presented below.

At the same time, achieving these objectives depends on the success of the Group's strategy and its implementation.

Consequently, the Group makes no commitment and gives no guarantee as to the achievement of the objectives set out in this section.

Outlook for the evolution of the Group's activities and financial targets

The outlook as regards the evolution of the Group's activities and the financial targets presented below is based in particular on market trends and prospects in line with those set out in Sections 5.5.1.1 "*Amplification market trends*" and 5.5.2.1 "*Detection and Imaging market trends*" of this registration document and on the assumptions presented in Section 11.1 below.

Over the period 2023–2027, the Group aims to achieve high single digit average annual organic revenue growth⁴³, with above mid-single digit yearly growth over the period 2025–2027.

The Group has also set itself the target of doubling its total revenue between 2023⁴⁴ and 2027, corresponding to a c.18% CAGR over the period, including the contribution of external growth operations.

The Group is also targeting a high single-digit average annual growth of adjusted EBITDA⁴⁵ over the period 2025–2027, with a mild improvement in the adjusted EBITDA margin by 2027 compared with

Organic growth is the growth in revenue achieved by the Group on a like-for-like basis, which corresponds to revenue achieved during period "n" by all the companies included in the Group's scope of consolidation at the end of period "n-1" (excluding any contribution from companies acquired after the end of period "n-1"), compared with revenue achieved during period "n-1" by the same companies, regardless of when they entered the Group's scope of consolidation.

⁴⁴ Based on *pro forma* revenue for the fiscal year ended 31 December 2023 of €318.8 million.

⁴⁵ Adjusted EBITDA corresponds to operating income, after deducting (i) depreciation, amortisation and reversal of impairment losses on non-current assets; (ii) non-recurring income and expenses as presented in the consolidated income statement under "Other income" and "Other expenses"; and (iii) the impact of items that do not reflect the Group's core

2024 (which the Group expects to be slightly above the level of the adjusted EBITDA margin for the fiscal year ended 31 December 2023, i.e., 29.5%, or 28.9% on a *pro forma* basis). The Group is also aiming for a mild improvement over time of its adjusted EBIT margin⁴⁶, which is expected to reach around up to 25% by 2027.

The Group also intends to continue optimising its cash flow, with the aim of achieving a cash conversion⁴⁷ of over 80% by 2027. It also aims to continue to implement its ambitious research and development policy, maintaining gross Research and Development costs⁴⁸ at between 7% and 8% of consolidated revenue.

Over the period 2025–2027, the Group’s objective is to distribute dividends in an annual amount of between 20% and 25% of its net profit, subject to approval by the Company’s General Meeting of Shareholders, with the aim of paying in 2025 in respect of the 2024 fiscal year a first dividend between 10% and 12.5% of its net profit.

In terms of external growth, the Group intends to pursue its current strategy of targeted acquisitions, at the same pace as it has done historically, based on similar criteria and parameters, and in line with its strategic objectives. By making these acquisitions, the Group aims to achieve a balanced distribution of its revenue between its Amplification and Detection & Imaging businesses by 2027. To support this strategy, the Group intends to allocate between €300 and €400 million to acquisitions between 2024 and 2027, while maintaining a net debt to adjusted EBITDA ratio of around 2x up until 2027.

operating performance, such as costs relating to business reorganisation and adaptation operations and expenses associated with share-based payments (IFRS 2).

⁴⁶ Adjusted EBIT corresponds to operating income, after deducting (i) non-recurring income and expenses as presented in the consolidated income statement under “Other income” and “Other expenses”; and (iii) the impact of items that do not reflect the Group’s core operating performance, such as costs relating to business reorganisation and adaptation operations and expenses associated with share-based payments (IFRS 2). Depreciation, amortisation and reversal of impairment losses on non-current assets, included in adjusted EBIT, exclude amortisation of the portion of non-current assets corresponding to the allocation of the acquisition price.

⁴⁷ Defined as: $(\text{Adjusted EBITDA} - \text{capitalised research and development expenditure} - \text{capital expenditure}) / (\text{Adjusted EBITDA} - \text{capitalised research and development expenditure})$.

⁴⁸ Gross R&D costs include subsidies and tax credits.

⁴⁹ At 31 December 2023, the activable tax deficits amounted to €27.4 million (at 31 December 2023: €28.9 million) and mainly relate to the French tax integration group for €22.8 million (see also note 21 of the consolidated financial statements for the fiscal years ended 31 December 2023 and 31 December 2022).

11. PROFIT FORECASTS

The forecasts for the fiscal year ended 31 December 2024 presented below are based on data, assumptions and estimates considered reasonable by the Group at the date of this registration document. These data and assumptions may change or be modified as a result of uncertainties relating in particular to the economic, financial, accounting, competitive, regulatory and tax environment, or depending on other factors of which the Group is unaware at the date of this registration document. In addition, the materialisation of certain risks described in Chapter 3 “Risk factors” of this registration document could have an impact on the Group’s business, financial position, results or outlook, and thus call into question these forecasts. At the same time, achieving the forecasts depends on the success of the Group’s strategy. The Group therefore makes no commitment and gives no guarantee as to the achievement of the objectives set out in this section.

The forecasts presented below, and the underlying assumptions, have been drawn up in accordance with the provisions of Commission Delegated Regulation (EU) No 2019/980 and the ESMA recommendations on forecasts.

11.1 Assumptions

The Group has prepared its forecasts for the fiscal year ending 31 December 2024 in accordance with the accounting policies applied in the Group’s consolidated financial statements for the fiscal year ended 31 December 2023.

These forecasts are based mainly on the following assumptions for the fiscal year ending 31 December 2024:

Assumptions internal to the Company

- the continued implementation of the Group’s strategy, as described in Section 5.3 “Strategy” of this registration document;
- the cost of the main raw materials and components used by the Group and of the energy it uses being in line with the average cost observed during the fiscal year ended 31 December 2023, and the Group being able to pursue its pricing policy by passing on changes in the cost of raw materials and components and the cost of energy to its customers;
- an effective tax rate of between 17% and 18% over the period 2024–2027⁴⁹;
- the Group’s ability to complete the acquisitions planned for 2024 at the same pace as in 2023;
- the refinancing of the Group’s debt at the time of its IPO using (i) the proceeds of the drawdown to be made by the Company on the term loan made available under the New Senior Credit Agreement (see Section 8.3 of this registration document) for a maximum amount of €250.0 million and (ii) for the balance, part of the proceeds of the capital increase, for a minimum amount of approximately 180 million euros, which will be carried out by the Company in connection with its IPO (see also Section 8.1 of this registration document);

⁴⁹ At 31 December 2023, the activable tax deficits amounted to €27.4 million (at 31 December 2023: €28.9 million) and mainly relate to the French tax integration group for €22.8 million (see also note 21 of the consolidated financial statements for the fiscal years ended 31 December 2023 and 31 December 2022).

- continued efforts by the Group to improve its cost structure.

Macro-economic and market assumptions

- growth in the Amplification market and the Detection and Imaging market in line with the outlook set out in Section 5.5.1.1 “*Amplification market trends*” and Section 5.5.1.2 “*Detection and Imaging market trends*” of this registration document;
- the absence of any significant change in the regulatory and tax environment existing at the date of this registration document;
- the absence of any major change in the exchange rates of the main countries outside the eurozone in which the Group generates its income (in particular the euro/dollar exchange rate), compared with those observed during the fiscal year ended 31 December 2023.

11.2 Group forecasts for the year ended 31 December 2024

On the basis of the assumptions described above, the Group expects to achieve high teens organic growth in the upper 15%-20% range for the fiscal year ending 31 December 2024 compared with the *pro forma* revenue recorded in respect of the fiscal year ended 31 December 2023, and total revenue growth, including the contribution over 12 months of acquisitions made in 2024, of around 30% compared with the *pro forma* revenue for the fiscal year ended 31 December 2023. The Group also expects to achieve an adjusted EBITDA margin⁵⁰ for the fiscal year ending 31 December 2024 slightly above than the adjusted EBITDA margin recorded for the fiscal year ended 31 December 2023, when it stood at 29.5% of consolidated revenue (28.9% on a *pro forma* basis), for an adjusted EBITDA of at least €115 million (excluding acquisitions made in 2024) for the fiscal year ending 31 December 2024.

The Group also expects to achieve an adjusted EBIT margin⁵¹ of between 24% and 25% for the fiscal year ending 31 December 2024.

The Group also intends to continue optimising its cash flow, to achieve a cash conversion of between 75% and 80% for the fiscal year ending 31 December 2024, and to continue rolling out its ambitious research and development policy, with gross Research and Development costs⁵² expected to remain between 7% and 8% of consolidated revenue.

Finally, thanks to the refinancing that the Group intends to carry out at the same time as its IPO and the capital increase that will be carried out at that time, the Group expects to achieve a ratio of net debt to adjusted EBITDA of around 1.50x post-IPO and 1.60x at 31 December 2024 (including acquisitions to be made in 2024).

⁵⁰ Corresponds to adjusted EBITDA as a percentage of revenue. Adjusted EBITDA corresponds to operating income, after deducting (i) depreciation, amortisation and reversal of impairment losses on non-current assets; (ii) non-recurring income and expenses as presented in the consolidated income statement under “Other income” and “Other expenses”; and (iii) the impact of items that do not reflect the Group’s core operating performance, such as costs relating to business reorganisation and adaptation operations and expenses associated with share-based payments (IFRS 2).

⁵¹ Corresponds to adjusted EBIT as a percentage of revenue. Adjusted EBIT corresponds to operating income, after deducting (i) non-recurring income and expenses as presented in the consolidated income statement under “Other income” and “Other expenses”; and (iii) the impact of items that do not reflect the Group’s core operating performance, such as costs relating to business reorganisation and adaptation operations and expenses associated with share-based payments (IFRS 2). Depreciation, amortisation and reversal of impairment losses on non-current assets, included in adjusted EBIT, exclude amortisation of the portion of non-current assets corresponding to the allocation of the acquisition price.

⁵² Gross R&D costs include subsidies and tax credits.

⁵³ The amount of variable remuneration paid during the 2022 fiscal year includes the balance of the variable remuneration received in respect of the 2021 fiscal year amounting to 129,645 euros.

11.3 Statutory auditors' report on the profit forecast (adjusted EBITDA, adjusted EBITDA margin, adjusted EBIT and adjusted EBIT margin) for the year ending 31 December 2024

This is a free translation into English of a report issued in French and is provided solely for the convenience of English speaking readers. The report should be read in conjunction with, and construed in accordance with, professional auditing standards applicable in France.

“To the Chairman of EXOSENS,

In our capacity as statutory auditors and in response to your request, we have prepared this report on the profit forecasts (adjusted EBITDA, adjusted EBITDA margin and adjusted EBIT margin) of the Exosens Group (the ‘Company’) for the financial year ending 31 December 2024 included in section 11.2 of the registration document.

These forecasts and the significant assumptions underlying them have been prepared under your responsibility in accordance with the provisions of Regulation (EU) 2017/1129 as supplemented by Delegated Regulation (EU) 2019/980 and the ESMA guidance on profit forecasts.

It is our responsibility, on the basis of our work, to express a conclusion on the adequacy of the preparation of these forecasts on the basis stated.

We performed the procedures that we deemed necessary in accordance with professional guidance issued by the Compagnie Nationale des Commissaires aux Comptes relating to this engagement. These procedures consisted in an assessment of the preparation process set up by management to compile the forecast, as well as the procedures implemented to ensure that the accounting policies applied are consistent with those used to prepare the Company’s historical financial information. It also consisted in gathering the information and explanations that we deemed necessary to obtain reasonable assurance that the forecasts have been properly prepared on the basis of the assumptions set out.

We would point out that, since forecasts are by their nature uncertain, actual results will sometimes differ significantly from the forecasts presented and that we do not express any conclusion on the possibility of these forecasts being achieved.

In our opinion:

- the forecasts have been properly prepared on the basis stated;*
- the basis of accounting used for these forecasts is consistent with the Company’s accounting policies.*

This report is issued for the sole purpose of:

- the approval of the registration document by the AMF*
- where applicable, the admission to trading on a regulated market, and/or a public offering, of the Company’s financial securities in France and in the other countries of the European Union in which a prospectus approved by the AMF would be notified,*
- and may not be used in any other context.*

Toulouse and Nantes, 20 May 2024

The Statutory Auditors

PricewaterhouseCoopers Audit

Baker Tilly Strego

Bertrand Cuq

Jean-Marc Binson

*François Pignon-
Hériard”*

12. MANAGEMENT AND SUPERVISORY BODIES

At the date of this registration document, the Company is incorporated as a simplified joint stock company (*société par actions simplifiée*). Prior to the approval of the prospectus relating to the admission to trading of its shares on the Euronext Paris regulated market by the French *Autorité des marchés financiers* (AMF), the Company will be transformed into a public limited company (*société anonyme*) with a Board of Directors.

In addition, the General Meeting of Shareholders will decide to adopt new Articles of Association, subject to the condition precedent of setting the price of the Company's shares in connection with their admission to trading on the Euronext Paris regulated market. A summary description of the main provisions of these Articles of Association relating to the Board of Directors, in particular its mode of operation and powers, and a summary description of the main provisions of the corporate policies and procedures of the Board of Directors that the Company intends to introduce under the same condition precedent referred to above are set out in Section 19.2.2 of this registration document.

12.1 Composition and operation of the management and supervisory bodies

(i) Board of Directors

The table below sets out the proposed composition of the Board of Directors as of the date of settlement-delivery of the Company's shares in connection with their admission to trading on the Euronext Paris regulated market, which will comprise eight members, as well as the terms of office of the members of the Company's Board of Directors over the last five years:

Full name	Nationality	Expiry date of term of office	Main position held in the Company	Number of current positions held in listed companies	Independent director (within the meaning of the AFEP-MEDEF Code)	Committees			Main appointments and positions held outside the Company during the last five years
						Audit Committee	Appointments and Remuneration Committee	CSR Committee	
Jean-Hubert Vial ¹	French	At the close of the General Meeting called to approve the financial statements for the fiscal year ending 31 December 2027	Chairman of the Board of Directors	N/A	No				<p><u>Appointments and positions held at the date of this registration document:</u></p> <p><i>Within the Group:</i> Exosens, Chairman of the Board of Directors</p> <p><i>Outside the Group:</i> HLD, Chairman and Director Co invest Dentressangle, Chief Executive Officer Tessi, Chairman and member of the Supervisory Board Kiloutou, Member of the Supervisory Board Aresia, Member of the Supervisory Board Arcelle Investissements, Manager</p>

Full name	Nationality	Expiry date of term of office	Main position held in the Company	Number of current positions held in listed companies	Independent director (within the meaning of the AFEP-MEDEF Code)	Committees			Main appointments and positions held outside the Company during the last five years
						Audit Committee	Appointments and Remuneration Committee	CSR Committee	
									<u>Appointments and positions held over the past five years and now discontinued:</u> <i>Within the Group:</i> None <i>Outside the Group:</i> None
Jérôme Cerisier	French	At the close of the General Meeting called to approve the financial statements for the fiscal year ending 31 December 2027	Chief Executive Officer and director	N/A	No				<u>Appointments and positions held at the date of this registration document:</u> <i>Within the Group:</i> Kanji Management SAS, Chairman Xenics NV, Director Photonis Defense, Director Sinfrared Pte Ltd, Director Telops Inc., Director Xenics USA, Director Telops USA, Chairman Exosens UK Ltd, Director Photonis Asia Pacific Pte Ltd, Director Photonis Technologies Co. Ltd, Director <i>Outside the Group:</i> Kanji Management SASU, Chairman SCI Kanji & Co, Managing Director SARL Kanji Gestion,

Full name	Nationality	Expiry date of term of office	Main position held in the Company	Number of current positions held in listed companies	Independent director (within the meaning of the AFEP-MEDEF Code)	Committees			Main appointments and positions held outside the Company during the last five years
						Audit Committee	Appointments and Remuneration Committee	CSR Committee	
									<p>Managing Director</p> <p><u>Appointments and positions held over the past five years and now discontinued:</u> <i>Within the Group:</i> 14841981 Canada Inc., Chairman and Chief Executive Officer</p> <p><i>Outside the Group:</i> None</p>
Christophe Bernardini ¹	French	At the close of the General Meeting called to approve the financial statements for the fiscal year ending 31 December 2027	Director	N/A	No				<p><u>Appointments and positions held at the date of this registration document:</u> <i>Within the Group:</i> None</p> <p><i>Outside the Group:</i> Pebble Street SAS, Chairman</p> <p>SCI Berman, Gérant SCI Amuredda, Managing Director</p> <p>ESTACA, Member of the supervisory board</p> <p><u>Appointments and positions held over the past five years and now discontinued:</u> <i>Within the Group:</i> None</p> <p><i>Outside the Group:</i> None</p>
HLD Europe represented by Mr. Salim Helou ¹	French	At the close of the General Meeting called to approve the financial statements for the fiscal year ending 31 December 2027	Director	N/A	No				<p><u>Appointments and positions held at the date of this registration document:</u> <i>Within the Group:</i> None</p> <p><i>Outside the Group:</i> Rainbow holding, Member of the supervisory board</p>

Full name	Nationality	Expiry date of term of office	Main position held in the Company	Number of current positions held in listed companies	Independent director (within the meaning of the AFEP-MEDEF Code)	Committees			Main appointments and positions held outside the Company during the last five years
						Audit Committee	Appointments and Remuneration Committee	CSR Committee	
									<p>Aresia, Member of the supervisory board</p> <p>Murex Group, permanent representative of Indium SARL, Directors</p> <p>Société Générale de Presse et d'Éditions, Director</p> <p>Sierra Fox Aviation, Chief Executive Officer</p> <p>Sierra Juliet Advisory, Chairman</p> <p><u>Appointments and positions held over the past five years and now discontinued:</u></p> <p><i>Within the Group:</i> None</p> <p><i>Outside the Group:</i> Echo Sierra Aviation, Chairman</p>
Constance Lanèque ¹	French	At the close of the General Meeting called to approve the financial statements for the fiscal year ending 31 December 2027	Director	N/A	No				<p><u>Appointments and positions held at the date of this registration document:</u></p> <p><i>Within the Group:</i> None</p> <p><i>Outside the Group:</i> Invest Coop, Managing Director</p> <p>Invest Pixel, Manager</p> <p>Muse 2, Manager</p> <p>HLD Italy Uno, Chairman</p> <p>HLD Italy Due, Chairman</p> <p>Rainbow holding, Member of the Supervisory Board</p> <p>Tessi, representative of</p>

Full name	Nationality	Expiry date of term of office	Main position held in the Company	Number of current positions held in listed companies	Independent director (within the meaning of the AFEP-MEDEF Code)	Committees			Main appointments and positions held outside the Company during the last five years
						Audit Committee	Appointments and Remuneration Committee	CSR Committee	
									<p>HLD Conseils, Member of the Supervisory Board</p> <p>Butterfly I SAS, Member of the Supervisory Board</p> <p>JMBN, Managing Director</p> <p><u>Appointments and positions held over the past five years and now discontinued:</u></p> <p><i>Within the Group:</i> None</p> <p><i>Outside the Group:</i> Eviola, Member of the Board of Directors</p>
Michel Mariton ²	French	At the close of the General Meeting called to approve the financial statements for the fiscal year ending 31 December 2027	Director	N/A	Yes				<p><u>Appointments and positions held at the date of this registration document:</u></p> <p><i>Within the Group:</i> None</p> <p><i>Outside the Group:</i> Triamon Conseil, Chairman</p> <p>SATT Paris-Saclay, Director</p> <p><u>Appointments and positions held over the past five years and now discontinued:</u></p> <p><i>Within the Group:</i> None</p> <p><i>Outside the Group:</i> None</p>
Wendy Kool-Foullon ²	French and Dutch	At the close of the General Meeting called to approve the financial statements for the fiscal year	Director	N/A	Yes				<p><u>Appointments and positions held at the date of this registration document:</u></p> <p><i>Within the Group:</i> None</p> <p><i>Outside the Group:</i> None</p>

Full name	Nationality	Expiry date of term of office	Main position held in the Company	Number of current positions held in listed companies	Independent director (within the meaning of the AFEP-MEDEF Code)	Committees			Main appointments and positions held outside the Company during the last five years
						Audit Committee	Appointments and Remuneration Committee	CSR Committee	
		ending 31 December 2027							<p>Verallia Deutschland AG, Member of the Supervisory Board</p> <p>Kavminsteklo, Member of the executive committee</p> <p>Kamyshinsky Steklotarny Zavod, Member of the Board of Directors</p> <p>Vidrieras de Canarias S.A., permanent representative</p> <p>Verallia Spain, S.A, Director</p> <p>Verallia Holding UK, Member of the Board of Directors</p> <p>Verallia Latitude, Chairman</p> <p>Cap Verallia, Chairman of the Board of Directors</p> <p><u>Appointments and positions held over the past five years and now discontinued:</u></p> <p><i>Within the Group:</i> None</p> <p><i>Outside the Group:</i> Laminate Park GmbH, Member of the Board of Directors</p> <p>Tarkett Services, Gérante Somalre, Member of the Board of Directors</p> <p>Obale (France), Chairman</p> <p>Verallia USA, Member of the Board of Directors</p>

¹ Director nominated by HLD.

² *Independent director within the meaning of the AFEP-MEDEF Code.*

In addition to the above seven members, the Company will appoint an eighth director in connection with its IPO. The relevant information will be included in a supplement to this registration document.

The Company's independent directors will be appointed subject to the condition precedent of settlement-delivery of the Company's shares in connection with their admission to trading on the Euronext Paris regulated market, by a General Meeting of Shareholders to be held prior to the approval by the French *Autorité des marchés financiers* (AMF) of the prospectus relating to such admission, the other directors being appointed with effect from the date of approval by the French *Autorité des marchés financiers* (AMF) of the prospectus relating to such admission.

Personal information concerning members of the Board of Directors

Jérôme Cerisier, 52, is a graduate of the *École Polytechnique* engineering school, with a master's degree in aeronautics from ISAE-Supaéro and a master's degree in business administration from INSEAD. He began his career at the Directorate General of Armaments in 1997 before joining A.T. Kearney in 2001, first as a consultant and then as team leader. In 2006, Jérôme Cerisier joined Zodiac Aerospace as Director of Purchasing and Performance Improvement for the Elastomer Technologies and Systems business of Aerazur, a subsidiary of the Group, before becoming Managing Director from 2008 to 2011; he then became Managing Director of the Oxygen Systems business from 2011 to 2013 and finally of the Cabins and Cockpits business from 2013 to 2016. In 2016, Jérôme Cerisier joined Exosens (formerly Photonis Group) to become its chairman and lead the Group's transformation and expansion.

Jean-Hubert Vial, 54, is a graduate of Mines ParisTech and Paris Dauphine-PSL University. He began his career as an auditor with Arthur Andersen in 1994 before joining Société Générale's M&A department as a Manager in 1998. In 2000, he joined the M&A department of Rothschild & Cie before being appointed Director in 2005. In 2006, Jean-Hubert Vial joined Arstog Partners to take up the position of Director. In March 2015, he became a partner in the HLD Group, which specialises in the industrial and services sector. In this capacity, he oversees the HLD Group's holdings in Exosens, Aresia, Kiloutou and Tessi.

Christophe Bernardini, 63, is a graduate of ESTACA (Ecole Supérieure des Techniques Aéronautiques et de Construction Automobile) and has an Executive MBA from HEC Paris. He began his career in 1987 with the French aerospace group TAT. In 1997, he was appointed Managing Director of TAT Industries, a subsidiary of the TAT Group. In 2006, he became Chairman and CEO of Sabena Technics. Christophe Bernardini joined the Executive Committee of aerospace equipment manufacturer Zodiac Aerospace in 2012 as Managing Director of the Services division. In 2016, he became Managing Director of the Cabin division based in California. It was in 2019 that he joined the HLD Group as an Operating Partner specialising in the aerospace, defence and industrial sectors, where he is responsible for the HLD Group's holding in Exosens.

Salim Helou, 38, is a graduate of the Ecole Polytechnique engineering school in Paris and Columbia University (USA). He began his career as a consultant with McKinsey & Company in 2011. In 2013, he joined Murex as a senior consultant and project manager. He joined the HLD Group in 2016 as Managing Director, and in this capacity oversees the HLD Group's holdings in Exosens, Aresia, CBG Acciai and MVG.

Constance Lanèque, 41, is a graduate of the ESCP (Ecole Supérieure de Commerce de Paris) business school. She began her career as an auditor with PwC in 2006. She joined CDC Entreprises in 2008 as a Management Controller before joining Dassault Systèmes as a Financial Planning & Analysis Analyst in 2011. Since 2016, she has held the position of Controlling Manager at POST Luxembourg.

She joined the HLD Group in 2019, first as Managing Director and then as Head of Investment Vehicles and HLD Associés Europe.

Michel Mariton, 64, is a former student of the Ecole Normale Supérieure de Paris-Saclay and holds a doctorate in Physics. He is also a graduate of the Centre de Perfectionnement aux Affaires business school and the Institut Français des Administrateurs (French Institute of Administrators). After starting his career at CNRS and the University of California, he joined MATRA Défense Espace in 1989, where he worked on image processing for major weapons programmes, before becoming Vice-President for earth observation systems. In 1999, he became Managing Director and then Chairman of JOBIN YVON and led its development within the Japanese group HORIBA, where he then managed the entire scientific instrumentation segment. Following roles at SURYS (holography) and AMPLITUDE (ultrafast lasers), in 2020 he became Vice-President of Paris-Saclay University, then Economic Development Adviser to its President. Since 2016, he has also been Chairman of TRIAMON Conseil, a consultancy firm he founded in 2016.

Wendy Kool-Foulon, 50, is a graduate of the Université Paris Dauphine-PSL and the Ecole de Formation des Barreaux de la Cour d'Appel de Paris. She began her career as a lawyer in 1997 with Landwell Partners (formerly PricewaterhouseCoopers Juridique et Fiscal). She then joined the law firm Salans Hertzfeld & Heilbronn in 1999. In 2001, Wendy Kool-Foulon joined IBM France as a tax lawyer, before taking up the position of Corporate and M&A Manager in 2004. In 2009, she became head of legal affairs for the SCO division of GEODIS. She was appointed General Counsel of the EMEA, APAC and LATAM division of the TARKETT group in 2012, before becoming Group General Counsel and Secretary of the Supervisory Board in 2016. In 2020, she joined the Verallia Group as Group Legal and CSR Director and Secretary to the Board of Directors and the Sustainable Development Committee.

Non-voting member

In accordance with the provisions of Article 15.1 of the Articles of Association, the Board of Directors will appoint, subject to the condition precedent of settlement-delivery of the Company's shares in connection with their admission to trading on the Euronext Paris regulated market, Mr François Calvarin as a non-voting member of the Board of Directors for a term of four years.

François Calvarin will bring to the Company's Board of Directors the benefit of his solid sectoral expertise, as well as his in-depth knowledge of the Group through his long-standing presence on the Company's governance bodies.

François Calvarin, 61, is a graduate of the Ecole Nationale Supérieure des Mines de Paris (ENSMP). He began his career in 1985 as a mining engineer with Compania Minera Huaron in Peru. In 1987, he joined L'Équipement Minier as marketing manager. In 1990, François Calvarin joined Teleflex Lionel Dupont (TLD) as vice-president and industrial manager. Within the TLD group, he initiated and developed the strategy for airport ramp equipment. In 1996, he became executive vice-president of Gifi Cable / Draka France. In 1999, he joined FCI, a subsidiary of the AREVA group, as executive vice-president of the military, aerospace and industrial division (MAI). In 2003, together with other investors, he bought the MAI division, which took the name Souriau. In just a few years, the company became the world leader in aeronautical connectors. In 2012, following the sale of Souriau, François Calvarin founded his own company, Khantengri Investments. He has also been a member of a number of organisations, including the GEAD/GIFAS committee of aerospace equipment manufacturers from 2003 to 2012, a member of the Conseil des prélèvements obligatoires of the Cour des Comptes from 2004 to 2008, and a member of the General Council of the Banque de France from 2009 to 2021.

Nationality of the members of the Board of Directors

One member of the Board of Directors is of foreign nationality.

Independent members of the Board of Directors

With regard to the independence criteria defined by the AFEP-MEDEF Code in its version updated in December 2022, to which the Company intends to refer as from the admission to trading of its shares on the Euronext Paris regulated market, the Board of Directors has considered that two members of the Board of Directors, namely Mr Michel Mariton and Mrs. Wendy Fool-Koulon, are independent members of the Board of Directors.

Gender balance

As from the settlement-delivery of the Company's shares in connection with their admission to trading on the Euronext Paris regulated market, the Board of Directors will comprise three women, out of a total of eight directors. The composition of the Board of Directors will thus comply with the provisions of Articles L. 225-18-1 and L. 22-10-3 of the French Commercial Code, which require a balanced representation of women and men on the Board of Directors of companies whose shares are admitted to trading on a regulated market.

(ii) Chairmanship of the Board of Directors and general management

As from the settlement-delivery of the Company's shares in connection with their admission to trading on the Euronext Paris regulated market, the functions of Chairman of the Board of Directors and Chief Executive Officer will be separated. Mr Jean-Hubert Vial will act as Chair of the Board of Directors and Mr Jérôme Cerisier will act as Chief Executive Officer.

12.2 Declarations relating to administrative bodies

To the best of the Company's knowledge, over the last five years: (i) no member of the Board of Directors, the Chairman of the Board of Directors or the Chief Executive Officer of the Company has been convicted of fraud, (ii) no member of the Board of Directors, nor the Chairman of the Board of Directors, nor the Chief Executive Officer of the Company has been associated with a bankruptcy, receivership, liquidation or placement of companies under judicial administration, (iii) no official public charge and/or sanction has been brought against a member of the Board of Directors, the Chairman of the Board of Directors or the Chief Executive Officer of the Company by judicial or administrative authorities (including designated professional bodies) and (iv) no member of the Board of Directors, the Chairman of the Board of Directors or the Chief Executive Officer of the Company has been disqualified by a court from acting as a member of an administrative, management or supervisory body of an issuer or from acting in the management or conduct of the affairs of an issuer.

12.3 Conflicts of interest

To the best of the Company's knowledge, as of the date of this registration document, there are no potential conflicts of interest between the duties to the Company of the members of the Board of Directors, the Chairman of the Board of Directors and the Chief Executive Officer of the Company and their private interests.

13. REMUNERATION AND BENEFITS

At the date of this registration document, the Company is incorporated as a simplified joint stock company (*société par actions simplifiée*) with a supervisory board.

The Company will be converted into a public limited company (*société anonyme*) with a Board of Directors, and its Articles of Association will be amended accordingly, with effect from the date of approval by the French Financial Markets Regulator (AMF) of the prospectus relating to the admission to trading of the Company's shares on the Euronext Paris regulated market. Mr Jérôme Cerisier will be appointed Chief Executive Officer of the Company.

13.1 Remuneration and benefits paid to non-executive officers

The members of the Company's Board of Directors, as described in Chapter 12 "*Management and supervisory bodies*" of this registration document, did not receive any remuneration from the Company during the periods ended 31 December 2022 and 2023, with the exception of Mr Michel Mariton, who received annual flat-rate remuneration of €30,000 in 2023 and 2022 as a member of the Company's Supervisory Board. The General Meeting of the Company which will decide on the conversion of the Company into a public limited company with a Board of Directors (*société anonyme à conseil d'administration*), with effect from the date of approval by the *Autorité des marchés financiers* of the prospectus relating to the admission of the Company's shares to trading on the Euronext Paris regulated market, will set the total amount of remuneration allocated to the Board of Directors, in its new form as a public limited company, at €500,000 for the 2024 fiscal year and until a further decision by the General Meeting.

Directors will receive remuneration comprising a fixed portion and a variable portion, the amount of which will depend on their actual attendance at Board meetings and the scope of the Board's work. Directors who are members of Board committees will also receive remuneration in this respect, comprising a fixed portion and a variable portion based on their actual attendance at meetings of the committees of which they are members. The remuneration of the Chief Executive Officer as from the admission of the Company's shares to trading on the Euronext Paris regulated market (Mr Jérôme Cerisier), who will also be a director of the Company, is set out in Section 13.2.2 "*Remuneration of the Chief Executive Officer of the Company as from the admission of the Company's shares to trading on the Euronext Paris regulated market*" of this registration document.

For non-executive directors, the remuneration policy on the date of admission of the Company's shares to trading on the Euronext Paris regulated market is as follows:

For each director

- a fixed portion of €20,000; and
- a variable portion of €3,500, per Board meetings.

For directors participating in a Board committee

- a fixed portion of €5,000 for the Chairman of the Audit Committee and a fixed portion of €3,500 for the Chairman of the Appointments and Remuneration Committee and the Chairman of the CSR Committee and a variable portion of €2,500 for the Chairman of the Audit Committee and €2,000 for the Chairman of the Appointments and Remuneration Committee and the Chairman of the CSR Committee, per meeting of the Committee concerned; and
- for other members, a fixed portion of €2,500 and a variable portion of €2,500 per meeting of the Committee concerned.

This directors' remuneration policy may be reviewed annually subject to approval by the Company's General Meeting of Shareholders in accordance with the provisions of Article L. 22-10-8 of the French Commercial Code.

The Board of Directors will also have the power to award additional remuneration for exceptional work.

The Board of Directors may also allocate remuneration to any non-voting members of the Board in light of services rendered to the Company.

13.2 Remuneration and benefits paid to executive officers

The table below details the remuneration paid to Mr Jérôme Cerisier and Kanji Management (a company owned by Mr Jérôme Cerisier), by the Company and by any Group company during the periods ended 31 December 2022 and 2023:

Table 1 (AMF nomenclature): Summary table of remuneration, options and shares granted to each executive officer

<i>(amounts paid in euros)</i>	Fiscal year 2022	Fiscal year 2023
Mr Jérôme Cerisier, Chairman of Kanji Management, Chairman of the Company		
Remuneration granted for the fiscal year <i>(detailed in Table 2)</i> ¹	€633,200	€633,200
Valuation of multi-year variable remuneration awarded during the fiscal year	N/A	N/A
Valuation of options granted during the fiscal year <i>(detailed in Table 4)</i>	N/A	N/A
Valuation of free shares <i>(detailed in Table 6)</i>	None	None
Total	€633,200	€633,200

¹ Remuneration paid under Mr Cerisier's employment contract with the Company (which will be terminated as from the Company's IPO) and under Kanji Management's corporate mandate contract with the Company.

Table 2 (AMF nomenclature): Summary table of the remuneration of each executive officer

<i>(amounts paid in euros)</i>	Fiscal year 2022		Fiscal year 2023	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Mr Jérôme Cerisier, Chairman of Kanji Management, Chairman of the Company				
Fixed remuneration	€400,200	€400,200	€400,200	€400,200
Annual variable remuneration ¹	€219,000	€306,145 ⁵³	€219,000	€285,207 ⁵⁴
Multi-year variable remuneration	None			
Exceptional remuneration	None			
Benefits in kind ²	€2,455	€1,655	€2,455	€1,651
Total	€633,200	€708,010	€633,200	€687,058

¹ Annual variable remuneration is subject to performance conditions linked in particular to the Group's adjusted EBITDA, cash flow and net debt.

⁵³ The amount of variable remuneration paid during the 2022 fiscal year includes the balance of the variable remuneration received in respect of the 2021 fiscal year amounting to 129,645 euros.

⁵⁴ The amount of variable remuneration paid during the 2023 fiscal year includes the balance of the variable remuneration received in respect of the 2022 fiscal year amounting to 109,457 euros.

² Benefits in kind include a company car worth up to €80,000.

Table 10 (AMF nomenclature): Summary table of the multi-year variable remuneration of each executive officer

Name and position of executive officer	Fiscal year 2022	Fiscal year 2023
Mr Jérôme Cerisier, Chairman of Kanji Management, Chairman of the Company	Not applicable	Not applicable

Table 11 (AMF nomenclature)

The following table provides details of the remuneration and other benefits granted to executive officers:

Executive officers	Employment contract		Supplementary pension plan		Compensation or benefits due or likely to be due by reason of the termination or change of functions		Compensation relating to a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Mr Jérôme Cerisier, Chairman of Kanji Management, Chairman of the Company	X ¹		X		X ²		X ²	

¹ Employment contract concluded between the Company and Mr Jérôme Cerisier, which will be terminated as part of the Company's IPO.

² The conditions governing the payment of compensation in the event of the departure of Mr Jérôme Cerisier and the compensation due in respect of his non-competition undertaking, as applicable with effect from the admission of the Company's shares to trading on the Euronext Paris regulated market, are described in Section 13.2.2. of this registration document.

13.2.1 Allocation of share subscription or purchase options

Grant of subscription options

Table 4 (AMF nomenclature): Share subscription or purchase options granted in 2023 to each executive officer by the Company or any Group company

Name of executive officer	Plan No. and date	Type of options (purchase or subscription)	Valuation of options in accordance with the method used for the consolidated financial statements	Number of options granted during the fiscal year	Exercise price	Exercise period
Mr Jérôme Cerisier, Chairman of Kanji Management, Chairman of the Company	None	None	None	None	None	None

Table 5 (AMF nomenclature): Share subscription or purchase options exercised in 2023 by each executive officer

Name of executive officer	Plan No. and date	Number of options exercised during the year	Exercise price
Mr Jérôme Cerisier, Chairman of Kanji Management, Chairman of the Company	Not applicable	Not applicable	Not applicable

Table 8 (AMF nomenclature): History of share subscription options granted

Information on share subscription or purchase options				
	Plan No. 1	Plan No. 2	Plan No. 3	Plan No. 4
Date of General Meeting	None			
Date of Board of Directors				
Total number of shares that may be subscribed or purchased, including the number that may be subscribed or purchased by Mr Jérôme Cerisier, Chairman of Kanji Management, Chairman of the Company				
Starting date for exercising options				
Expiration date				
Subscription or purchase price				
Exercise terms (where the plan comprises several tranches)				
Number of shares subscribed at the date of this registration document				
Cumulative number of share subscription or purchase options cancelled or lapsed				
Share subscription or purchase options remaining at year-end				

Table 9 (AMF nomenclature): Share subscription or purchase options granted to the top ten non-executive officer employees and options exercised by them

Share subscription or purchase options granted to the top ten non-executive officer employees and options exercised by them	Total number of options granted/shares subscribed or purchased	Weighted average price	Plan No. 1	Plan No. 2
Options granted, during the fiscal year, by the issuer and any company included in the scope of the grant of options, to the ten employees of the issuer and of any company included in this scope, whose number of options granted is the highest (aggregate information)	None			
Options held by the issuer and the companies referred to above, exercised during the fiscal year by the ten employees of the issuer and of these companies, whose number of options thus purchased or subscribed is the highest (aggregate information)				

Allocation of performance shares

Table 6 (AMF nomenclature): Free shares allocated to each executive officer

Free shares allocated by the General Meeting of Shareholders during the 2023 fiscal year to each executive officer by the issuer and by any Group company (list of names)	Plan No. and date	Number of shares allocated during the fiscal year	Valuation of shares using the method adopted for the consolidated financial statements	Acquisition date	Availability date	Performance conditions
N/A	N/A					

Table 7 (AMF nomenclature): Free shares allocated that have become available for each executive officer

Free shares allocated that have become available for each executive officer	Plan No. and date	Number of shares that became available during the fiscal year
N/A	N/A	N/A

Table 10 (AMF nomenclature): History of free share allocations

Information on free shares			
Free share plan	ADP O'	ADP A'	ADP R1
Date of meeting (date of corporate authorisation)	Decision of the sole shareholder dated 22 July 2021		
Date of award decision	22/07/2021 15/09/2021 18/05/2022		22/07/2021 15/09/2021 13/07/2022 15/03/2023 19/07/2023
Total number of free shares allocated	1,000 000	1,500 000	3,950,000
<i>including the number allocated to Mr Jérôme Cerisier</i>	480,000	720,000	1,086 250
Date of acquisition of shares	22/07/2022 15/09/2022 18/05/2023		22/07/2022 15/09/2022 13/07/2023 15/03/2024 19/07/2024
End of holding period	22/07/2023 15/09/2023 18/05/2024		22/07/2023 15/09/2023 18/05/2024 13/07/2024 15/03/2025 19/07/2025

Number of shares subscribed	792,000	1,188 000	2,975,732
Cumulative number of shares cancelled or lapsed	-	-	49,375
Free shares allocated remaining at year-end	None	None	47,400

Long-term incentive scheme

In connection with the admission of the Company's shares to trading on the Euronext Paris regulated market, the Company intends to implement a long-term incentive policy for the Group's employees and managers. The aim of this policy will be to build loyalty and unite employees around the Group's objectives relating to growth, profitability and social and environmental responsibility.

To this end, the Company has decided to set up, subject to the non-retroactive condition precedent of the determination of the price of the Company's shares in the context of their admission to trading on the Euronext Paris regulated market, a free share allocation plan spread over a period of two years starting from the admission of the Company's shares to trading on the Euronext Paris regulated market, representing a maximum of 1% of the Company's share capital following the admission of the Company's shares to trading on the Euronext Paris regulated market.

This plan will benefit certain managers and employees of the Company and of related companies within the meaning of Article L. 225-197-2 of the French Commercial Code, including in particular the Company's Chief Executive Officer.

The definitive allocation, at the end of the vesting period, of all the free shares allocated each year under this plan will be subject to the achievement of performance criteria measured over the two years preceding the definitive allocation (half of which relate to each year concerned) linked (i) by up to 50%, to a target related to growth in the Company's revenue, (ii) by up to 25% to adjusted EBITDA growth in absolute terms and (iii) by up to 25%, to CSR criteria, in particular relating to (a) environmental criteria (e.g., reduction of greenhouse gas emissions, reduction of energy consumption, use of renewable energy sources, reduction of waste production or sustainable management of natural resources) and (b) social and human practices criteria (e.g., respect for human rights in the supply chain, adoption of measures to ensure the health and safety of employees or increase in the number of female managers).

An initial allocation of approximately 0.5% of the Company's share capital will be made at the same time as the Company's shares are admitted to trading on the Euronext Paris regulated market. It is also envisaged that another tranche of shares will be allocated, by decision of the Board of Directors, on the first anniversary of the admission of the Company's shares to trading on the Euronext Paris regulated market.

Free shares allocated under this plan will be subject to a two-year vesting period and a one-year holding period.

If 100% of the above performance criteria are met, the shares to be allocated free of charge under this plan may not represent more than 1% of the share capital following the admission of the Company's shares to trading on the Euronext Paris regulated market. It is specified that for each allocation, the shares allocated to the Company's Chief Executive Officer may not represent more than 20% of the allocation in question.

13.2.2 Remuneration of the Company's Chief Executive Officer as from the admission of the Company's shares to trading on the Euronext Paris regulated market

With effect from the admission of the Company's shares to trading on the Euronext Paris regulated market, Mr Jérôme Cerisier's remuneration in respect of his duties as Chief Executive Officer of the

Company will be as follows for the remainder of the fiscal year ending 31 December 2024 (calculated on a *pro rata temporis* basis):

- i. fixed annual remuneration of €450,000 gross,
- ii. variable annual remuneration equal to 70% of the fixed annual remuneration (i.e., €315,000 gross) if 100% of the performance conditions are met. These performance conditions are linked to the achievement of (a) 70% quantitative financial targets, which will mainly depend on the Group's revenue, free cash flow and adjusted EBITDA, and (b) 30% qualitative targets, set annually by the Board of Directors, which will mainly depend on the achievement of criteria linked to the CSR policy implemented by the Group. CSR criteria include (i) environmental criteria (e.g., reduction of greenhouse gas emissions, reduction of energy consumption, use of renewable energy sources, reduction of waste produced or sustainable management of natural resources) and (ii) criteria in relation to social and human practices (e.g., respect for human rights in the supply chain, adoption of measures to ensure the health and safety of employees or increase in the number of female managers). If these targets are exceeded, this variable remuneration is increased up to a maximum amount corresponding to 100% of the annual fixed remuneration (i.e., €450,000 gross).

Mr Jérôme Cerisier will not receive any remuneration for his duties as a director of the Company.

Mr Jérôme Cerisier will continue to have a company car.

In the event of his removal from office, Mr Jérôme Cerisier will also receive gross compensation equal to 18 months' fixed and variable remuneration for the last twelve months prior to the effective termination of his term of office. This compensation would be payable in the event of dismissal from his office as Chief Executive Officer, except in the event of dismissal for gross misconduct.

Mr Jérôme Cerisier would also be subject to a non-competition undertaking for a period of 12 months from the termination of his duties and would receive in this respect (if the Company does not waive the application of this undertaking on the termination of his duties) fixed monthly compensation equal to 1/12th of 70% of the sum of his fixed remuneration for the last twelve months prior to the effective termination of his term of office. This compensation would not be payable in the event of retirement before the legal retirement age.

In the event of the combined application of the severance payment and the non-competition payment described above, the combined amount of these two forms of compensation may not exceed an amount corresponding to the sum of the fixed and variable remuneration received by Mr Jérôme Cerisier over the two years preceding the effective termination of his term of office.

Jérôme Cerisier will not receive any exceptional remuneration if the IPO is completed.

13.3 Amounts provisioned or otherwise recognised by the Company or its subsidiaries for the payment of pensions, retirement or other benefits

The Company has made no provision for the payment of pensions, retirement or similar benefits to its executive officer.

14. OPERATION OF ADMINISTRATIVE AND MANAGEMENT BODIES

14.1 Appointment of members of the administrative bodies and management

Information on the expiry dates of the terms of office of members of the Board of Directors and senior management is given in Section 12.1 “*Composition and operation of the management and supervisory bodies*” of this registration document.

14.2 Information on service contracts between members of the Board of Directors and the company or any of its subsidiaries

To the best of the Company’s knowledge, at the date of this registration document, there are no service contracts binding the members of the Board of Directors to the Company or any of its subsidiaries and providing for the grant of a benefit.

14.3 Committees of the Board of Directors

At the date of this registration document, the Company is incorporated as a simplified joint stock company (*société par actions simplifiée*).

The Company will be converted into a public limited company (*société anonyme*) with a Board of Directors, and its Articles of Association will be amended accordingly, with effect from the date of approval by the French *Autorité des marchés financiers* (AMF) of the prospectus relating to the admission to trading of the Company’s shares on the Euronext Paris regulated market. As part of this transformation, the Company will set up the following committees within its Board of Directors: an Audit Committee, an Appointments and Remuneration Committee and a CSR Committee.

The corporate policies and procedures of these committees, the main provisions of which are set out below, will be adopted subject to the condition precedent of settlement-delivery of the Company’s shares in connection with their admission to trading on the Euronext Paris regulated market.

– Audit Committee

Composition

The Audit Committee will have 3 members, at least 2 of whom will be appointed from among the independent members of the Board of Directors, on the recommendation of the Appointments and Remuneration Committee. The Audit Committee may not include any executive directors.

The members of the Audit Committee must have particular expertise in financial and/or accounting matters.

When they are appointed, all members of the Audit Committee must receive information on the specific accounting, financial and operational aspects of the Company.

The term of office of members of the Audit Committee coincides with their term of office as members of the Board of Directors. It may be renewed at the same time as the Board of Directors.

The Chairman of the Audit Committee is appointed by the Board of Directors, on the recommendation of the Appointments and Remuneration Committee, from among the independent members of the Board of Directors. The Audit Committee cannot include any executive corporate officer.

Responsibilities

The responsibility of the Audit Committee is to monitor issues relating to the preparation and control of accounting, financial and non-financial information and to ensure the effectiveness of the risk monitoring and operational internal control system, in order to facilitate the performance by the Board of Directors of its control and verification duties in this area.

In this context, the Audit Committee has the following main responsibilities:

- monitoring the process for preparing financial and non-financial information;
- monitoring the effectiveness of internal control, internal audit and risk management systems relating to accounting, financial and non-financial information;
- monitoring of the statutory audit of the parent company and consolidated financial statements by the Company's statutory auditors;
- monitoring the independence of the statutory auditors; and
- monitoring the systems and procedures in place to ensure the dissemination and application of best practice policies and rules, particularly in terms of compliance.

The Audit Committee reports regularly to the Board of Directors on the performance of its duties and informs it immediately of any difficulties it encounters.

The Audit Committee meets as often as necessary and, in any event, at least twice (2) a year to prepare the annual financial statements and the half-yearly and, where applicable, quarterly financial statements.

The composition of the Audit Committee as from the admission to trading of the Company's shares on Euronext Paris will be detailed in a supplement to this registration document.

– **Appointments and Remuneration Committee**

Composition

The Appointments and Remuneration Committee will have 3 members, 2 of whom will be independent members of the Board of Directors, including, if appointed, the lead director. The Appointments and Remuneration Committee may not include any executive corporate officers.

They are appointed by the Board of Directors from among its members on the basis of their independence and expertise in the area of remuneration of executive directors of listed companies.

The term of office of the members of the Appointments and Remuneration Committee coincides with their term of office as Board members. It may be renewed at the same time as the Board of Directors.

The Appointments and Remuneration Committee is chaired by an independent member of the Board of Directors.

Responsibilities

The Appointments and Remuneration Committee is a specialised committee of the Board of Directors, whose main tasks are to assist the Board in (i) the composition of the management bodies of the Company and its Group and (ii) the determination and regular assessment of all remuneration and benefits for the Company's executive directors, including any deferred benefits and/or voluntary or forced redundancy payments. The Appointments and Remuneration Committee is also involved in drawing up the profit-sharing policy for employees of the Company and its subsidiaries.

As part of its role with regard to appointments, the Committee carries out the following tasks in particular:

- proposals for the appointment of members of the Board of Directors, executive directors, and Board committees; and
- annual assessment of the independence of the members of the Board of Directors.

As part of its remuneration remit, it is responsible for the following tasks in particular:

- review and recommendation to the Board of Directors of the remuneration package for the Company's senior executives;
- examination and proposal to the Board of Directors of the method for allocating the overall annual sum allocated to the Board of Directors; and
- consultation and recommendation to the Board of Directors on any remuneration relating to exceptional assignments that may be entrusted by the Board of Directors to certain of its members.

The Appointments and Remuneration Committee meets as often as necessary and, in any event, at least twice (2) a year, prior to any Board meeting called to decide on the situation of members of the Board of Directors with regard to the independence criteria adopted by the Company and, in any event, prior to any Board meeting called to decide on the remuneration of members of the Executive Board or on the distribution of the total annual sum allocated to the remuneration of members of the Board of Directors.

The composition of the Appointments and Remuneration Committee as from the admission to trading of the Company's shares on Euronext Paris will be detailed in a supplement to this registration document.

- **CSR Committee**

Composition

The CSR Committee will comprise 3 members, at least 2 of whom will be appointed from among the independent members of the Board of Directors, on the recommendation of the Appointments and Remuneration Committee.

The term of office of the members of the CSR Committee coincides with their term of office as members of the Board of Directors. It may be renewed at the same time as the Board of Directors.

The Chairman of the CSR Committee is appointed from among the independent members of the Board of Directors.

Responsibilities

The responsibility of the CSR Committee is to ensure the governance and monitoring of the inclusion of corporate social responsibility issues in the definition and implementation of the Group's strategy.

In this context, the CSR Committee's tasks include:

- ensuring that issues relating to social and environmental responsibility (such as diversity and non-discrimination policies and compliance and ethics policies) and climate change are taken into account in the Group’s strategy and its implementation;
- examining the sustainability report provided for in Article L. 232-6-3 of the French Commercial Code, as well as the reporting policy for non-financial information, particularly in the context of the CSRD (Corporate Sustainability Reporting Directive);
- examining the opinions expressed by investors, analysts and other third parties and, where appropriate, the potential action plan drawn up by the Company to improve the points raised on social, environmental and climate issues; and
- examining and assessing the relevance of the Group’s social, environmental and climate commitments and strategic orientations in relation to the challenges specific to its business and objectives and monitoring their implementation.

The CSR Committee reports regularly to the Board of Directors on the performance of its duties and informs it immediately of any difficulties encountered.

The CSR Committee meets as often as necessary and, in any event, at least twice (2) a year.

The composition of the CSR Committee as from the admission to trading of the Company’s shares on Euronext Paris will be detailed in a supplement to this registration document.

14.4 Declaration on corporate governance

With effect from the admission to trading of its shares on the Euronext Paris regulated market, the Company intends to refer to the recommendations of the Code of Corporate Governance for Listed Companies of the French Association of Private Companies (AFEP) and the National Confederation of French Companies (MEDEF) (the “**AFEP-MEDEF Code**”) in its version updated in December 2022, in particular in connection with the preparation of the Board of Directors’ report on corporate governance provided for in Article L. 225-37 of the French Commercial Code.

The AFEP-MEDEF Code, to which the Company intends to refer, can be consulted on the Internet at the following address: <http://www.medef.com>. The Company keeps copies of this code at the permanent disposal of the members of its corporate bodies.

For the aspects of its corporate governance known at the date of this registration document, the Company will comply with the recommendations of the AFEP-MEDEF Code.

14.5 Internal control

The internal control system implemented within the Group is detailed in Section 3.6.2 of this registration document.

15. EMPLOYEES

15.1 Number and breakdown of employees

15.1.1 Number and breakdown of employees

As of 31 December 2023, the Group had around 1,232 employees (excluding temporary staff and trainees).

For the fiscal year ended 31 December 2023, the Group's employee benefits amounted to €81.3 million. The total employee benefits corresponds to the sum of all gross salaries and employers' social security charges, as well as employee profit-sharing and incentive schemes and other personnel costs, paid during each financial year.

The table below shows the breakdown of the Group's workforce between its subsidiaries (excluding temporary staff and trainees) at the end of each financial year/period:

Subsidiaries	Employees* as of 31 December 2023	Employees* as of 31 December 2022
Exosens SAS	26	17
Photonis France SAS	483	465
Photonis Infrared France (formerly Device-Alab)	16	22
Photonis Netherlands BV	275	258
Photonis Asia Pacific Pte Ltd	1	1
Photonis Scientific Inc.	75	73
Photonis Defense Inc	62	68
Photonis China	3	3
SInfrared	12	10
Xenics NV	69	49
Xenics Inc.	4	3
Photonis Germany**	58	-
Telops Inc.	84	-
Telops SAS	4	-
Telops USA Inc.	6	-
El-Mul Technologies	54	-
Total	1,232	969

*Employees excluding temporary staff and trainees.

**Formerly known as ProxiVision, acquired by the Group in 2023.

The table below shows the breakdown of employees by geographical area:

Geographical breakdown	Employees* as of 31 December 2023	Employees* as of 31 December 2022
Europe	927	811
United States	235	144
Asia and the Middle East	70	14
Total	1,232	969

**Employees excluding temporary staff and trainees.*

The table below shows the breakdown of average employees by socio-professional category (SPC):

Breakdown of workforce by SPC	Employees* as of 31 December 2023	Employees* as of 31 December 2022
Executives	171	136
ETAM (employees, technicians and supervisors)	672	502
Workers	367	307
Total	1,201	945

**Employees excluding temporary staff, trainees and fixed-term contracts, averaged over the period.*

The table below shows the breakdown of employees by type of contract:

Breakdown of workforce* by type of contract	31 December 2023	31 December 2022
Open-ended contract (CDI)	1,183	941
Fixed-term contract (CDD)	49	28
Temporary workers	403	228
Total	1,635	1,197

**Employees excluding trainees.*

The table below shows the breakdown of employees by area of activity:

Breakdown of workforce* by area of activity	31 December 2023	31 December 2022
Light amplification	847	809
Detection and Imaging	385	160
Total	1,232	969

**Employees excluding temporary staff and trainees.*

15.1.2 Employment

The table below sets out the employment situation within the Group for the financial years ended 31 December 2023 and 2022:

Employment*	31 December 2023	31 December 2022
Total turnover (departures)	105	105
Voluntary turnover (resignation)	72	65
Hiring rate	21.80%	21.39%
Rate of recruitment on open-ended contracts	21%	16%
Percentage of people with disabilities/average headcount	2%	1%

*Employees excluding temporary staff and trainees.

15.1.3 Working conditions and human resources policy

The Group attaches particular importance to social issues, especially health and safety at work, employee motivation, the quality of social dialogue, the promotion of diversity and integration into the local social fabric. All these themes are part of the Group's CSR strategy, which has been implemented across its various subsidiaries and host countries.

Human resources management policy is a major component of the Group's strategy. In particular, it aims to anticipate the Group's needs in terms of skills, to ensure that critical positions are filled, to create the conditions for employees to support the company's objectives and to meet their expectations, in particular by taking into account their career plans and the conditions in which they work.

The Group is committed to respecting fundamental labour rights. It also prohibits all forms of discrimination, e.g., discrimination based on race, religion, nationality, social origin, sexual orientation, physical characteristics or disability.

Adherence to the Group's values forms the foundation of a pyramid on which the mission, objectives and strategy are built in order to commit all our teams to respecting these values and achieving operational excellence.

Respect for employees starts with the quality of their working environment, which must aim to avoid accidents in the workplace and prevent occupational illnesses. The Group's commitment is reflected in its ongoing efforts to assess and improve equipment, establish and comply with best working practices and proactively mitigate the risks associated with contact with harmful substances and hazards in the workplace.

Finally, the Group pays particular attention to the continuous learning and skills development of its employees. In this way, the Group enables its employees to make continuous progress by offering them high-quality training.

15.1.4 Diversity policy and social mix

The Group values diversity, fairness and inclusion. Its human resources policy focuses in particular on eliminating discrimination and all forms of abuse in the workplace.

The Group is committed to maintaining a harmonious and inclusive workplace guided by the implementation of policies and practices that uphold the ideals of equal opportunity, fairness and inclusion.

These values are the key to a dynamic, innovative and successful workforce. The Group is a member of the United Nations Global Compact and is committed to promoting principles related to human rights, environmental protection, international labour standards and the fight against corruption.

15.2 Share subscription, share purchase and free share allocations

In connection with the introduction of free share plans, some of the Group's employees have been granted free ordinary shares and preferred shares in the Company.

At the date of this registration document, the ordinary shares and preferred shares allocated and issued under these free share plans represent approximately 2.44% of the Company's share capital (see also Section 13.2 "*Remuneration and benefits paid to executive officers*" of this registration document).

In connection with the admission to trading of its shares on the Euronext Paris regulated market, the Company intends to implement a long-term incentive policy for its management, and in particular its Chief Executive Officer, in line with market practice (see Section 13.2 "*Remuneration and benefits paid to executive officers*" of this registration document).

15.3 Profit-sharing and incentive agreements

15.3.1 Profit-sharing agreements

Employees of Photonis France, a Group subsidiary located in France, are entitled to profit-sharing based on results, in accordance with the conditions laid down by law.

15.3.2 Profit-sharing agreement

Employees of Photonis France and Photonis Netherlands B.V. (a Group subsidiary based in the Netherlands) and the Company, are entitled to a profit-sharing scheme based on performance indicators.

16. MAIN SHAREHOLDERS

16.1 Shareholder base

The table below shows the breakdown of the Company's share capital at the date of this registration document:

Shareholder	Number of shares	% of share capital	Share classes	Number of theoretical voting rights	% of voting rights
HLD Europe SCA	145,669,944	74.72%	58,268,052 ordinary shares 87,401,892 PS A preferred shares	145,669,944	74.72%
Invest Prince Henri SCA	23,250,000	11.92%	9,300,000 ordinary shares 13,950,000 PS A preferred shares	23,250,000	11.92%
Invest Gamma S.à.l.	16,699,000	8.56%	6,679,600 ordinary shares 10,019,400 PS A preferred shares	16,699,000	8.56%
Total HLD⁽¹⁾	185,618,944	95.20%	74,247,652 ordinary shares 111,371,292 PS A preferred shares	185,618,944	95.20%
Zeppelin O ⁽²⁾	661,315	0.34%	661,315 ordinary shares	661,315	0.34%
Zeppelin A ⁽³⁾	992,149	0.51%	992,149 PS A preferred shares	992,149	0.51%
Other shareholders ⁽⁴⁾	7,693,224	3.94%	1,059,393 ordinary shares 1,589,099 PS A preferred shares 50,000 PS R2 preferred shares 39,000 PS R3 preferred shares 792,000 PS O' preferred shares 1,188,000 PS A' preferred shares 2,975,732 PS R1 preferred shares	7,693,224	3.94%
TOTAL	194,965,632	100%	75,968,360 ordinary shares 113,952,540 PS A preferred shares 50,000 PS R2 preferred shares 39,000 PS R3 preferred shares 792,000 PS O' preferred shares 1,188,000 PS A' preferred shares 2,975,732 PS R1 preferred shares	194,965,632	100%

⁽¹⁾ HLD Europe SCA, Invest Prince Henri SCA and Invest Gamma S.à.r.l. are all managed by HLD Associés Europe S.A. and are acting in concert in relation to the Company.

⁽²⁾⁽³⁾ Companies in which certain Group employees invest in the Company. It is contemplated that Zeppelin A and Zeppelin O will be merged with the Company as part of the IPO; each of the mergers will take effect on the date of settlement-delivery of the shares offered as part of the IPO (see also Section 6.1.2.1 of this registration document).

⁽⁴⁾ Including 2,286,250 shares (i.e., 480,000 PS O', 720,000 PS A' and 1,086,250 PS R1) held directly by Mr Jérôme Cerisier and 300,000 shares (114,500 ordinary shares, 171,750 PS A shares and 13,750 PS R2 shares) held through Kanji Management, a company wholly owned by Mr. Jérôme Cerisier.

At the date of this registration document, HLD is the Company's majority shareholder (as described in the table above).

Founded in 2010 by a group of entrepreneurs, HLD is a European investment group with permanent capital and operations in Luxembourg, France, Switzerland, the Netherlands, and Italy. HLD's mission is to support management teams in building companies that are leaders in their field. As such, HLD invests in companies with high potential and gives them the human and financial resources to grow over the long term. Its approach is based on an entrepreneurial partnership and focuses on responsible operational development rather than financial leverage. With €3 billion in assets under management, HLD supports 22 companies employing more than 36,000 people and enjoying average annual growth of more than 10%.

16.2 Statement on the control of the Company

At the date of this registration document, the Company is controlled by HLD. It is envisaged that, following the IPO, the Company will continue to be controlled by HLD.

To ensure that control of HLD is not exercised in an abusive manner, it is particularly recalled that as from the admission of the Company's shares to trading on the regulated market of Euronext Paris, at least one third of the members of the Board of Directors will be independent members, in accordance with the recommendations of the AFEP-MEDEF Code applicable to controlled companies. In addition, as from the conversion of the Company into a société anonyme, the functions of Chairman and Chief Executive Officer of the Company will be separated and exercised by different persons (see also Chapter 12 of this registration document).

16.3 Agreements likely to result in a change of control

As of the date of this registration document, there are no agreements whose implementation could result in a change of control of the Company.

16.4 Commitments given to governments relating to the governance of certain Group entities

16.4.1 Commitments made by HLD Europe to the French Government

When it took control of the Group in 2021, HLD made various commitments to the French government. These commitments have been made in accordance with regulations governing the control of foreign direct investment in France (Articles L.151-3 and R.151-1 et seq. of the French Monetary and Financial Code), as the Group is involved in activities that fall within the scope of the aforementioned provisions of the French Monetary and Financial Code, and in particular activities relating to national defense (the "Sensitive Activities"). In this respect, HLD has undertaken to ensure that (i) the Group maintains its Sensitive Activities in France, (ii) the Group complies with an information compartmentalisation plan to protect data and information relating to these Sensitive Activities, and (iii) Exosens International, the parent company of the French subsidiaries operating Sensitive Activities, has set up a security committee whose role is to ensure the continuity of the Sensitive Activities in France.

HLD remains subject to these undertakings for as long as it holds control of the Group companies within the meaning of Article L.233-3 of the French Commercial Code.

16.4.2 HLD Europe's and the Group's undertakings to the US Government

On August 17, 2017, Photonis Technologies (now Exosens International) and Photonis USA Pennsylvania, Inc. (now Photonis Defense Inc.), which operates the Lancaster site in the United States under U.S. Government clearance as a Cleared Facility, entered into a Special Security Agreement ("SSA") with the U.S. Department of Defense ("DoD"). Following the acquisition of the Group in 2021, HLD became a party to the SSA Agreement. The purpose of the SSA is to enable the U.S. Government to ensure that Photonis Defense Inc., a Cleared Facility owned by a non-U.S. entity, is protected from the control and influence of its foreign parent and can continue to operate without

adverse effect on U.S. security interests. The SSA is also intended to protect the United States against unauthorized disclosure of national security information. The SSA also aims to protect against unauthorized access to classified information subject to U.S. export control regulations. The specific clearance granted by the DoD also enables Photonis Defense Inc. to participate in classified US government programs.

The SSA also provides a framework for the operation of Photonis Defense Inc. and contains, among other things, provisions relating to its governance. Within this framework, Photonis Defense Inc. has undertaken to put in place a strict organizational structure and specific procedures to ensure the protection of classified information and information relating to export controls which it holds as a result of its activities. To this end, Photonis Defense Inc. has set up a permanent committee, the Government Security Committee, reporting to its Board of Directors, to oversee and monitor compliance with export control and national security requirements. The SSA also requires Photonis Defense Inc.'s board of directors to include at least three outside directors, and the number of outside directors must exceed the number of inside directors. It is specified that these outside directors, as well as the officers of Photonis Defense Inc., must be resident citizens of the United States and benefit from DoD clearance. The SSA has been executed for an initial period of 5 years; at the end of this period the SSA is tacitly renewed for successive periods of 30 days until the execution of a new agreement.

On July 6, 2021, (i) HLD Europe S.C.A., (ii) PH Holding SAS (now Exosens), a subsidiary of the HLD group, (iii) Photonis International SAS (now Exosens International), (iv) Photonis Defense Inc., (v) Photonis Scientific Inc., and (vi) Photonis Holding Inc. entered into a National Security Agreement (the “NSA I”, which was amended on August 12, 2022) with the U.S. Government, represented by the U.S. Department of Defense (DoD), the U.S. Department of Energy (DOE) and the U.S. Department of the Treasury. The NSA I was entered into as part of HLD's indirect acquisition of the entire share capital of Photonis International SAS, the parent company holding the equity interests of the Group's US operating subsidiaries. The NSA I provides for a number of undertakings relating to the Group's U.S. operations. In particular, the Group undertakes, for a renewable period of five years from the date of the NSA I, to supply, directly or indirectly, certain products (Covered Products) and services (Covered Services) of the Group's U.S. subsidiaries to the U.S. government. The NSA I also governs the operations of the Group's U.S. subsidiaries, and in particular requires the appointment within these companies of a Security Officer responsible for ensuring compliance with the NSA I. Finally, the Group is also required to provide the U.S. government with access and inspection rights to the facilities and equipment of its U.S. subsidiaries.

On September 18, 2023, (i) HLD Europe S.C.A., (ii) Photonis Group SAS (now Exosens), (iii) Telops Inc. and (iv) Telops USA Inc. entered into a national security agreement (the “NSA II”) with the U.S. Government, represented by the U.S. Department of Energy (DOE) and the U.S. Department of the Treasury. The NSA II was entered into in connection with the Group's direct acquisition of all the shares and voting rights of Telops Inc. (see Section 7.2.2 “External growth transactions” of this registration document). The NSA II Agreement sets out a number of obligations relating to Telops' US operations. In particular, the Group's shareholders, Telops Inc. and Telops USA Inc. have undertaken, for a period of three years from the date of the NSA II, to supply, directly or indirectly, certain Telops products (Covered Products) and services (Covered Services) to the U.S. Government. The NSA II also provides a framework for Telops' operations, requiring in particular (i) the appointment of a Security Officer within Telops, responsible for ensuring compliance with the NSA II, and (ii) the submission of an Annual Compliance Report to the U.S. Government. Finally, Telops is also required to provide the U.S. Government with a right of access and inspection of the facilities and equipment managed by Telops.

17. RELATED PARTY TRANSACTIONS

17.1 Main transactions with related parties

Related parties include the Company's shareholders, non-consolidated subsidiaries, associates (companies accounted for by the equity method) and entities over which the Group's management exercises at least significant influence.

Figures detailing the relationships with these related parties are provided in note 34.1 of the Group's consolidated financial statements for the periods ended 31 December 2023 and 2022 and in note 27 of Exosens International's consolidated financial statements for the fiscal year ended 31 December 2021 presented in Section 18.2.1 of this registration document.

17.2 Statutory auditors' special reports on regulated agreements for the periods ended 31 December 2023, 2022, and 2021

17.2.1 Special report of the statutory auditors of Exosens SAS on regulated agreements for the fiscal year ended 31 December 2023

This is a free translation into English of a report issued in French and is provided solely for the convenience of English speaking readers. The report should be read in conjunction with, and construed in accordance with, professional auditing standards applicable in France.

To the General Assembly

EXOSENS

18 avenue Pythagore

33700 Merignac

In our capacity as Statutory Auditors of your company, we hereby present our report on regulated agreements.

We are required to report to shareholders, based on the information provided to us, on the main terms and conditions of the agreements that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements. It is your responsibility to determine whether the agreements are appropriate and should be approved.

We performed those procedures that we deemed necessary in accordance with professional guidance issued by the *Compagnie Nationale des Commissaires aux Comptes* relating to this engagement.

REGULATED AGREEMENTS SUBMITTED TO THE GENERAL MEETING FOR APPROVAL

Regulated agreements authorised during the year just ended

We hereby inform you that we have not been advised of any regulated agreements authorised during the year just ended that require the approval of the General Meeting pursuant to the provisions of Article L.227-10 of the French Commercial Code.

Toulouse and Nantes, 13 May 2024

The Statutory Auditors

PricewaterhouseCoopers Audit

Bertrand Cuq
Partner

Baker Tilly Strego

Jean-Marc Binson
Partner

François Pignon-Hériard
Partner

17.2.2 Special report of the statutory auditors of Exosens SAS (formerly Photonis Group) on regulated agreements for the fiscal year ended 31 December 2022

This is a free translation into English of a report issued in French and is provided solely for the convenience of English speaking readers. The report should be read in conjunction with, and construed in accordance with, professional auditing standards applicable in France.

To the Shareholders
PHOTONIS GROUP
18 avenue Pythagore
33700 Merignac

In our capacity as Statutory Auditors of your company, we hereby present our report on regulated agreements.

We are required to report to shareholders, based on the information provided to us, on the main terms and conditions of the agreements that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements. It is your responsibility to determine whether the agreements are appropriate and should be approved.

We performed those procedures that we deemed necessary in accordance with professional guidance issued by the *Compagnie Nationale des Commissaires aux Comptes* relating to this engagement. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

REGULATED AGREEMENTS SUBMITTED TO THE GENERAL MEETING FOR APPROVAL

We hereby inform you that we have not been advised of any regulated agreements authorised during the year just ended that require the approval of the General Meeting pursuant to the provisions of Article L.227-10 of the French Commercial Code.

Toulouse, 30 March 2023

The Statutory Auditors

PricewaterhouseCoopers Audit

Bertrand Cuq
Partner

Fiducial Audit

Stéphane Michel
Partner

17.2.3 Special report of the statutory auditors of Exosens International (formerly Photonis International) on regulated agreements for the fiscal year ended 31 December 2021

Special report of the statutory auditors on regulated agreements

(General Meeting called to approve the financial statements for the fiscal year ending 31 December 2021)

This is a free translation into English of a report issued in French and is provided solely for the convenience of English speaking readers. The report should be read in conjunction with, and construed in accordance with, professional auditing standards applicable in France.

To the Shareholders

PHOTONIS INTERNATIONAL

Domaine de Pelus
33700 MERIGNAC

In our capacity as Statutory Auditors of your company, we hereby present our report on regulated agreements.

We are required to report to shareholders, based on the information provided to us, on the main terms and conditions of the agreements that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements. It is your responsibility to determine whether the agreements are appropriate and should be approved.

In addition, in accordance with Article 13 of the Company's Articles of Association, we are required to provide you with information relating to the performance during the year of agreements already approved by the General Meeting.

We performed those procedures that we deemed necessary in accordance with professional guidance issued by the *Compagnie Nationale des Commissaires aux Comptes* relating to this engagement. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

REGULATED AGREEMENTS SUBMITTED TO THE GENERAL MEETING FOR APPROVAL

We hereby inform you that we have not been advised of any regulated agreements authorised during the year just ended that require the approval of the General Meeting pursuant to the provisions of Article L.227-10 of the French Commercial Code.

REGULATED AGREEMENTS SUBMITTED TO THE GENERAL MEETING FOR APPROVAL

We hereby inform you that we have not been advised of any regulated agreements already approved by the General Meeting that have continued to apply during the year just ended.

Toulouse, 31 March 2022

The Statutory Auditors

PricewaterhouseCoopers Audit

Bertrand Cuq
Partner

Fiducial Audit

Stéphane Michel
Partner

18. FINANCIAL INFORMATION RELATING TO THE ASSETS, FINANCIAL POSITION AND RESULTS OF THE COMPANY

18.1 Consolidated financial statements of the Company for the periods ended 31 December 2023 and 31 December 2022 and report by PricewaterhouseCoopers Audit

18.1.1 Consolidated financial statements of the Company for the periods ended 31 December 2023 and 31 December 2022

Table of contents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	183
CONSOLIDATED INCOME STATEMENT	184
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.....	185
CONSOLIDATED STATEMENT OF CASH FLOWS	186
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	188
NOTE 1 - GENERAL INFORMATION	189
NOTE 2 - BASIS OF PREPARATION.....	190
NOTE 3 - ACCOUNTING POLICIES.....	192
NOTE 4 - CHANGES COMPARED TO THE CERTIFIED HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2022	194
NOTE 5 - CHANGES IN CONSOLIDATION SCOPE AND MAJOR EVENTS	195
NOTE 6 - SEGMENT REPORTING	203
NOTE 7 - REVENUE.....	205
NOTE 8 - OTHER PURCHASES AND EXTERNAL EXPENSES.....	207
NOTE 9 - EMPLOYEE BENEFITS EXPENSE	208
NOTE 10 - OTHER OPERATING INCOME AND EXPENSES.....	208
NOTE 11 - DEPRECIATION, AMORTIZATION AND CHARGES TO PROVISIONS	209
NOTE 12 - OTHER INCOME AND EXPENSES	209
NOTE 13 - NET FINANCIAL INCOME (EXPENSE)	210
NOTE 14 - INCOME TAX.....	210
NOTE 15 - EARNINGS PER SHARE	212
NOTE 16 - GOODWILL	213
NOTE 17 - INTANGIBLE ASSETS	216
NOTE 18 - PROPERTY, PLANT AND EQUIPMENT.....	219
NOTE 19 - RIGHT-OF-USE ASSETS.....	221
NOTE 20 - INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES.....	223
NOTE 21 - TAXES.....	224
NOTE 22 - INVENTORIES	225
NOTE 23 - TRADE RECEIVABLES	226

NOTE 24 - CURRENT FINANCIAL ASSETS AND OTHER CURRENT ASSETS	227
NOTE 25 - CASH AND CASH EQUIVALENTS	228
NOTE 26 - SHARE CAPITAL AND SHARE PREMIUMS	228
NOTE 27 - FINANCIAL LIABILITIES	230
NOTE 28 - PROVISIONS AND OTHER LIABILITIES	234
NOTE 29 - SHARE-BASED PAYMENTS.....	236
NOTE 30 - RETIREMENT TERMINATION PAYMENT COMMITMENTS	238
NOTE 31 - TRADE PAYABLES AND RELATED ACCOUNTS	240
NOTE 32 - OFF-BALANCE SHEET COMMITMENTS.....	241
NOTE 33 - FINANCIAL RISK MANAGEMENT	242
NOTE 34 - TRANSACTIONS WITH RELATED PARTIES	248
NOTE 35 - POST-BALANCE SHEET EVENTS	248
NOTE 36 - CONSOLIDATED COMPANIES.....	249
NOTE 37 - STATUTORY AUDITOR FEES.....	250

Consolidated Statement of Financial Position

At December 31, 2023 and December 31, 2022

<i>(in € thousand)</i>	Note	December 31, 2023	December 31, 2022
Goodwill	16	174,344	139,644
Intangible assets	17	202,351	181,087
Property, plant and equipment	18	72,051	51,122
Right-of-use assets	19	10,759	9,336
Investments in equity-accounted companies	20	3,410	2,758
Non-current financial assets and other non-current assets		744	284
Deferred tax assets	21	44	282
NON-CURRENT ASSETS		463,703	384,514
Inventories	22	78,544	55,661
Trade receivables	23	69,189	32,683
Derivative financial instruments	27	152	4,968
Current financial assets and other current assets	24	29,366	22,470
Cash and cash equivalents	25	15,458	28,955
CURRENT ASSETS		192,709	144,737
TOTAL ASSETS		656,412	529,251
Share capital	26	1,948	1,941
Share premiums	26	188,052	188,059
Reserves		14,065	(6,947)
TOTAL EQUITY		204,065	183,053
Non-current loans and borrowings	27	300,844	238,366
Non-current lease liabilities	27	7,693	7,571
Provisions for employee benefit obligations	30	7,595	7,081
Non-current provisions and other non-current liabilities	28	8,554	6,336
Deferred tax liabilities	21	17,578	14,392
NON-CURRENT LIABILITIES		342,263	273,746
Current loans and borrowings	27	7,026	5,373
Current lease liabilities	27	2,360	2,063
Derivative financial instruments	33.2	0	1,902
Trade payables	31	32,304	22,891
Current provisions and other current liabilities	28	68,394	40,220
CURRENT LIABILITIES		110,084	72,450
TOTAL EQUITY AND LIABILITIES		656,412	529,251

Notes 1 to 37 are an integral part of the consolidated financial statements.

Consolidated Income Statement

For the periods ended December 31, 2023 and December 31, 2022

<i>(in € thousand)</i>	Note	Fiscal 2023	Fiscal 2022		
		12 months	12-month period*	10-month period**	22 months
Revenue	7	291,819	200,752	82,281	283,033
Cost of sales		(75,977)	(55,675)	(31,379)	(87,054)
Other purchases and external expenses	8	(54,069)	(31,125)	(11,178)	(42,303)
Taxes and duties other than income tax		(1,607)	(1,340)	(569)	(1,909)
Employee benefits expense	9	(81,277)	(62,290)	(23,003)	(85,292)
Other operating income	10	4,547	2,172	234	2,406
Other operating expenses	10	(416)	(358)	(567)	(925)
Depreciation, amortization and charges to provisions	11	(30,407)	(20,546)	(7,850)	(28,397)
CURRENT OPERATING PROFIT (LOSS)		52,614	31,590	7,969	39,559
Other income	12	336	418	-	418
Other expenses	12	(4,665)	(4,241)	(9,280)	(13,521)
OPERATING PROFIT (LOSS)		48,285	27,766	(1,311)	26,455
Cost of net debt		(26,914)	(15,153)	(6,579)	(21,732)
Net gains (losses) on derivative instruments		(1,661)	4,584	1,829	6,413
Other		528	(91)	4	(87)
Net financial income (expense)	13	(28,046)	(10,662)	(4,745)	(15,407)
NET PROFIT (LOSS) BEFORE TAX		20,239	17,104	(6,056)	11,048
Income tax	14	(1,833)	(5,893)	2,652	(3,241)
NET PROFIT (LOSS), ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		18,406	11,212	(3,404)	7,808
EARNINGS PER SHARE					
Basic	15	0.10	0.01	(0.10)	(0.09)
Diluted	15	0.10	0.01	(0.10)	(0.09)

* Voluntary disclosure: 12-month period from January 1, 2022 to December 31, 2022 (see Note 1, General information and Note 2.1, Declaration of compliance)

** Voluntary disclosure: 10-month period from March 16, 2021 to December 31, 2021, including 5 months of activity (see Note 1, General information and Note 2.1, Declaration of compliance)

Notes 1 to 37 are an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the periods ended December 31, 2023 and December 31, 2022

<i>(in € thousand)</i>	Fiscal 2023	Fiscal 2022		
	12 months	12-month period*	10-month period**	22 months
NET PROFIT (LOSS) FOR THE PERIOD	18,406	11,212	(3,404)	7,808
Actuarial gains (losses) on retirement benefit commitments and equivalent, before tax	(81)	1,786	360	2,146
Deferred tax on retirement benefit commitments and equivalent	20	(447)	(120)	(567)
<i>Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss</i>	(61)	1,339	240	1,579
Fair value gains (losses) on hedging instruments, before tax	166	(166)		(166)
Deferred tax on fair value gains (losses) on hedging instruments	(42)	42		42
Translation adjustments	562	(85)	291	206
<i>Other comprehensive income /(loss) that may be reclassified subsequently to profit or loss</i>	687	(209)	291	82
Other comprehensive income	626	1,130	531	1,661
TOTAL COMPREHENSIVE INCOME	19,032	12,342	(2,873)	9,469
Attributable to the shareholders of the Company	19,032	12,342	(2,873)	9,469

* Voluntary disclosure: 12-month period from January 1, 2022 to December 31, 2022 (see Note 1, General information and Note 2.1, Declaration of compliance)

** Voluntary disclosure: 10-month period from March 16, 2021 to December 31, 2021, including 5 months of activity (see Note 1, General information and Note 2.1, Declaration of compliance)

Notes 1 to 37 are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the periods ended December 31, 2023 and December 31, 2022

<i>(in € thousand)</i>	Note	Fiscal 2023	Fiscal 2022		
		12 months	12-month period*	10-month period**	22 months
Net profit (loss) for the period		18,406	11,212	(3,404)	7,808
Adjustments					
• Cost of net debt	13	21,031	15,153	6,579	21,732
• Other financial income and expenses	13	7,016	(4,493)	(1,833)	(6,326)
• Income tax	14	1,833	5,893	(2,652)	3,241
• Charges net of reversals to depreciation/amortization	11	30,932	20,546	7,852	28,397
• Other income and expenses (1)		(216)	684	7,324	8,008
Income tax received/(paid)		(6,871)	(3,076)	(1,201)	(4,277)
Change in working capital, net of impairment		(21,667)	1,565	693	2,258
Net cash from operating activities		50,464	47,484	13,358	60,841
Purchases of intangible assets and PP&E	17/18/19	(30,938)	(21,798)	(10,202)	(32,000)
Proceeds on disposal of intangible assets and PP&E					
Acquisition of equity investments, net of cash acquired (2)		(69,302)	(35,541)	(37,498)	(73,039)
Proceeds on disposal of equity investments, net of cash divested					
Investment grants received		1,080	1,835		1,835
Cash flows relating to other financial assets		(483)	28		28
Net cash from/(used in) investing activities		(99,643)	(55,476)	(47,700)	(103,176)
Share capital increases/(decreases)				174,758	174,758
Interest paid on convertible bonds	27			(51,100)	(51,100)
Refinancing of non-current borrowings	27	65,000	40,000	212,829	252,829
Repayment of non-current borrowings	27			(258,902)	(258,902)
Refinancing of current borrowings	27	82		446	446
Repayment of current borrowings	27	(5,401)	(3,144)	(12,398)	(15,542)
Payment of accrued interest	27	719	48		48
Repayment of IFRS 16 lease liabilities	27	(2,126)	(1,508)	(367)	(1,874)
Financial expenses with cash impact related to borrowings		(24,495)	(13,426)	(5,686)	(19,111)
Financial expenses with cash impact related to IFRS 16 lease liabilities		(631)	(454)	(190)	(644)
Cash financial income related to derivative instruments	13	4,096			
Loan issue costs	27	(1,752)	(1,259)	(8,710)	(9,968)
Other			2	2	
Net cash from/(used in) financing activities		35,492	20,259	50,682	70,940
Effect of changes in exchange rates		192	138	211	349
Increase/(Decrease) in cash and cash equivalents		(13,497)	12,405	16,550	28,955
Opening cash and cash equivalents	25	28,955	16,550	-	-
Closing cash and cash equivalents	25	15,458	28,955	16,550	28,955

* Voluntary disclosure: 12-month period from January 1, 2022 to December 31, 2022 (see Note 1, General information and Note 2.1, Declaration of compliance)

** Voluntary disclosure: 10-month period from March 16, 2021 to December 31, 2021, including 5 months of activity (see Note 1, General information and Note 2.1, Declaration of compliance)

(1) "Other income and expenses" for fiscal 2023 mainly comprise an IFRS 2 impact of €1.6 million and income of €2.0 million relating to the deferred recognition of grants (non-cash). In fiscal 2022 (22 months), "Other income and expenses" mainly comprise €6.8 million for the fair value measurement of inventory recognized on the Photonis International purchase price allocation and an IFRS 2 impact of €0.9 million.

(2) Fiscal 2023: primarily acquisitions of securities net of cash acquired of €7.5 million for ProxiVision, €23.1 million for El-Mul and €38.6 million for Telops. Fiscal 2022 – 12-month period: acquisition of XENICS securities net of cash acquired for €35.6 million. Fiscal 2022 – 10-month period: acquisition of Photonis International securities net of cash acquired for €37.5 million.

Notes 1 to 37 are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the periods ended December 31, 2023 and December 31, 2022

<i>(in € thousand)</i>	Share capital (Note 26)	Share premiums (Note 26)	Reserves			Total
			Translation adjustments	Other reserves	Retained earnings	
At March 16, 2021	0	0	0	0	0	0
Changes in cash flow hedges						0
Actuarial gain/(loss) on post-employment benefits				240		240
Translation adjustments			291			291
Other comprehensive income			291	240		531
Profit (loss) for the period					(3,404)	(3,404)
Total comprehensive income for the period			291	240	(3,404)	(2,873)
Share capital increase	1,900	188,100				190,000
Acquisition of Photonis International				(16,101)		(16,101)
Other				(412)		(412)
At December 31, 2021**	1,900	188,100	291	(16,273)	(3,404)	170,614
Changes in cash flow hedges				(124)		(124)
Actuarial gain/(loss) on post-employment benefits				1,339		1,339
Translation adjustments			(85)			(85)
Other comprehensive income			(85)	1,215	-	1,130
Profit (loss) for the period					11,212	11,212
Total comprehensive income for the period			(85)	1,215	11,212	12,342
Share capital increase	41	(41)				0
Other	-	-		97		97
At December 31, 2022	1,941	188,059	206	(14,961)	7,808	183,053
Changes in cash flow hedges				124		124
Actuarial gain/(loss) on post-employment benefits				(60)		(60)
Translation adjustments			562			562
Other comprehensive income			562	64		626
Profit (loss) for the period					18,406	18,406
Total comprehensive income for the period			562	64	18,406	19,032
Share capital increase	6	(6)				0
Other (1)				1,980		1,980
At December 31, 2023	1,947	188,053	768	(12,917)	26,214	204,065

* Voluntary disclosure: 10-month period from March 16, 2021 to December 31, 2021 (see Note 1, General information and Note 2.1, Declaration of compliance)

(1) In fiscal 2023, the "Other" line item primarily corresponds to the IFRS 2 impact of share grant plans for €1.6 million.

Notes 1 to 37 are an integral part of the consolidated financial statements.

Note 1 - General information

Exosens (“the Company”) and its subsidiaries (together “the Group” or “the Exosens Group”) are a high-tech group specializing in the innovation, development, manufacturing and sale of technology for the detection, photo detection and imaging sectors. Accompanied by the HLD investment group since 2021, Exosens offers its customers detectors and imaging solutions, such as image intensifier tubes, digital cameras, ion, electron, neutron and gamma detectors and traveling wave tubes. Exosens responds to complex issues in extremely demanding environments by offering tailor-made solutions to its customers in the defense and surveillance, life sciences, nuclear and industrial control sectors. Thanks to sustained and constant investment in Research and Development, the group is internationally recognized as a major innovator in optoelectronics, with nine production sites in Europe and North America and over 1,500 employees. The Exosens Group also manufactures components for high-tech digital cameras and scientific detectors for use, for example, in space exploration and the nuclear industry. The Group is present in over 50 countries.

Exosens is a simplified joint stock company (*société par actions simplifiée*) governed by French law. Its registered office is Domaine de Pelus, Axis Business Park, Bloc E, 18 avenue Pythagore, Mérignac, France. Photonis Group was incorporated on March 16, 2021 and changed its name to Exosens on October 5, 2023.

The data used to prepare the financial statements covers the period from January 1, 2023 to December 31, 2023 and the 12-month period from January 1, 2022 to December 31, 2022 and the 10-month period from March 16, 2021 to December 31, 2021. Fiscal 2022 is the Group’s first fiscal period and covers a 22-month period from March 16, 2021 to December 31, 2022. The Exosens International (formerly Photonis International) sub-group is consolidated since its acquisition by Exosens, that is for a 17-month period (acquired on July 22, 2021) from the end of July 2021 to the end of December 2022.

The consolidated financial statements for the periods ended December 31, 2022 and December 31, 2023 were prepared in the context of the planned initial public offering and listing of its shares on Euronext Paris. They were prepared specifically for the purposes of the approval of the Exosens registration document and prospectus by the financial markets authority.

The financial statements for the periods ended December 31, 2023 and December 31, 2022 were authorized by the Chairman on May 13, 2024. This unique set of consolidated financial statements covering two fiscal periods does not replace the historical consolidated financial statements for the year ended December 31, 2022 authorized by the Chairman on March 30, 2023 and approved by the Shareholders’ Meeting on June 26, 2023.

Events after the date the financial statements were authorized by the Chairman are not reflected in these consolidated financial statements in accordance with the IASB Interpretation Committee decision (IFRS IC Rejection – IAS 10, Events After the Reporting Period: Reissuing Previously Issued Financial Statements, of May 2013). In particular, the consolidated financial statements for the period ended December 31, 2022 do not reflect the events after March 30, 2023 (date of authorization of the historical IFRS financial statements by the Chairman).

These consolidated financial statements for the periods ended December 31, 2023 and December 31, 2022 incorporate the following changes compared to the consolidated financial statements initially published by the Group for the period ended December 31, 2022:

- 2022 restatement to take account of the retrospective adjustment to the Xenics purchase price allocation pursuant to IFRS 3, *Business combinations*, as disclosed in Note 4, “Changes to the certified historical consolidated financial statements for the period ended December 31, 2022”. A breakdown of this adjustment is also presented in Note 5.2.1, “Xenics”. In the consolidated financial statements initially published by the Group for the period ended December 31, 2022,

the acquisition of Xenics is presented on the line “Investments in associates” in balance sheet assets.

For comparison purposes, the 2022 financial statements presented in these notes include cash flows for the entire 2022 fiscal period (22 months), as well as those for the 12-month period from January 1, 2022 to December 31, 2022 (“12-month period”) and for the 10-month period from March 16, 2021 to December 31, 2021 (“10-month period”).

The following consolidated financial statements are presented in thousands of euros and all values are rounded to the nearest thousand, except where otherwise stated. Numbers may not therefore sum precisely due to rounding.

Note 2 - Basis of preparation

2.1 Statement of compliance

The Group consolidated financial statements:

- have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union at the reporting date and of mandatory application;
- also comply with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB); and
- have been prepared using the historical cost convention, with the exception of unconsolidated equity investments and financial assets and liabilities (including derivatives), which are measured at fair value through profit and loss or other comprehensive income.

2.2 Accounting policies

The accounting policies applied in the preparation of the Group’s consolidated financial statements are set out in Note 3 “Accounting policies”.

2.3 New standards, amendments to existing standards and interpretations adopted by the European Union and of mandatory application for fiscal periods beginning on or after January 1, 2023

The new standards and interpretations of mandatory application for fiscal periods beginning on or after January 1, 2023 have no material impact for the Group and primarily comprise:

- IFRS 17, *Insurance Contracts*: this standard sets out the principles for the recognition, measurement and presentation of insurance contracts;
- Amendments to IAS 1, *Disclosure of Accounting Policies*: these amendments seek to assist financial statement preparers determine the accounting policies to disclose in their financial statements;
- Amendments to IAS 8, *Definition of Accounting Estimates*: these amendments clarify the differences between accounting policies and accounting estimates. Accounting estimates are now defined as “monetary amounts in financial statements that are subject to measurement uncertainty”;

- Amendment to IAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*: this amendment removes the exemption from initial recognition of deferred tax for transactions that give rise to equal taxable and deductible temporary differences;

Amendment to IAS 12, *International Tax Reform – Pillar Two Model Rules*: this amendment introduces a mandatory temporary exemption from the recognition of deferred tax arising from the Pillar 2 tax reform.

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

The Group has not adopted early any of the following new standards and interpretations that could concern it and which are not of mandatory application at January 1, 2023:

- Amendments to IAS 1, *Non-current liabilities with covenants*;
- Amendments to IFRS 16, *Lease liability in a sale and leaseback*;
- Amendments to IAS 7 and IFRS 7, *Supplier Finance Arrangements*;
- Amendments to IAS 21, *Lack of exchangeability*.

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

2.5 Climate risk

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

The main risks identified concern physical risks e.g., as flooding and hurricanes, as well as transition risks such as market uncertainties tied to forecast potential taxes on fossil fuels, greenhouse gas emission reductions or the impact of the taxonomy or European sustainability regulations.

Most physical risks are covered by non-life insurance policies. In general, when an incident occurs, the negative impacts (not covered by insurance) are expensed in the period in question.

The main transition risks have also been reviewed to the best of our knowledge. Market changes in the longer term tied to environmental transition are difficult to anticipate and quantify, but should not have a material impact on the useful life of Group assets. Nonetheless, the consequences of climate uncertainties and Group ambitions with regard to the climate strategy have been included in the accounts closing. Concerning energy transition, the Group has committed to reducing greenhouse gas emissions using the methodology recognized by SBTi (Science Based Targets), with a target reduction in scope 1 and 2 emissions of 42% by 2030 and net zero attained by 2040 for the same scopes. The Group also intends to set scope 3 emission reduction targets for 2030 and is working on defining these targets and related action plans for all scopes. Determined to have an impact on the environment and its production, the Group plans to integrate an eco-design approach into the development of its products, while optimizing water and electricity consumption. It aims to implement eco-design criteria in all its new products by 2027.

The Group integrates the future cash flow forecasts used for non-current asset impairment tests, its commitment to the energy transition through its capital expenditure, which now incorporates this dimension natively, and through an additional budget, representing around 5% of the Group's CAPEX, dedicated to transforming existing production assets.

Finally, and whenever necessary depending on the activity concerned, the Group includes a review of environmental risks in its external growth process, which is presented to the committees deciding on proposed acquisitions.

The Group is not subject to the European Union's CO₂ emissions trading scheme.

2.6 Critical accounting assumptions and estimates

The preparation of the consolidated financial statements in accordance with IFRS requires management to use assumptions and estimates to calculate the value of assets and liabilities at the date of the consolidated statement of financial position and the amount of income and expenses for the reporting period. Actual results could differ from those estimates.

The main sources of uncertainty relating to key assumptions and judgments concern:

- the capitalization of development costs – Note 17 “Intangible assets”;
- impairment of non-financial assets – Note 16 “Goodwill”;
- employee benefits – Note 30 “Retirement termination payment commitments”;
- recognition and measurement of deferred tax – Note 21 “Income tax”;
- goodwill - Note 16 “Goodwill”;
- intangible assets acquired in business combinations and the assets estimated useful lives – Note 17 “Intangible assets”;
- definition of the enforceable period of a lease – Note 19 - “Right-of-use assets”; and
- disputes and litigation – Note 28 - “Provisions and other liabilities”.

Note 3 - Accounting policies

3.1 Consolidation

The Group consolidated financial statements include all subsidiaries, joint ventures and associates of Exosens.

The companies over which the Group exercises exclusive control, directly or indirectly, are fully consolidated: pursuant to IFRS 10, control is determined with respect to the Group's power over the relevant entity to influence the variable returns to which it is exposed or has rights from its involvement with the entity.

Group investments in equity-accounted companies comprise investments in associates and joint ventures. Investments in associates and joint ventures are equity accounted and initially recognized at acquisition cost.

Investments in companies other than subsidiaries, joint ventures and associates are not consolidated.

3.2 Business combinations and goodwill

When the Group obtains control of an entity, the business combination is measured and accounted for using the acquisition method. Goodwill is calculated at the acquisition date as the difference between:

- the fair value of the consideration transferred including, if any, the fair value of any contingent consideration; and
- the fair value at the acquisition date of the identifiable assets acquired and liabilities and contingent liabilities assumed.

The measurement period for a business combination is a maximum of 12 months from the acquisition date.

Goodwill is allocated to the cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the synergies arising from the combination and that reflect the level at which the Group monitors goodwill. Goodwill is tested for impairment at least annually. Sensitivity to changes in the main assumptions is tested at the level of the CGU holding the goodwill (Note 16, “Goodwill”). Any impairment of goodwill is recorded in “Other expenses” in operating profit or loss and cannot be reversed. Costs directly relating to the business combination (e.g., valuation fees or advisory fees) are expensed in “Other operating expenses” when incurred.

3.3 Foreign currency transactions

3.3.1 Presentation and functional currency

The financial statements of the Group entities are prepared in their functional currency, which is the currency of the primary economic environment in which they operate and corresponds for most of them to their local currency.

The consolidated financial statements are presented in euros (presentation currency), which is the consolidating company’s functional currency.

3.3.2 Transactions

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement at closing exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Foreign exchange gains and losses on unconsolidated equity investments are recognized in other comprehensive income until the investment is sold.

3.3.3 Translation

The financial statements of Group entities whose functional currency is different from the presentation currency of the consolidated financial statements are translated into euros as follows: assets and liabilities are translated at the closing rate at the date of the consolidated statement of financial position, income and expense items are translated at the average rate for the period (as it is considered a reasonable approximation of actual rates at the transaction date), and all resulting foreign exchange gains and losses are recognized in other comprehensive income.

Cash flows are also translated at the average rate for the period. When an entity is sold, the foreign exchange gains and losses accumulated in other comprehensive income are recycled to the income statement as part of the gain or loss on disposal.

On the acquisition of an entity, goodwill and fair value adjustments recognized are treated as assets and liabilities of the acquired entity and translated at the spot rate on the transaction date.

3.3.4 Exchange rates of major currencies

	Closing rate		Average rate	
	2023	2022	2023	2022
Against the euro (EUR):				
US dollar (USD)	1.1050	1.0666	1.0797	1.0592
Canadian dollar (CAD)	1.4642	N/A	1.4558	N/A
Singapore dollar (SGD)	1.4591	1.4300	1.4519	1.4597
Chinese yuan (CNY)	7.8509	7.3582	7.6396	7.0705
Israeli new shekel (ILS)	3.9993	N/A	3.9449	N/A

3.4 Elimination of inter-company transactions

Transactions between consolidated subsidiaries (and the resulting receivables and payables) are eliminated in full. Inter-company margins (dividends, capital gains and losses on disposal) are also eliminated in consolidated profit or loss.

Note 4 - Changes compared to the certified historical consolidated financial statements for the period ended December 31, 2022

<i>(in € thousand)</i>	December 31, 2022 historical	Xenics adjustments	December 31, 2022 restated
Goodwill	125,389	14,255	139,644
Intangible assets	162,070	19,018	181,087
Property, plant and equipment	48,628	2,494	51,122
Right-of-use assets	6,813	2,523	9,336
Investments in associates	41,706	(38,948)	2,758
Non-current financial assets and other non-current assets	284	-	284
Deferred tax assets	282	-	282
NON-CURRENT ASSETS	385,172	(658)	384,514
Inventories	53,015	2,646	55,661
Trade receivables	29,343	3,340	32,683
Derivative financial instruments	4,968	-	4,968
Current financial assets and other current assets	20,553	1,917	22,470
Cash and cash equivalents	24,556	4,399	28,955
CURRENT ASSETS	132,435	12,302	144,737
TOTAL ASSETS	517,607	11,643	529,251
Share capital	1,941	-	1,941
Share premiums	188,059	-	188,059
Reserves	(6,947)	-	(6,947)
TOTAL EQUITY	183,053	-	183,053
Non-current loans and borrowings	235,631	2,735	238,366

<i>(in € thousand)</i>	December 31, 2022 historical	Xenics adjustments	December 31, 2022 restated
Non-current lease liabilities	5,584	1,987	7,571
Provisions for employee benefit obligations	7,047	33	7,081
Non-current provisions and other non-current liabilities	5,945	391	6,336
Deferred tax liabilities	13,588	804	14,392
NON-CURRENT LIABILITIES	267,797	5,949	273,746
Current loans and borrowings	4,922	451	5,373
Current lease liabilities	1,490	574	2,063
Derivative financial instruments	1,902	-	1,902
Trade payables	20,540	2,351	22,891
Current provisions and other current liabilities	37,902	2,319	40,220
CURRENT LIABILITIES	66,756	5,693	72,450
TOTAL EQUITY AND LIABILITIES	517,607	11,644	529,251

Note 5 - Changes in consolidation scope and major events

5.1 Transactions in 2023

5.1.1 ProxiVision

On June 30, 2023, the Group finalized the acquisition of the entire share capital of ProxiVision, a specialist developer and manufacturer of ultra-violet image intensifier tubes used in missile launch detection, semi-conductor inspection and high voltage power line maintenance systems. The acquisition strengthened the Group's ultra-violet technology offering and production capacity.

The company was fully consolidated and changed its name to Photonis Germany in the second half of the year.

Net cash flows generated by the acquisition of the entire share capital of ProxiVision are as follows:

<i>(in € thousand)</i>	At the acquisition date
Fair value of the consideration transferred	(6,750)
Net cash acquired	(719)
Acquisition costs disbursed	(346)
Cash flows relating to the acquisition	(7,815)

The identification and fair value measurement of the identifiable assets acquired and liabilities assumed commenced in the second half of 2023 and will be completed within 12 months of the acquisition date, i.e., no later than June 30, 2024.

The provisional fair value measurement of each of the main categories of assets acquired and liabilities assumed is set out in the following table:

<i>(in € thousand)</i>	At the acquisition date
------------------------	--------------------------------

Intangible assets	931
Property, plant and equipment	6,441
Non-current financial assets and other non-current assets	6
Deferred tax assets	122
Non-current assets	7,500
Inventories	3,279
Trade receivables and other current assets	1,062
Cash and cash equivalents	(719)
Current assets	3,622
Non-current loans and borrowings	(2,517)
Non-current provisions and other non-current liabilities	(318)
Deferred tax liabilities	(277)
Non-current liabilities	(3,113)
Current loans and borrowings	
Trade payables and other current liabilities	(2,881)
Current liabilities	(2,881)
Total fair value of net assets acquired	5,128

At December 31, 2023, following the fair value remeasurement of identifiable assets acquired and liabilities assumed, the provisional allocation of the purchase price led to the recognition of goodwill of €1.6 million, as indicated below:

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

This goodwill was allocated to the Detection and Imaging CGU.

In fiscal 2023, ProxiVision contributed €5.6 million to Group sales and €0.6 million to net profit. Over fiscal 2023 as a whole, ProxiVision revenue and net profit would have been €9.1 million and €0.2 million, respectively (unaudited figures).

5.1.2 El-Mul

On July 18, 2023, the Group finalized the acquisition of the entire share capital of El-Mul, a specialist supplier of advanced, high-performance particle detectors for electron microscopy and mass spectrometry. Through this acquisition, the Group furthers its diversification, strengthens its access to electron microscopy and semiconductor inspection markets and supplements its service offering.

This company was fully consolidated in the second half of the year.

Net cash flows generated by the acquisition of the entire share capital of El-Mul are as follows:

<i>(in € thousand)</i>	At the acquisition date
------------------------	--------------------------------

Fair value of the consideration transferred	(24,011)
Net cash acquired	955
Acquisition costs disbursed	(631)
<i>Cash flows relating to the acquisition</i>	(23,687)

The identification and fair value measurement of the identifiable assets acquired and liabilities assumed commenced in the second half of 2023 and will be completed within 12 months of the acquisition date, i.e., no later than July 18, 2024.

The provisional fair value measurement of each of the main categories of assets acquired and liabilities assumed is set out in the following table:

<i>(in € thousand)</i>	At the acquisition date
Intangible assets	11,185
Property, plant and equipment	2,291
Non-current financial assets and other non-current assets	37
Deferred tax assets	170
Non-current assets	13,683
Inventories	2,187
Trade receivables and other current assets	1,647
Cash and cash equivalents	955
Current assets	4,788
Non-current loans and borrowings	(1,929)
Non-current provisions and other non-current liabilities	(34)
Deferred tax liabilities	(2,360)
Non-current liabilities	(4,323)
Current loans and borrowings	
Trade payables and other current liabilities	(1,721)
Current liabilities	(1,721)
<i>Total fair value of net assets acquired</i>	12,428

At December 31, 2023, following the fair value remeasurement of identifiable assets acquired and liabilities assumed, the provisional allocation of the purchase price led to the recognition of goodwill of €11.6 million, as indicated below:

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

This goodwill was allocated to the Detection and Imaging CGU.

In fiscal 2023, El-Mul contributed €6.0 million to Group sales and €0.0 million to net profit. Over fiscal 2023 as a whole, El-Mul revenue and net profit would have been €11.1 million and €0.8 million, respectively (unaudited figures).

5.1.3 Telops

On October 13, 2023, the Group finalized the acquisition of the entire share capital of Telops, a specialist developer and manufacturer of high-performance hyperspectral imaging systems and infrared cameras. The integration of Telops will enable the Group to provide unique high-end imaging products to their Business-to-Business customers.

This company was fully consolidated in the second half of the year.

Net cash flows generated by the acquisition of the entire share capital of Telops are as follows:

<i>(in € thousand)</i>	At the acquisition date
Fair value of the consideration transferred	(39,137)
Net cash acquired	501
Acquisition costs disbursed	(1,576)
<i>Cash flows relating to the acquisition</i>	(40,212)

The identification and fair value measurement of the identifiable assets acquired and liabilities assumed commenced in the second half of 2023 and will be completed within 12 months of the acquisition date, i.e., no later than October 13, 2024.

The provisional fair value measurement of each of the main categories of assets acquired and liabilities assumed is set out in the following table:

<i>(in € thousand)</i>	At the acquisition date
Intangible assets	15,769
Property, plant and equipment	1,795
Non-current financial assets and other non-current assets	5
Deferred tax assets	970
Non-current assets	18,539
Inventories	8,723
Trade receivables and other current assets	4,687
Cash and cash equivalents	501
Current assets	13,910
Non-current loans and borrowings	(1,271)
Non-current provisions and other non-current liabilities	
Deferred tax liabilities	(4,795)
Non-current liabilities	(6,066)
Current loans and borrowings	(14)
Trade payables and other current liabilities	(8,726)
Current liabilities	(8,739)
<i>Total fair value of net assets acquired</i>	17,645

At December 31, 2023, following the fair value remeasurement of identifiable assets acquired and liabilities assumed, the provisional allocation of the purchase price led to the recognition of goodwill of €21.5 million, as indicated below:

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

This goodwill was allocated to the Detection and Imaging CGU.

In fiscal 2023, Telops contributed €5.0 million to Group sales and €(0.8) million to net profit. Over fiscal 2023 as a whole, Telops revenue and net profit would have been €23.3 million and €2.0 million, respectively (unaudited figures).

5.2 Transactions in 2022

5.2.1 Xenics

On December 22, 2022, the Exosens group, through its subsidiary Photonis Technologies, acquired the entire share capital of XENICS NV, a Belgian company based in Ambachtenlaan 44, 3001 Leuven. XENICS NV in turn holds the entire share capital of XENICS USA Inc. based in the United States and SINFRARED LTD based in Singapore. It specializes in the design of Short Wave Infrared (SWIR) imagers, cores and cameras for line-scan and area-scan products. This acquisition consolidates Exosens's position in the infrared imaging market.

To finance this acquisition, the Exosens group supplemented its existing debt with an additional €40 million debt.

The identification and fair value measurement of assets acquired and liabilities assumed was completed in the first half of 2023 with the assistance of an outside expert.

The fair value measurement of each of the main categories of assets acquired and liabilities assumed is set out in the following table:

<i>(in € thousand)</i>	At the acquisition date
Intangible assets	19,018
Property, plant and equipment	5,017
Non-current financial assets and other non-current assets	992
Deferred tax assets	
Non-current assets	25,026
Inventories	2,646
Trade receivables and other current assets	5,278
Cash and cash equivalents	4,399
Current assets	12,323
Non-current loans and borrowings	(4,722)
Non-current provisions and other non-current liabilities	(424)
Deferred tax liabilities	(804)

Non-current liabilities	(5,950)
Current loans and borrowings	(1,025)
Trade payables and other current liabilities	(4,691)
Current liabilities	(5,716)
Total fair value of net assets acquired	25,685

The purchase price allocation was finalized in the 12-month period following the acquisition date. The definitive goodwill is therefore €14.3 million as detailed below:

<i>(in € thousand)</i>	At the acquisition date
Fair value of the consideration transferred	39,940
Less: fair value of net assets acquired	25,685
Goodwill after deferred tax	14,255

This goodwill was allocated to the Detection and Imaging CGU.

Over fiscal 2022 as a whole, Xenics revenue and net profit would have been €17.0 million and €1.3 million, respectively (unaudited figures). Given the date of its acquisition by Exosens, no flows relating to fiscal 2022 were recognized in the 2022 Group consolidated income statement.

5.3 Transactions in 2021

5.3.1 Photonis International

On July 22, 2021, Exosens (formerly Photonis Group) acquired the entire share capital of Photonis International (renamed Exosens International).

The identification and fair value measurement of assets acquired and liabilities assumed was completed in the first half of 2022 with the assistance of an outside expert.

The fair value measurement of each of the main categories of assets acquired and liabilities assumed is set out in the following table:

<i>(in € thousand)</i>	At the acquisition date
Intangible assets	163,775
Property, plant and equipment	45,026
Non-current financial assets and other non-current assets	1,818
Deferred tax assets	22,110
Non-current assets	232,729
Inventories	60,152
Trade receivables and other current assets	40,672
Cash and cash equivalents	12,969
Current assets	113,793
Non-current loans and borrowings	(214,034)

<i>(in € thousand)</i>	At the acquisition date
Non-current provisions and other non-current liabilities	(11,162)
Deferred tax liabilities	(37,648)
Non-current liabilities	(262,844)
Current loans and borrowings	(31,378)
Trade payables and other current liabilities	(12,268)
Current liabilities	(43,647)
Total fair value of net assets acquired	40,031

The main asset and liability remeasurements concerned the Photonis brand, technology and customer relationships. Values of €24.1 million, €44.9 million and €94.7 million were adopted, respectively. The brand and technology were valued using the royalty method. Customer relationships were valued using the excess profit method incorporating, in particular, an attrition rate of between 3% and 6%.

The purchase price allocation was finalized in the 12-month period following the acquisition date. The definitive goodwill is therefore €125,389 thousand as detailed below:

<i>(in € thousand)</i>	At the acquisition date
Fair value of the consideration transferred	165,420
Less: fair value of net assets acquired	40,031
Goodwill	125,389

5.4 Major events

- **Acquisition of the Exosens Group by HLD EUROPE**

On February 21, 2021, HLD Europe entered into exclusive negotiations with Ardian to acquire the Exosens Group. The acquisition was completed on July 22, 2021 and HLD Europe is now the majority shareholder of the Exosens Group.

- **Refinancing of the historic debt**

Alongside the acquisition by HLD Europe, the debt subscribed until then by the former Photonis group of €270 million, including accrued interest, at the transaction date, was repaid in full and new financing of €210 million was secured on July 22, 2021.

To finance the acquisition of the Xenics Group in December 2022, Exosens subscribed an additional borrowing of €40 million.

The new debt is denominated in euros and is held in full by Exosens. At December 31, 2022, it is structured as follows:

- A bonds totaling €190 million with a 7-year term and paying interest ranging from 6.25% to 6.75% + 6-month Euribor, repayable on maturity;
- an A1 senior debt facility of €21.4 million with a 5.5-year term and paying interest ranging from 1.75% to 2.75% + 3-month Euribor; this facility is repayable over its term and was repaid in the amount of €6.3 million in 2023;

- an A2 senior debt facility of €28.6 million with a 6-year term and paying interest ranging from 3.50% to 4.25% + 3-month Euribor, repayable on maturity;
- acquisition facilities (B Bonds) totaling €10 million used at December 31, 2022 and paying interest ranging from 6.50% to 6.75% + 6-month Euribor;
- a revolving credit facility (RCF) of €20 million, paying interest ranging from 1.75% to 2.75%.

- **Creation of Photonis Shenzhen**

Photonis Shenzhen Technologies Co., Ltd was established on June 30, 2022 with a share capital of CNY 2,770,085, wholly-owned by Photonis Technologies. The company has three employees and promotes electronic, optical and optoelectronic instruments and meters for non-defense applications.

- **Share capital increase**

Exosens has performed several share capital increases pursuant to its free share grant plan:

- July 22, 2022: share capital increase by capitalizing share premiums of €24,051.25;
- September 15, 2022: share capital increase by capitalizing share premiums of €17,162.50;
- May 18, 2023: share capital increase by capitalizing share premiums of €5,791.87;
- July 13, 2023: share capital increase by capitalizing share premiums of €493.75;

Following these share capital increases, the share capital is €1,949,656.32.

- **Change in company name**

On October 5, 2023, Photonis Group changed its name to Exosens.

- **Simplified merger of Exosens International and Photonis Technologies**

To simplify its legal structure, the Group performed a simplified merger of Exosens International and Photonis Technologies in 2023, with retroactive effect for accounting and tax purposes from January 1, 2023. The holding company, Photonis Technologies, had been dormant since the creation of Exosens in 2021.

- **Integration of Xenics USA Inc. in the Photonis Holding Inc. sub-group**

To centralize the Group's activities in the United States under a single holding company, the Group transferred the Xenics USA Inc. shares initially held by Xenics NV to Photonis Holding Inc. (which also holds Photonis Defense Inc. and Photonis Scientific Inc.).

- **Financing**

To finance acquisitions during the period, Exosens secured the following new debt in 2023:

- additional bonds totaling €35.0 million with a 5-year term and paying interest ranging from 6.50% to 7.00% + 6-month Euribor, repayable on maturity;
- an A3 senior debt facility of €30.0 million with a 4-year term and paying interest ranging from 2.60% to 3.60% + 3-month Euribor; the facility is repayable from 2025;

- decrease in the maximum amount of the revolving credit facility (RCF) to €10.0 million.

Note 6 - Segment reporting

Accounting policy

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

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

Segment information is presented for the following two operating segments:

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

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

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

The Group defines EBITDA (adjusted) as operating profit, less (i) charges net of reversals to depreciation, amortization and impairment of non-current assets; (ii) non-current income and expenses as presented in the consolidated income statement in the lines "Other income" and "Other expenses", and (iii) the impact of items that do not reflect ordinary operating performance such as activity reorganization or adaption costs as well as the IFRS 2 share-based payment expense.

	Fiscal 2023 (12 months)			
<i>(in € million)</i>	Amplification	Detection and Imaging	Other, eliminations and not allocated	Total
Sales	209.9	82.5	(0.6)	291.8
Contribution (% of total sales)	72%	28%	0%	
Gross margin (adjusted)	93.3	37.7	0.1	131.1
As a percentage of sales	44%	46%	-14%	
	44.5%	45.7%	-13.8%	
			EBITDA (adjusted)	86.0

	Period from January 1, 2022 to December 31, 2022 (12 months)			
<i>(in € million)</i>	Amplification	Detection and Imaging	Other, eliminations and not allocated	Total
Sales	155.8	46.7	(1.8)	200.8
Contribution (% of total sales)	78%	23%	-1%	

Gross margin (adjusted)	56.4	22.7	0.1	79.2
<i>As a percentage of sales</i>	36%	49%	-4%	

EBITDA (adjusted)	55.6
--------------------------	-------------

10-month period from March 16, 2021 to December 31, 2021 (10 months*)

<i>(in € million)</i>	Amplification	Detection and Imaging	Other, eliminations and not allocated	Total
Sales	58.4	23.6	0.3	82.3
<i>Contribution (% of total sales)</i>	72%	29%	0%	
Gross margin (adjusted)	24.8	8.2	0.0	33.0
<i>As a percentage of sales</i>	43%	35%	0%	

EBITDA (adjusted)	24.9
--------------------------	-------------

Fiscal 2022 (22 months)**

<i>(in € million)</i>	Amplification	Detection and Imaging	Other, eliminations and not allocated	Total
Sales	214.3	70.3	(1.5)	283.0
<i>Contribution (% of total sales)</i>	76%	25%	-1%	
Gross margin (adjusted)	81	31	0	112.2
<i>As a percentage of sales</i>	38%	44%	-4%	

EBITDA (adjusted)	80.6
--------------------------	-------------

* 5 months' activity- see Note 1, General information.

** 17 months' activity- see Note 1, General information.

Revenue included in "Other, eliminations and not allocated" mainly concerns the elimination of inter-segment flows.

Gross margin (adjusted) not allocated includes Corporate activities that cannot be allocated to the segments and the elimination of inter-segment flows.

Reconciliation with the consolidated financial statements:

<i>(in € million)</i>	Fiscal 2023	Fiscal 2022		
	12 months	12-month period	10-month period*	22 months**
EBITDA (adjusted)	86	56	25	81
Depreciation, amortization and impairment	(29)	(21)	(8)	(28)
Other income and expenses (Note 12)	(4)	(4)	(9)	(13)
PPA impacts*	-	-	(7)	(7)
Other**	(4)	(3)	(2)	(6)
OPERATING PROFIT (LOSS)	48	28	(1)	26

* PPA impacts correspond to the fair value measurement of inventory acquired on the Photonis International business combination.

** In fiscal 2023, the “Other” line mainly comprises the IFRS 2 share-based payment expense and miscellaneous non-recurring items that are not individually material. In fiscal 2022, this item mainly comprises One Photonis implementation costs and miscellaneous non-recurring items that are not individually material.

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

(in € million)	At December 31, 2023				At December 31, 2022			
	France	Europe excluding France	North America	Other	France	Europe excluding France	North America	Other
Goodwill, intangible assets, property, plant and equipment and right-of-use assets	289.9	93.3	62.9	13.4	249.8	91.1	40.3	0.0

Note 7 - Revenue

Accounting policy

The Group manufactures and sells electro-optical components used in the detection and amplification of ions, electrons and photons.

The main types of contracts identified in the Exosens Group are standard product sales contracts and service contracts.

If a payment deferral has a material impact on the calculation of the fair value of the consideration to be received, it is taken into account by discounting future payments.

The Group recognizes revenue in accordance with IFRS 15, *Revenue from contracts with customers*. Under this standard, each contract must be identified along with the various related performance obligations. Most Group contracts only contain a single performance obligation, which is satisfied at a specific date (“point in time”).

Account is only taken of variable items included in the contract selling price if they are highly probable. Finally, contractual amendments negotiated with customers are included in the price when they become legally enforceable.

Standard product sales contracts

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it acts as a principal in its revenue arrangements, because it controls the goods or services before transferring them to the customer.

Revenue is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment at the customer’s location. The normal settlement period is 30 to 90 days from delivery.

The Group considers whether the contracts with customers contain other separate performance obligations. The Group did not identify any such contracts in the historical periods. Each contract consists solely of the delivery of products (no training or maintenance services or significant warranties).

Revenue is recognized net of any late delivery penalties applied by customers.

Service contracts

Under service contracts, revenue may only be recognized if:

- the stage of contract completion can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Profit from Group service contracts is recorded using the percentage-of-completion method, measured based on work and costs incurred.

If contract profit cannot be measured reliably, revenue is only recognized to the extent of contract costs incurred.

Forecast contract margins are reviewed on a regular basis. A provision is recognized for any losses on completion as soon as such losses are foreseeable.

License rights for the transfer of technology

Revenue from technology transfer licenses is recognized according to the contractual schedule defining the technology transfer steps and the related remuneration. The stage of technology transfer and contract completion are reflected in revenue recognized.

Group revenue breaks down as follows:

<i>(in € thousand)</i>	Fiscal 2023		Fiscal 2022					
	12 months	%	12-month period	%	10-month period*	%	22 months**	%
Sales of goods	277,755	95%	197,636	98%	80,082	97%	277,686	98%
Sales of services and License rights	14,064	5%	3,115	2%	2,216	3%	5,332	2%
Total revenue	291,819	100%	200,752	100%	82,281	100%	283,033	100%

* 5 months' activity- see Note 1, General information.

** 17 months' activity- see Note 1, General information.

Group revenue attributable to acquisitions of the period is presented in Note 5, Changes in consolidation scope.

Group revenue breaks down by geographic area as follows:

<i>(in € thousand)</i>	Fiscal 2023		Fiscal 2022					
	12 months	%	12-month period	%	10-month period*	%	22 months**	%
Europe	197,495	68%	142,576	71%	44,382	54%	186,958	66%
<i>Of which Greece</i>	<i>103,814</i>	<i>36%</i>	<i>53,719</i>	<i>27%</i>	<i>6,393</i>	<i>8%</i>	<i>60,111</i>	<i>21%</i>

<i>Of which France</i>	23,958	8%	17,704	9%	11,282	14%	28,986	10%
North America	40,890	14%	34,216	17%	16,361	20%	50,577	18%
<i>Of which United States</i>	35,472	12%	31,983	16%	15,887	19%	47,870	17%
Asia	52,276	18%	21,815	11%	14,922	18%	36,737	13%
Oceania	856	0%	1,820	1%	926	1%	2,746	1%
Africa	55	0%	325	0%	5,690	7%	6,015	2%
Other	246	0%		0%		0%	0	0%
Total revenue	291,819	100%	200,752	100%	82,281	100%	283,033	100%

* 5 months' activity- see Note 1, General information.

** 17 months' activity- see Note 1, General information.

The Group realized sales of €103.8 million with Theon in 2023 (€60.1 million in 2022), representing 36% of total revenue of the period (21% in 2022). No other customer represented over 10% of sales.

Sales recognized on the transfer of control of the goods or services to the customer represented 98.9% of Group sales (2022 – 12-month period: 99%) and totaled €288.6 million (2022 – 12-month period: €199 million).

In 2023, sales recognized on the progressive satisfaction of performance obligations totaled €3.2 million and represented 1.1% of total sales of the period (2022 – 12-month period: €1.6 million and 1%).

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

Note 8 - Other purchases and external expenses

<i>(in € thousand)</i>	Fiscal 2023	Fiscal 2022		
	12 months	12-month period	10-month period*	22 months**
Temporary employees	(17,603)	(7,998)	(2,520)	(10,519)
Professional fees	(11,782)	(8,293)	(2,809)	(11,101)
Travel and entertaining	(3,443)	(2,055)	(862)	(2,917)
Sub-contracting	(4,331)	(3,050)	(1,049)	(4,099)
Rent	(1,580)	(864)	(289)	(1,152)
Maintenance	(6,461)	(3,794)	(1,549)	(5,343)
Advertising, publications, public relations	(1,648)	(1,473)	(480)	(1,954)
Insurance premiums	(1,254)	(858)	(228)	(1,086)
Transport of goods and collective passenger transport	(673)	(480)	(249)	(728)
Postal and telecommunication costs	(615)	(728)	(213)	(941)
Bank services & equivalent	(703)	(398)	(160)	(558)
Other services - miscellaneous	(1,995)	113	(76)	37
Studies and research	(1,426)	(659)	(557)	(1,216)
Other (sundry external services, building charges, rent)	(555)	(587)	(137)	(724)
Other purchases and external expenses	(54,069)	(31,125)	(11,178)	(42,303)

* 5 months' activity- see Note 1, General information.

** 17 months' activity- see Note 1, General information.

Note 9 - Employee benefits expense

	Fiscal 2023	Fiscal 2022		
<i>(in € thousand)</i>	12 months	<i>12-month period</i>	<i>10-month period*</i>	<i>22 months**</i>
Wages and salaries	(55,833)	(42,217)	(15,594)	(57,810)
Social security contributions	(19,332)	(15,087)	(5,470)	(20,557)
Post-employment benefits	(185)	(223)	(62)	(285)
Other employee costs	(5,926)	(4,764)	(1,877)	(6,640)
Employee benefits expense	(81,277)	(62,290)	(23,003)	(85,292)

* 5 months' activity- see Note 1, General information.

** 17 months' activity- see Note 1, General information.

Other employee costs mainly comprise statutory profit sharing and incentive payments of €5,435 thousand in fiscal 2023, €4,258 thousand in the 12-month period in 2022 and €1,744 thousand in the 10-month period in 2021.

The Group had an average of 1,210 employees (excluding temporary employees) in fiscal 2023 (2022: 945 employees including Xenics)

The average number of employees breaks down in each fiscal period as follows:

	December 31, 2023	December 31, 2022
Management and professional staff	171	136
Technicians and supervisors	283	256
Administrative employees	389	246
Workers	367	307
Total	1,210	945

Note 10 - Other operating income and expenses

Accounting policy

The Exosens Group receives public financing in the form of grants for the development of certain projects. Investment grants are initially recognized at fair value where there is reasonable assurance that the grant will be received, and the Group will comply with all related conditions.

In accordance with IAS 20, *Accounting for government grants and disclosure of government assistance*, these advances are recognized in deferred income and released to profit or loss over the useful life of the related development costs.

Other operating income:

	Fiscal 2023	Fiscal 2022		
<i>(in € thousand)</i>	12 months	<i>12-month period</i>	<i>10-month period*</i>	<i>22 months**</i>
Investment grants	2,598	568	219	787
Other operating income (1)	1,599	972	442	1,414
Other	350	633	(427)	206
Total other operating income	4,547	2,172	234	2,406

* 5 months' activity- see Note 1, General information.

** 17 months' activity- see Note 1, General information.

(1) Other operating income mainly comprises research tax credits of €1.2 million in 2023 (2022 – 22-month period: €1.4 million).

Other operating expenses:

Other operating expenses total €416 thousand (2022 – 22-month period: €925 thousand) and comprise various amounts that are not individually material.

Note 11 - Depreciation, amortization and charges to provisions

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

<i>(in € thousand)</i>	Note	Fiscal 2023		Fiscal 2022		
		12 months	12-month period	10-month period*	22 months**	
On other non-current assets (excluding IFRS 16)	17/18	(26,177)	(17,311)	(7,394)	(24,705)	
On other non-current assets (IFRS 16 restatement)	19	(1,944)	(1,678)	(622)	(2,300)	
On impairment of current assets		(1,313)	(1,360)	754	(606)	
On provisions		274	(197)	(589)	(786)	
On provisions not reflecting normal operating performance		(1,247)	0	0	0	
Total charges and reversals		(30,407)	(20,546)	(7,851)	(28,397)	

* 5 months' activity- see Note 1, General information.

** 17 months' activity- see Note 1, General information.

Note 12 - Other income and expenses

Accounting policy

Other operating income and expenses record items that are not taken into account by management when measuring the performance of the operating segments due to their nature or their significant or unusual characteristics. They include, in particular, costs related to the acquisition of companies and changes in contingent consideration not taken into account in the initial determination of the consideration transferred, as well as any impairment of goodwill.

Other income and expenses totaled €4.3 million in 2023 (2022 – 22-month period: €13.1 million). In fiscal 2023, other expenses mainly concerned acquisition costs for Telops, El-Mul and Photonis Germany (formerly ProxiVision). In fiscal 2022, other expenses mainly concerned costs relating to the acquisition of Exosens International (formerly Photonis International) by Exosens (€7.3 million) and Xenics acquisition costs (€1.4 million).

<i>(in € thousand)</i>	Fiscal 2023		Fiscal 2022		
	12 months	12-month period	10-month period*	22 months**	
Company acquisition costs***	4,358	2,320	7,386	9,706	
Contingent consideration			1,654	1,654	
Other	(29)	1,503	240	1,743	

Other income and expenses	4,329	3,823	9,280	13,103
---------------------------	-------	-------	-------	--------

* 5 months' activity- see Note 1, General information.

** 17 months' activity- see Note 1, General information.

*** Including acquisition costs for projects abandoned or in progress.

Note 13 - Net financial income (expense)

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

(in € thousand)	Fiscal 2023	Fiscal 2022		
	12 months	12-month period	10-month period*	22 months**
Interest expense on bank borrowings	(26,282)	(14,699)	(6,392)	(21,090)
Interest expense on leases	(631)	(455)	(187)	(642)
Other financial expenses	0	1	0	1
Cost of net debt	(26,914)	(15,153)	(6,579)	(21,732)
Foreign exchange gains and losses	(2,675)	1,567	1,586	3,152
Financial income from derivative instruments	4,383	3,016	199	3,215
Financial expenses on derivative instruments	(3,369)	-	-	-
Other financial gains/(losses) on derivative instruments	0	-	44	44
Net financial gains/(losses) on derivative instruments	(1,661)	4,584	1,829	6,413
Other	528	(91)	4	(87)
Net financial income (expense)	(28,046)	(10,662)	(4,745)	(15,407)

* 5 months' activity- see Note 1, General information.

** 17 months' activity- see Note 1, General information.

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

As of 31 December 2023, the increase in financial income/(expenses) on derivative instruments reflects the impact of caps, floors and cross-currency swaps recognized in profit or loss for the period.

Note 14 - Income tax

Accounting policy

The Group recognizes current and deferred tax in accordance with IAS 12, *Income Taxes*. The income tax expense includes the current and deferred tax expenses of the consolidated entities.

Current tax

The current income tax expense corresponds to the income tax payable to the tax authorities by each of the consolidated companies in the countries where they operate. It is calculated in accordance with local rules and includes any adjustments relating to prior years.

Deferred tax

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated financial statements, using

enacted or substantially enacted tax rates that are expected to prevail when the temporary differences reverse.

A deferred tax asset or liability is recognized on initial recognition of transactions arising from business combinations and impacting the accounting or taxable profit or loss.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the tax loss carryforwards and temporary differences can be offset.

Tax positions are analyzed periodically and, if any positions are considered unlikely to be accepted by the tax authorities, a provision is booked for the most probable amount in order to cover the risk. Assets/liabilities resulting from uncertain tax treatments are included in current or deferred tax assets or liabilities in the consolidated statement of financial position.

	Fiscal 2023	Fiscal 2022		
<i>(in € thousand)</i>	12 months	12-month period	10-month period*	22 months**
Current tax expense	(4,862)	(4,661)	(1,313)	(5,974)
Deferred tax benefit/(expense) (Note 21)	3,030	(1,232)	3,965	2,733
Income tax	(1,833)	(5,893)	2,652	(3,241)

* 5 months' activity- see Note 1, General information.

** 17 months' activity- see Note 1, General information.

The reconciliation of the Group's effective income tax expense is presented below:

	Fiscal 2023	Fiscal 2022		
<i>(in € thousand)</i>	12 months	12-month period	10-month period*	22 months**
Net profit (loss) before tax	20,239	17,105	(6,056)	11,049
Tax rate of the consolidating company	25%	25%	25%	25%
Tax calculated at the tax rate of the consolidating company	(5,060)	(4,276)	1,514	(2,762)
Tax impact of:				
· Expenses not deductible for tax purposes	(377)	22	(313)	(291)
· Interest not deductible for tax purposes in prior years	0	0	2,428	2,428
· Tax credits	1,231	254	182	436
· Use of tax losses not previously recognized	(224)	5	26	31
· Tax losses for which no deferred tax benefit has been recognized	3,790	39	2,002	2,041
· Tax losses recognized (derecognized)***	(449)	(1,600)	(1,299)	(2,899)
· Difference in tax rates between the parent company and subsidiaries	319	324	(80)	245
· Subsidiary acquisition costs reclassified in profit or loss	8		(1,846)	(1,846)
· Social contribution	(345)	(129)	(117)	(247)
· Other differences	(726)	(533)	156	(377)
Income tax expense	(1,833)	(5,893)	2,652	(3,241)

<i>(in € thousand)</i>	Fiscal 2023			Fiscal 2022		
	12 months			12-month period	10-month period*	22 months**
Effective tax rate (%)	9.06%			34.45%	-43.79%	29.34%

* 5 months' activity- see Note 1, General information.

** 17 months' activity- see Note 1, General information.

*** DTA adjustment on tax losses carried forward

The Group has operations in various countries that have different tax laws and rates. The weighted average domestic tax rate of Group companies may therefore vary year-on-year depending on the relative size of taxable income.

Until 2021, Photonis International headed a tax group comprising the following entities:

- Photonis Technologies SAS
- Photonis France SAS
- Imaging Sensors International SARL

A new tax group was formed in 2022, headed by Exosens and comprising the following entities:

- Exosens International (formerly Photonis International)
- Photonis Technologies SAS (merged in Exosens International in 2023)
- Photonis France SAS
- Photonis Infrared France
- Imaging Sensors International SARL

Note 15 - Earnings per share

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

Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. Dilution is determined in accordance with IAS 33.

	Fiscal 2023			Fiscal 2022 12-month period*			Fiscal 2021 10-month period**			Fiscal 2022 22 months**		
	Average number of shares	Net profit (in k€)	Earnings per share (in k€)	Average number of shares	Net profit (in k€)	Earnings per share (in k€)	Average number of shares	Net profit (in k€)	Earnings per share (in k€)	Average number of shares	Net profit (in k€)	Earnings per share (in k€)
Ordinary shares	75,968,360			75,968,360			75,968,360			75,968,360		
Net profit (loss) before dilution	75,968,360	7,354	0.10	75,968,360	803	0.01	75,968,360	(7,956)	(0.10)	75,968,360	(7,153)	(0.09)
Preferred shares												

Net profit (loss) after dilution	75,968,360	7,354	0.10	75,968,360	803	0.01	75,968,360	(7,956)	(0.10)	75,968,360	(7,153)	(0.09)
---	------------	--------------	-------------	------------	------------	-------------	------------	----------------	---------------	------------	----------------	---------------

At December 31, 2023, preferred shares granted by the company and described in Note 29 below do not meet the conditions for conversion to ordinary shares and have no dilutive impact on the earnings per share calculation.

<i>(in € thousand)</i>	2023 12 months	2022 12-month period	2021 10-month period*	2022 22 months**
Net profit (loss) for the period (A)	18,406	11,212	(3,404)	7,808
Preferential dividend attributable to A preferred shares (B)	11,052	10,409	4,552	14,961
Net profit (loss) attributable to the Company (A-B)	7,354	803	(7,956)	(7,153)

* 5 months' activity - see Note 1, General information.

** 17 months' activity - see Note 1, General information.

*** The weighted average number of ordinary shares outstanding in 2021 was calculated for the period July 22, 2021 to December 31, 2021.

Note 16 - Goodwill

Accounting policy

In the course of its acquisitions, the Group identifies, measures and recognizes intangible assets (brands and customer relationships, for example) and determines their residual useful lives. The difference between the fair value of assets acquired and liabilities assumed, on the one hand, and the consideration transferred, on the other, represents goodwill, which is allocated to the CGU benefiting from the synergies expected from the business combination. In performing the purchase price allocation, the Group takes into account the various strategic and operational objectives underlying the acquisition and relies on the expertise of valuation firms.

The future value of assets and liabilities recognized on business combinations may be impacted if judgments, estimates and key assumptions made at the time of the acquisition, such as the revenue growth rate, operating margin or discount rates, should differ from reality.

The recoverable amount of assets (goodwill, intangible assets or property, plant and equipment) is tested as soon as there is any indication of loss in value. Whether there is an indication of impairment or not, an annual impairment test is performed for goodwill, intangible assets with an indefinite useful life and intangible assets not ready for use, by comparing their carrying amount with their recoverable amount.

At individual asset level, indications of impairment generally relate to a fall in market value, technical obsolescence or an anticipated change of use. The recoverable amount is equal to the higher of the value in use and fair value less costs of disposal.

Impairment tests are performed at cash-generating unit (CGU) level. A CGU is an identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets

The value in use of a CGU is determined by reference to the present value of future cash flows expected to be derived from these assets, in accordance with economic assumptions and operating conditions expected by Group Executive management.

An impairment is recognized when this value is less than the carrying amount.

Goodwill breaks down as follows:

<i>(in € thousand)</i>	Gross value	Impairment	Total
Amount at March 16, 2021	0	0	0
Translation adjustments			0
Changes in consolidation scope	125,389		125,389
Impairment, net			0
Other			0
Amount at December 31, 2021	125,389	0	125,389
Translation adjustments			0
Changes in consolidation scope	14,255		14,255
Impairment, net			0
Other			0
Amount at December 31, 2022	139,644	0	139,644
Translation adjustments			0
Changes in consolidation scope	34,700		34,700
Impairment, net			0
Other			0
Amount at December 31, 2023	174,344	0	174,344

Goodwill is allocated to the CGUs as follows:

<i>(in € thousand)</i>	December 31, 2023	December 31, 2022
Amplification	94,041	94,041
Detection and Imaging	80,302	45,602
Goodwill	174,344	139,644

At December 31, 2021, initial goodwill of €125.4 million relates to the acquisition of Photonis International by Exosens (formerly Photonis Group). It was allocated to the “Amplification” and “Detection and Imaging” segments based on the relative weight of each segment (see Note 5.3, Transactions in 2021).

Goodwill of €14.3 million recognized in fiscal 2022 relates to the acquisition of the Xenics group by Exosens and was allocated in full to the “Detection and Imaging” CGU (see Note 5.2, Transactions in 2022).

Goodwill of €34.7 million recognized in fiscal 2023 relates to the acquisition of Telops, El-Mul and ProxiVision and was allocated in full to the “Detection and Imaging” CGU (see Note 5.1, Transactions in 2023).

Impairment tests were performed based on the value in use calculated using forecast data (business plan) covering four or five years approved by Management and a terminal value determined by applying

estimated growth rates for cash flows beyond four or five years. Impairment tests on CGUs use forecast data for the same timeframe (5 years for 2022 impairment tests and 4 years for 2023 impairment tests). Long-term growth rates do not exceed long-term growth rates for the business sector in which the CGU operates. These flows reflect management's best estimate in the current economic climate.

Business growth and terminal value assumptions are founded on an approach specific to each sector taking account of capacity constraints, the introduction of new products and macro-economic trends in each market.

In particular, for the Amplification sector, account was taken of the investment in the industrial tool enabling an increase in capacity, as well as the shift in the product mix towards the latest generation of higher price products, to meet the strong growth in user demand.

For the Detection and Imaging segment, assumptions include cross-selling opportunities in high-end and fast-growing imaging markets, with a comprehensive portfolio proposing greater scope of application. The business strategy focuses on the power grid maintenance, SWIR imaging and semiconductors sectors, where there are few technological alternatives. Detectors benefit from the increase in the installed base on new machines, while the nuclear industry incorporates the development of SMR reactors.

Discount rates and perpetual growth rates used to calculate terminal values in 2023 and 2022 were as follows:

<i>(in %)</i>	WACC		Perpetual growth rate	
	2023	2022	2023	2022
Amplification	8.4%	8.5%	1.8%	1.8%
Detection and Imaging	10.3%	10.5%	2.4%	2.0%

The Group also tested the sensitivity of the CGU values in use to changes in rates and flows.

At December 31, 2023	Sensitivity to rates				Sensitivity to flows	
	Cash flow discount rate		Cash flow perpetual growth rate		Change in forecast cash flows	
<i>(in € million)</i>	1.0%	(1.0%)	1.0%	(1.0%)	5.0%	(5.0%)
Amplification	(95)	129	100	(74)	37	(37)
Detection and Imaging	(28)	36	29	(22)	11	(11)

At December 31, 2022	Sensitivity to rates				Sensitivity to flows	
	Cash flow discount rate		Cash flow perpetual growth rate		Change in forecast cash flows	
<i>(in € million)</i>	1.0%	(1.0%)	1.0%	(1.0%)	5.0%	(5.0%)
Amplification	(36)	48	38	(28)	17	(17)
Detection and Imaging	(15)	19	15	(12)	6	(6)

Based on these sensitivity calculations, a 100-basis point change in rate assumptions or a change of +/- 5% in forecast free cash flows would not have had a material impact on the Group's consolidated financial statements for the periods ended December 31, 2023 and December 31, 2022.

The Group does not carry out sensitivity analyses to variations in electricity and raw material costs, as it limits its exposure to such variations through two mechanisms:

- Negotiating predetermined prices directly with its main energy and supply providers;
- By including price review provisions in the majority of its multi-year customer contracts, which take into account, directly or indirectly, changes in the cost of raw materials.

In addition, as part of its low-carbon strategy, the Group is implementing action plans to reduce its operational CO₂ emissions, accelerate innovation and generalize eco-design. The potential impact of these plans on cash flows has been integrated into the business plans of the relevant CGUs for impairment testing purposes. Based on the analyses conducted as part of internal work on climate change, the Group has not identified any significant climate-related risks whose financial consequences could lead to a loss in the value of its assets.

Note 17 - Intangible assets

Accounting policy

Intangible assets

Intangible assets are recorded at acquisition cost or production cost for software created (i.e., the cost of resources used plus direct costs and a fraction of indirect production costs). The cost of an intangible asset acquired as part of a business combination is its fair value at the acquisition date.

Intangible assets with an indefinite useful life are not amortized, but tested for impairment at least once a year. Assets with a finite life are amortized on a straight-line basis over their estimated useful life:

- software: 1 to 5 years
- concessions, patents and similar rights: 8 to 15 years
- customer relationships: 8 to 20 years

Subsequent expenditure on intangible assets is capitalized if it increases the future economic benefits expected to be derived from their use and the cost can be reliably measured and allocated to the asset.

Brands

Only brands that have been acquired and are well known and individually identifiable are recorded in assets. They mainly consist of brands recognized as part of business combinations and, in particular, Photonis International. Brands are valued primarily using the discounted forecast cash flow method or the margin differential method, applicable where it is possible to measure the difference in revenue generated by a branded product, compared to a similar unbranded product.

The Group's brands have an indefinite life and are not amortized. The following criteria are considered, in particular, when classifying a brand as having an indefinite useful life:

- the brand or trade name's overall positioning in its market expressed in terms of activity volume, international presence and reputation;
- long-term profitability outlook;

- degree of exposure to changes in the economic environment;
- any major event within its business sector liable to compromise its future development;
- the age of the brand.

The economic life of the Photonis brand is considered indefinite because the brand has existed since 1937, enjoys significant visibility in its market and is highly appreciated by its main end-user customers. In addition, there is little competition in the market where the Photonis brands are commercialized. Significant amounts are invested annually to maintain and develop products through Research and Development and the Group's presence at trade fairs.

Costs incurred to develop an existing brand are expensed in the period.

Research and development costs

In accordance with IAS 38, *Intangible Assets*, internal research costs are expensed as incurred.

Internal development costs are recognized as intangible assets if, and only if, the following six conditions are met:

- the technical feasibility of completing the development project;
- the Group's intention to complete the project; the Group's ability to use the intangible asset;
- the demonstration that the asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the project; and
- the reliable measurement of the development expenditure.

These costs are amortized on a straight-line basis over the estimated useful life of each project, i.e., generally three to five years, commencing the date they are put into service.

Group intangible assets break down as follows:

<i>(in € thousand)</i>	Development costs	Software, concessions, patents	Customer relationships and brands	Other intangible assets	TOTAL
Gross amount at March 16, 2021	-	-	-	-	-
Changes in consolidation scope	38,829	2,180	118,838	3,928	163,775
Additions	3,740	2,011		146	5,897
Disposals					0
Translation adjustments		324		17	341
Transfers and other		(37)		37	0
Gross amount at December 31, 2021	42,569	4,478	118,838	4,128	170,013
Changes in consolidation scope	9,415	0	9,485	118	19,018
Additions	7,502	418	0	1,381	9,301
Disposals	0	(732)	(0)	(615)	(1,347)
Translation adjustments	(4)	430	0	25	451
Transfers and other	0	202	29	(202)	29
Gross amount at December 31, 2022	59,482	4,796	128,351	4,835	197,465

<i>(in € thousand)</i>	Development costs	Software, concessions, patents	Customer relationships and brands	Other intangible assets	TOTAL
Changes in consolidation scope	10,425	37	17,422	1	27,885
Additions	8,606	891	0	2,606	12,103
Disposals	-	-	-	-	0
Translation adjustments	155	(177)	350	(2)	326
Transfers and other	(841)	(1,483)	-	1,282	(1,042)
Gross amount at December 31, 2023	77,827	4,064	146,123	8,722	236,737
Amortization and impairment at March 16, 2021	-	-	-	-	-
Amortization	(2,331)	(358)	(2,559)	(58)	(5,306)
Impairment, net					0
Disposals					0
Translation adjustments		(169)		(11)	(180)
Transfers and other					0
Amortization and impairment at December 31, 2021	(2,331)	(527)	(2,559)	(69)	(5,486)
Amortization	(4,773)	(463)	(6,141)	(11)	(11,388)
Impairment, net					0
Disposals		34			34
Translation adjustments	2	(228)		(16)	(242)
Transfers and other	(4)	471	0	238	705
Amortization and impairment at December 31, 2022	(7,106)	(713)	(8,700)	142	(16,377)
Amortization	(7,370)	(796)	(7,351)	(111)	(15,628)
Impairment, net	(2,614)	-	-	-	(2,614)
Disposals	-	-	-	-	0
Translation adjustments	24	123	7	(11)	143
Transfers and other	(1)	(2)	-	92	89
Amortization and impairment at December 31, 2023	(17,067)	(1,388)	(16,044)	112	(34,387)
Net amount at December 31, 2023	60,760	2,676	130,080	8,834	202,351
Net amount at December 31, 2022	52,376	4,083	119,652	4,977	181,087
Net amount at December 31, 2021	40,238	3,951	116,279	4,059	164,527

Development costs:

At December 31, 2023, research and development costs are recognized in the consolidated statement of financial position in the net amount of €60,760 thousand (2022: €52,376 thousand) and relate to development projects for new products and services. Research and development costs not capitalized total €7,691 thousand (2022: €3,495 thousand).

Brands:

At December 31, 2023, brands are recognized in the consolidated statement of financial position in the net amount of €28,431 thousand (2022: €25,374 thousand) and comprise brands with an indefinite useful life. They mainly consist of brands recognized as part of business combinations and, in particular, Photonis International and Telops.

Customer relationships:

At December 31, 2023, customer relationships are recognized in the consolidated statement of financial position in the net amount of €101,215 thousand (2022: €94,278 thousand). They mainly consist of the value of customer lists recognized as part of business combinations, and in particular Photonis International, Xenics, Telops and El-Mul.

Note 18 - Property, plant and equipment

Accounting policy

Property, plant and equipment are measured at cost in the Group consolidated statement of financial position, less accumulated depreciation and, when applicable, impairment.

The gross carrying amount includes the acquisition or production cost and other costs directly attributable to the acquisition or production of the asset. Investment grants are initially accounted for as deferred income in the Group consolidated statement of financial position and are subsequently recognized as income over the useful life of the related asset.

Repair and maintenance costs are expensed as incurred. Other subsequent expenditure is included in the asset's carrying amount or recognized as a separate asset if the recognition criteria are met.

Property, plant and equipment are depreciated on a straight-line basis, except land, which is not depreciated. Depreciation of property, plant and equipment reflects the pattern in which the asset's future economic benefits are expected to be consumed.

The Group applies the following depreciation periods based on the expected useful lives of the respective assets:

- Buildings: 30 to 50 years
- Fixtures and fittings: 10 years
- Specific installations: 10 years
- Industrial equipment: 10 to 15 years
- Vehicles: 5 years
- IT equipment: 3 years
- Office furniture: 5 to 10 years
- Tooling: 3 to 5 years

The useful lives of property, plant and equipment and their respective residual values are reviewed annually.

When assets are sold or otherwise removed from the consolidated statement of financial position, the difference between the net proceeds and the net carrying amounts of the assets is recognized in "Other operating profit and expenses".

The Group's main categories of property, plant and equipment at December 31, 2023 and December 31, 2022 are as follows:

(in € thousand)	Land	Buildings	Technical installations	Other	PP&E under construction	Total
Gross amount at March 16, 2021	-	-	-	-	-	-
Changes in consolidation scope	1,802	4,636	22,725	589	9,594	39,346
Additions	-	32	398	153	2,585	3,168
Disposals	-	(40)	(460)	-	(10)	(510)
Translation adjustments	-	41	575	108	22	746
Transfers and other	-	594	1,950	75	(2,458)	161
Gross amount at December 31, 2021	1,802	5,263	25,188	925	9,733	42,911
Changes in consolidation scope	0	0	703	1,782	0	2,485
Additions	0	3,574	5,556	833	3,341	13,303
Disposals	(4)	(173)	(565)	(209)	0	(951)
Translation adjustments	0	51	752	159	27	989
Transfers and other	0	45	1,790	(1)	(388)	1,446
Gross amount at December 31, 2022	1,798	8,759	33,424	3,489	12,713	60,183
Changes in consolidation scope	762	4,401	2,120	312	33	7,627
Additions	212	1,145	4,462	405	14,027	20,251
Disposals	0	(33)	(844)	(56)	-	(933)
Translation adjustments	-	(44)	(444)	(60)	(65)	(612)
Transfers and other	-	2,191	5,024	145	(6,822)	538
Gross amount at December 31, 2023	2,772	16,419	43,741	4,235	19,886	87,053
Depreciation and impairment at March 16, 2021	-	-	-	-	-	-
Depreciation		(390)	(1,620)	(112)		(2,122)
Impairment, net		0	0	0		0
Disposals		35	428	0		463
Translation adjustments		(34)	(491)	(100)		(625)
Transfers and other		0	(160)	1		(159)
Depreciation and impairment at December 31, 2021	-	(389)	(1,843)	(211)	0	(2,443)
Depreciation		(1,092)	(4,027)	(260)		(5,379)
Impairment, net		0	0	0		0
Disposals		173	414	190		777
Translation adjustments		(43)	(640)	(146)		(829)
Transfers and other		0	(1,200)	14		(1,186)
Depreciation and impairment at December 31, 2022	-	(1,351)	(7,296)	(413)	0	(9,061)
Depreciation	-	(1,337)	(4,926)	(832)	-	(7,096)
Impairment, net	-	-	-	-	-	0
Disposals	-	33	581	64	-	678
Translation adjustments	-	26	396	55	-	477

(in € thousand)	Land	Buildings	Technical installations	Other	PP&E under construction	Total
Transfers and other	-	-	(1)	-	-	(1)
Depreciation and impairment at December 31, 2023	-	(2,629)	(11,246)	(1,127)	0	(15,002)
Net amount at December 31, 2023	2,772	13,790	32,495	3,108	19,886	72,051
Net amount at December 31, 2022	1,798	7,408	26,127	3,075	12,713	51,122
Net amount at December 31, 2021	1,802	4,874	23,345	714	9,733	40,468

Note 19 - Right-of-use assets

Accounting policy

A contract is, or contains, a lease if it conveys the right to use an asset for an agreed period of time, in return for consideration. The Group assesses whether a contract is or contains a lease on the date of signature of the lease agreement, or if earlier, the date of commitment by the parties to the principal provisions of the lease.

The Group is the lessee in substantially all of its leases. Leased assets are mainly real estate assets and technological installations.

Lease liabilities

Lease liabilities correspond to the present value of future lease payments, excluding variable lease payments that do not depend on an index or a rate.

Where contracts include a lease component and non-lease components (such as services), only the lease component is taken into account in calculating the present value.

The interest rate implicit in the lease is used as the discount rate if it can be determined. If the implicit rate cannot be readily determined, each Group entity uses its incremental borrowing rate reflecting its specific credit risk, the currency of the lease and the weighted average maturity of the outstanding lease liability.

Over the term of the lease, the interest expense increases the lease liability while the lease payments reduce it.

The carrying amount of the lease liability and the corresponding right-of-use asset is adjusted to reflect any change in the lease term, any change in the assessment of an option to purchase the underlying asset, any change in the amount that the lessee expects to have to pay to the lessor under a residual value guarantee or any change in future lease payments resulting from a change in an index or a rate used to determine those payments.

Right-of-use asset

Right-of-use assets corresponding to leased property, plant and equipment are initially measured at cost, corresponding to the sum of the present value of the outstanding lease payments at the commencement date. Any lease payments made at or before the commencement date, any initial direct costs and an estimate of costs to be incurred by the Group in dismantling or restoring the underlying asset, are included in the value of the right-of-use asset, less any lease incentives.

The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the leased asset if the transfer of ownership of the leased asset is uncertain or is not provided for in the contract.

Enforceable period

The enforceable period of a lease is determined by taking into account all the economic facts and circumstances (such as contractual terms and conditions compared with market rates, significant leasehold improvements, costs relating to the termination of the lease, such as negotiation costs, relocation costs, the costs associated with returning the underlying asset in a contractually specified condition or to a contractually specified location), and contractual options to extend or terminate the lease. Consequently, for leases that are automatically renewable and the 3/6/9-year commercial leases that are common in France, the enforceable period can be longer than the period to the contractual end date. This information is used to determine the most economically relevant end date for the lease. For real estate leases, the Group defines the reasonable end date of the lease, based on the enforceable period, in line with the asset's expected period of use. Accordingly, for leases with a residual term of more than ten years, the first enforceable exit option is chosen unless specific information and economic circumstances lead the Group to define a longer period.

Exceptions

Leases with a term not exceeding 12 months or concerning low-value assets (mainly computers, printers and tools) are not recognized in the consolidated statement of financial position, in accordance with the exemptions permitted by the standard. The payments related to these leases are expensed on a straight-line basis over the lease term. Variable lease payments are expensed in the period in which the trigger event or situation occurs.

Right-of-use assets break down as follows:

(in € thousand)	IFRS16 Right-of use assets			
	Buildings	Technological installations	Other	Total
Gross amount at March 16, 2021	-	-	-	-
Changes in consolidation scope	4,730	932	18	5,680
Additions	352	134	0	486
Disposals	(214)	(123)	0	(337)
Translation adjustments	255	9	0	264
Transfers and other	0	0	0	0
Gross amount at December 31, 2021	5,123	952	18	6,093
Changes in consolidation scope	813	1,714	0	2,527
Additions	2,002	276	0	2,278
Disposals	0	(55)	0	(55)
Translation adjustments	319	11	2	332
Transfers and other	65	(53)	0	12
Gross amount at December 31, 2022	8,322	2,845	20	11,187
Changes in consolidation scope	2,833	72	-	2,906
Additions	258	972	29	1,259
Disposals	(208)	(229)	-	(437)
Translation adjustments	(168)	(9)	(1)	(178)
Transfers and other	(21)	7	-	(14)
Gross amount at December 31, 2023	11,017	3,658	48	14,723

	IFRS16 Right-of use assets			
(in € thousand)	Buildings	Technological installations	Other	Total
Depreciation and impairment at March 16, 2021	-	-	-	-
Depreciation	(427)	(156)	(4)	(587)
Impairment, net	0	0	0	0
Disposals	0	97	0	97
Translation adjustments	(36)	(2)	0	(38)
Transfers and other	480	(4)	0	476
Depreciation and impairment at December 31, 2021	17	(65)	(4)	(52)
Depreciation	(1,254)	(376)	(14)	(1,644)
Impairment, net	0	0	0	0
Disposals	0	0	0	0
Translation adjustments	(107)	(3)	(1)	(111)
Transfers and other	(87)	43	0	(44)
Depreciation and impairment at December 31, 2022	(1,431)	(401)	(19)	(1,851)
Depreciation	(1,436)	(1,053)	(10)	(2,499)
Impairment, net	-	-	-	0
Disposals	57	221	-	278
Translation adjustments	101	6	0	108
Transfers and other	0	-	-	0
Depreciation and impairment at December 31, 2023	(2,709)	(1,227)	(28)	(3,964)
Net right-of use assets at December 31, 2023	8,307	2,432	20	10,759
Net right-of use assets at December 31, 2022	6,891	2,444	1	9,336
Net right-of use assets at December 31, 2021	5,140	887	14	6,041

Note 20 - Investments in equity-accounted companies

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

(in € thousand)	Total
Opening balance at March 16, 2021	-
Changes in consolidation scope	1,689
Acquisitions of equity investments	-
Net profit (loss) of equity-accounted companies	-
Translation adjustments	78
Impairment	-
At December 31, 2021	1,767

Changes in consolidation scope	992
Acquisitions of equity investments	-
Net profit (loss) of equity-accounted companies	-
Translation adjustments	-
Impairment	-
At December 31, 2022	2,759
Changes in consolidation scope	649
Acquisitions of equity investments	-
Net profit (loss) of equity-accounted companies	-
Translation adjustments	2
Impairment	-
At December 31, 2023	3,410

At December 31, 2023, the increase in investments in associates and joint ventures follows the acquisition of a 10% stake in Think Deep AI SAS.

At December 31, 2022, the increase in investments is attributable to equity investments held by Xenics and primarily the 11% investment in FBGS Technologies GmbH.

At December 31, 2021, investments in associates and joint ventures comprise a 49% stake in IGG Photonis Night Vision Electronics and Equipment Repairs and Testing LLC (“IGG”).

IGG was dormant in 2021, 2022 and 2023 and FBGS Technologies GmbH did not contribute to profit or loss in 2022 or 2023.

Note 21 - Taxes

Deferred tax

Deferred tax is recorded in the consolidated statement of financial position as follows:

	Fiscal	Fiscal 2022		
	2023	12-month period	10-month period*	22 months**
<i>(in € thousand)</i>	12 months			
Opening balance	(14,110)	(11,865)	-	-
Deferred tax assets	282	-	-	-
Deferred tax liabilities	(14,392)	(11,865)	-	-
Deferred tax benefit/(expense)	3,030	(1,232)	3,965	2,733
Changes in consolidation scope	(6,394)	(804)	(16,144)	(16,948)
Translation adjustments	(174)	187	620	807
Other comprehensive income	20	(386)	(155)	(541)
Other	94	(11)	(150)	(161)
Closing balance	(17,534)	(14,110)	(11,865)	(14,110)
Deferred tax assets	44	282	-	282
Deferred tax liabilities	(17,578)	(14,392)	(11,865)	(14,392)

Deferred tax assets and liabilities at the end of the period, before netting, are as follows:

<i>(in € thousand)</i>	December 31, 2023	December 31, 2022
Purchaser price allocation (PPA)	(40,335)	(35,476)
<i>o/w DT on customer relationships</i>	(27,020)	(25,376)
<i>o/w DT on brands</i>	(7,699)	(6,844)
<i>o/w DT on technologies</i>	(5,496)	(3,256)
<i>o/w DT on the order book</i>	(120)	-
Derivative financial instruments	(31)	(1,242)
Temporary differences	1,642	955
Investment acquisition costs	(3,475)	(2,742)
Provisions for post-employment benefits	1,381	1,325
Capitalized research costs	(7,487)	(6,954)
Recognized tax losses carried forward	27,438	28,902
Deferred tax on share-based payments	-	-
Research tax credits	678	625
Inventory margin	692	668
Other	1,962	(172)
Deferred tax assets/(liabilities) net	(17,534)	(14,110)

Deferred tax assets have been recognized for tax loss carryforwards to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be offset, taking into account the restrictions applicable in local tax jurisdictions. The probability that unused tax losses will be utilized is assessed according to the entity and its taxable profit projections. These projections are prepared using assumptions that are consistent with the short- and medium-term budgets prepared by Group entities.

At December 31, 2023, tax losses carried forward are recognized in the amount of €27.4 million (2022: €28.9 million) and mainly concern the French tax group in the amount of €22.8 million.

Tax losses of €5.2 million are not recognized at December 31, 2023 (2022: €24.5 million). These mainly concern the French tax group for which tax losses were recognized in the amount of deferred tax liabilities and based on forecast taxable profits of the coming years and applicable limits on the offset of tax losses. French tax losses can be carried forward indefinitely but may only be used to offset 50% of taxable profits above €1 million.

Note 22 - Inventories

Accounting policy

Inventories are carried at the lower of cost and net realizable value.

The cost of raw materials supplies and purchased finished goods includes the purchase price and other costs directly attributable to the acquisition. The cost of work in progress and manufactured finished goods comprises direct labor costs, other direct costs and production overheads based on the normal capacity of production facilities. Borrowing costs are expensed as incurred.

Inventories of raw materials and bought-in goods are valued according to the FIFO (First In First Out) method.

Net realizable value is the estimated selling price less the estimated costs of completion and sale.

Inventory is valued at the lower of cost and net value assessed based on physical damage, obsolescence, slow-moving items, and market changes. An impairment for slow-moving inventory is calculated taking account of (1) past consumption, (2) the existence or not of an order and (3) knowledge of the relevant market. Depending on these three factors, the amount of the write-down is generally between 25% and 100% of the gross value of the inventory in question.

Inventory breaks down as follows:

<i>(in € thousand)</i>	December 31, 2023	December 31, 2022	December 31, 2021
Raw materials	36,497	23,501	14,859
Work in progress	41,197	31,111	28,050
Finished goods	12,887	10,561	10,551
Bought-in-goods	513	231	-
Inventories - gross value	91,094	65,405	53,461
Provision for obsolescence	(12,549)	(9,744)	(8,438)
Inventories - net value	78,544	55,661	45,023

Note 23 - Trade receivables

Accounting policy

A trade receivable is an unconditional right to payment from a customer. Receivables are initially recognized at the amount unconditionally due by the customer. At each reporting date, trade receivables are measured at amortized cost less impairment losses reflecting any risk of non-recovery.

The risk of non-recovery of receivables is estimated at each reporting date and an impairment recognized where appropriate. The risk of non-recovery is calculated based on late payments and the debtor's ability to pay.

The Group applies the simplified approach permitted by IFRS 9 for trade receivables, which requires expected lifetime losses to be recognized from initial recognition. To measure expected credit losses, trade receivables are grouped based on shared credit risk characteristics.

Expected loss rates are determined based on historical expected loss rates observed by the entity adjusted for forward-looking information.

The carrying amount of trade receivables breaks down as follows:

<i>(in € thousand)</i>	December 31, 2023	December 31, 2022	December 31, 2021
Trade receivables and related accounts - gross	62,692	33,301	32,428
Trade receivables - sales invoice accruals	6,883	756	959
Provision for impairment of trade receivables	(386)	(1,374)	(1,391)

Trade receivables - net	69,189	32,683	31,997
--------------------------------	---------------	---------------	---------------

As of 31 December 2023, the increase in trade receivables was mainly due to higher sales volumes, a consolidation scope effect and an increase in past-due receivables for one customer (receivables recovered during the first quarter of 2024).

The provision for impairment of trade receivables is €386 thousand at December 31, 2023 (€1,374 thousand at December 31, 2022). On the adoption of IFRS 9, the Group updated its review of trade receivable impairment for the previous five years. The impact of this update was not material and no additional impairment was recognized.

Information on credit risk management is disclosed in Note 33.

At December 31, 2023, the aged analysis of trade receivables is as follows:

<i>(in € thousand)</i>	Total	Neither due, nor impaired	Past due but not impaired			
			< 31 days	31 - 60 days	61 - 90 days	> 90 days
Trade receivables, net	69,189	58,537	4,716	2,412	660	2,864

At December 31, 2022, the aged analysis of trade receivables is as follows:

<i>(in € thousand)</i>	Total	Neither due, nor impaired	Past due but not impaired			
			< 31 days	31 - 60 days	61 - 90 days	> 90 days
Trade receivables, net	32,683	26,027	4,505	1,363	528	261

At December 31, 2023 and December 31, 2022, most trade receivables past due more than 90 days concern Group customers for which the Group does not expect any risk of non-recovery.

Note 24 - Current financial assets and other current assets

Accounting policy

IFRS 9 sets out a single approach for the classification and measurement of financial assets based on the characteristics of the financial instrument and the Group's management intention. Accordingly:

- Financial assets with cash flows that are solely payments of principal and interest are measured at amortized cost if they are held to collect these flows;
- In all other cases, financial assets are measured at fair value through profit and loss, except for equity instruments (e.g., equity investments) not held for trading. Changes in the fair value of these instruments are recognized in "other comprehensive income" on option.

These principles lead to the recognition of financial assets in the Group consolidated statement of financial position as follows:

- Loans and receivables are recognized at amortized cost and impaired in the event of expected credit losses or an objective indication of loss in value. Impairment is recorded in net financial income (expense) and can be reversed subsequently if the conditions warrant.
- Other financial assets are measured at fair value through profit or loss.

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

<i>(in € thousand)</i>	December 31, 2023	December 31, 2022	December 31, 2021
VAT and other tax receivables	8,478	6,887	5,672
Income tax	10,141	7,352	4,468
Other receivables	8,351	6,895	5,982
Tax and employee-related receivables	2,326	1,285	(103)
Current financial assets	70	50	41
Current financial assets and other current assets	29,366	22,470	16,059

Note 25 - Cash and cash equivalents

Accounting policy

Cash and cash equivalents include cash, short-term and highly liquid investments with a maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Cash and cash equivalents break down as follows:

<i>(in € thousand)</i>	December 31, 2023	December 31, 2022	December 31, 2021
Cash and cash equivalents	15,444	22,409	16,537
Bank deposits subject to a notice period of up to three months	14	6,546	13
Cash and cash equivalents	15,458	28,955	16,550
Cash and cash equivalents net of bank overdrafts	15,458	28,955	16,550

Note 26 - Share capital and share premiums

Issued capital

The Company's issued share capital amounts to €1,949,656.32 and consists of 194,759,837 shares with a par value of €0.01, subscribed and paid up in full, as follows:

- 75,968,360 ordinary shares (OS);
- 113,952,540 A preferred shares (APS);
- 50,000 R2 preferred shares (R2PS);
- 39,000 R3 preferred shares (R3PS);

- 2,769,937 R1 preferred shares (R1PS);
- 792,000 O' preferred shares (O'PS);
- 1,188,000 A' preferred shares (A'PS).

These issues include total share premiums of €188,052 thousand.

HLD Europe is the majority shareholder.

Three classes of additional preferred shares created in the bylaws with a par value of €0.01 each and granted in fiscal 2021, 2022 and 2023, were partially issued to the relevant beneficiaries in 2022 and 2023.

These three classes of preferred share were granted subject to the following limits defined in 2021:

- O' preferred shares – 1,000,000 maximum;
- A' preferred shares – 1,500,000 maximum;
- R1 preferred shares – 3,950,000 maximum.

Rights, preferences and restrictions on each share class

A and A' preferred shares confer entitlement to a priority, cumulative and exclusive amount of distributions and liquidation net assets. The A priority amount is equal to 9% per year of the subscription price calculated from the issue date on a daily basis and capitalized at each issue date anniversary.

R and O' preferred shares confer entitlement to a specific share in distributions and liquidation net assets.

The following table presents outstanding ordinary and preferred shares:

(thousands of shares)	Ordinary shares	A preferred shares	R2 preferred shares	R3 preferred shares	R1 preferred shares	O' preferred shares	A' preferred shares	Total
Opening balance at March 16, 2021	0	0	0	0	0	0	0	0
Capital subscription	75,968	113,953	50	39				190,010
Increase								0
Decrease								0
At December 31, 2021	75,968	113,953	50	39	0	0	0	190,010
Capital subscription								0
Increase					2,261	744	1,116	4,121
Decrease								0
At December 31, 2022	75,968	113,953	50	39	2,261	744	1,116	194,131
Capital subscription								0
Increase					509	48	72	629
Decrease								0

At December 31, 2023	75,968	113,953	50	39	2,770	792	1,188	194,760
----------------------	--------	---------	----	----	-------	-----	-------	---------

Note 27 - Financial liabilities

Accounting policy

Financial liabilities mainly comprise bonds, senior term loans, revolving credit facilities, lease liabilities, bank overdrafts and miscellaneous financial liabilities.

All these financial liabilities are initially recognized at fair value, less transaction fees and are subsequently measured at amortized cost at each reporting date. Transaction fees, issuance premiums, redemption premiums and any other difference between the net proceeds from the issuance and the final redemption value are therefore amortized over the term of the debt instrument using the effective interest method. The effective interest rate is the rate that discounts exactly the future cash flows (principal and interest) over the term of the instrument, to an amount that is equal to the initial carrying value of the instrument.

Interest expenses are recorded based on the effective interest rate and not the nominal interest rate.

Financial liabilities classified as non-current correspond to liabilities for which the Group has an unconditional right to defer settlement for at least 12 months from the reporting date.

The carrying amount of financial liabilities breaks down as follows:

<i>(in € thousand)</i>	Note	December 31, 2023			December 31, 2022		
		Total	Current	Non-current	Total	Current	Non-current
A Bonds	1	185,111		185,111	184,060	-	184,060
B Bonds	2	9,840		9,840	9,762	-	9,762
2023 Bonds	3	33,712		33,712			
Senior debt	4	71,924	4,334	67,590	45,337	4,156	41,181
Lease liabilities		10,043	2,360	7,683	9,634	2,063	7,571
Other financial liabilities	5	6,166	1,565	4,601	4,246	882	3,364
Accrued interest	6	1,127	1,127		336	336	
Financial liabilities		317,923	9,386	308,537	253,374	7,437	245,937
Derivative financial instruments (liabilities)	Note 4	0			1,902	1,902	
Derivative financial instruments (assets)	Note 4	(152)	(152)		(4,968)	(4,968)	
Derivative financial instruments (net)		(152)	(152)		(3,066)	(3,066)	
Cash at bank and in hand	Note 25	(15,444)	(15,444)		(22,409)	(22,409)	
Bank deposits subject to a notice period of up to three months	Note 25	(14)	(14)		(6,546)	(6,546)	
Cash and cash equivalents		(15,458)	(15,458)		(28,955)	(28,955)	
Total financial liabilities, net		302,313	(6,224)	308,537	221,353	(24,584)	245,937

- (1) A bonds, paying interest ranging from 6.25% to 6.75% + 6-month Euribor, comprising in 2023 a gross amount of €190 million, less loan issuance costs of €4.9 million.
- (2) B bonds, paying interest ranging from 6.25% to 6.75% + 6-month Euribor, comprising in 2023 a gross amount of €10 million, less loan issuance costs of €0.2 million.
- (3) 2023 bonds, paying interest ranging from 6.50% to 7.00% + 6-month Euribor, comprising in 2023 a gross amount of €35 million, less loan issuance costs of €1.3 million.
- (4) Senior debt breaks down as follows at December 31, 2023:
 - o €14.5 million: A1 Senior Debt Facility, including €4.3 million falling due in less than one year, paying interest ranging from 1.75% to 2.75% + 3-month Euribor;
 - o €27.8 million: A2 Senior Debt Facility, paying interest ranging from 3.50% to 4.25% + 3-month Euribor;
 - o €29.6 million: A3 Senior Debt Acquisition Facility, paying interest ranging from 2.60% to 3.60% + 3-month Euribor.

In 2023, the senior debt includes a gross amount of €73.7 million, less loan issuance costs of €1.8 million.

- (5) Other financial liabilities mainly comprise several loans subscribed by Xenics (€3.2 million), Photonis Germany (€2.1 million) and Photonis Infrared France (€0.6 million).
- (6) In 2023, accrued interest mainly concerns the A1 Senior Debt Facility for €168 thousand, the A2 Senior Debt Facility for €389 thousand and the A3 Senior Debt Facility for €405 thousand. Interest is accrued and payable according to the contractual debt schedule.

Pledges and commitments given by the Group in respect of financial liabilities are presented in Note 32, Off-balance sheet commitments.

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

<i>(in € thousand)</i>	Opening balance at March 16, 2021	Cash flows		“Non-cash” movements			12/31/2021
		Inflows	Outflows	Changes in consolidation scope	Other changes*	Total “non- cash”	
Bonds, loans and other		212,829	(318,712)	308,202	(2,151)	306,051	200,168
Lease liabilities					4,639	4,639	4,639
Derivative instruments						0	0
Non-current loans and borrowings	-	212,829	(318,712)	308,202	2,488	310,690	204,807
Bonds, loans and other		466	(12,398)	12,686	2,727	15,413	3,481
Lease liabilities			(367)		1,816	1,816	1,449
Derivative instruments						0	0
Current loans and borrowings	-	466	(12,765)	12,686	4,543	17,229	4,930
TOTAL FINANCIAL LIABILITIES	-	213,295	(331,477)	320,888	7,031	327,919	209,737
Derivative instrument assets							
Net impact (inflows/outflows) in the consolidated statement of cash flows			(118,182)				

<i>(in € thousand)</i>	Opening balance at January 1, 2022	Cash flows		“Non-cash” movements			12/31/2022
		Inflows	Outflows	Changes in consolidation scope	Other changes*	Total “non- cash”	
Bonds, loans and other	200,168	40,000	(1,259)	2,735	(3,280)	(544)	238,366
Lease liabilities	4,639			1,987	945	2,932	7,571
Derivative instruments	0					0	0
Non-current loans and borrowings	204,807	40,000	(1,259)	4,722	(2,335)	2,388	245,937
Bonds, loans and other	3,481	48	(3,144)	451	4,556	4,988	5,373
Lease liabilities	1,449		(1,508)	573	1,549	2,122	2,063
Derivative instruments	0				1,902	1,902	1,902
Current loans and borrowings	4,930	48	(4,652)	1,024	8,007	9,012	9,338
TOTAL FINANCIAL LIABILITIES	209,737	40,048	(5,911)	5,746	5,672	11,400	255,275
Derivative instrument assets	0				(4,968)	(4,968)	(4,968)
Net impact (inflows/outflows) in the consolidated statement of cash flows		34,138					

<i>(in € thousand)</i>	Opening balance at January 1, 2023	Cash flows		“Non-cash” movements			12/31/2023
		Inflows	Outflows	Changes in consolidation scope	Other changes	Total “non- cash”	
Bonds, loans and other	238,366	65,000	(1,752)	4,334	(5,105)	(771)	300,843
Lease liabilities	7,571			1,404	(1,282)	123	7,694
Derivative instruments	0					0	0
Non-current loans and borrowings	245,937	65,000	(1,752)	5,739	(6,387)	(648)	308,537
Bonds, loans and other	5,373	801	(5,400)	72	6,180	6,252	7,026
Lease liabilities	2,063		(2,126)		2,423	2,423	2,360
Derivative instruments	1,902				(1,902)	(1,902)	0
Current loans and borrowings	9,338	801	(7,526)	72	6,701	6,773	9,386
TOTAL FINANCIAL LIABILITIES	255,275	65,801	(9,278)	5,811	314	6,125	317,923
Derivative instrument assets	(4,968)				4,816	4,816	(152)
Net impact (inflows/outflows) in the consolidated statement of cash flows		56,523					

** Other changes comprise for lease liabilities, new liabilities recorded in respect of assets recognized on consolidation and, for bonds, loans and other financial liabilities, amortization of loan issuance costs.*

27.1 Financing structure

On July 22, 2021, the Exosens Group subscribed an initial financing, supplemented on December 22, 2022 by a second financing for the acquisition of Xenics and on June 30 and October 13, 2023 by a third financing for the acquisition of Telops and El-Mul.

Total financing of €316 million comprises the following components:

Bond issues:

The Group performed:

- a bond issue (“A Bonds”) on July 22, 2021, of a total principal amount of €175.0 million, paying annual variable interest indexed to 6-month Euribor plus a margin, maturing on July 22, 2028. Additional A bonds were issued by the Company on December 22, 2022 in the amount of €15.0 million to finance the acquisition of Xenics;
- a bond issue (“B Bonds”) on July 22, 2021, of a total principal amount of €10.0 million, paying annual variable interest indexed to 6-month Euribor plus a margin, maturing on July 22, 2028;
- an additional bond issue (“Additional Bonds”) on October 13, 2023, of a total principal amount of €35.0 million, paying annual variable interest indexed to 6-month Euribor plus a margin and maturing on July 22, 2028.

Interest and costs

Bonds issued under the Bond Issue Agreement pay interest at a variable rate indexed to 6-month Euribor. The margins applicable vary based on the leverage ratio (see Note 27.2), from 6.25% to 6.75% (by default) per annum for A and B Bonds and from 6.50% to 7.00% (by default) per annum for Additional Bonds.

Senior Debt Agreement:

The following loan facilities are available to the Company:

- an A1 Senior Debt Facility of €15.0 million, expiring on January 22, 2027 and repayable over its term, increased by €6.4 million on December 22, 2022; at December 31, 2023, €6.3 million of the A1 Senior Debt Facility had been repaid by the Company and the remaining outstanding amount was €15.1 million;
- an A2 Senior Debt Facility of €20.0 million, expiring on July 22, 2027 and repayable on maturity, increased by €8.6 million on December 22, 2022 to finance the acquisition of Xenics by Photonis Technologies; at December 31, 2023, the outstanding amount on the A2 Senior Debt Facility was €28.6 million;
- a Debt Senior - Acquisition Facility of €30.0 million, expiring on July 22, 2027 and repayable over its term, used, together with the proceeds from the Additional Bonds issue, to finance the acquisition of Telops and El-Mul; at December 31, 2023, the outstanding amount on the Debt Senior - Acquisition Facility was €30.0 million;

- a revolving credit facility (RCF) expiring on January 22, 2027 of a maximum amount of €10.0 million, not drawn at December 31, 2023.

Interest and costs

Loans issued under the Senior Debt Agreement pay interest at a variable rate indexed to 3-month Euribor.

The margins applicable to each tranche are adjusted based on the leverage ratio (see Note 27.2) and vary from 1.75% to 2.75% (by default) for the A1 Facility and the additional A1 Facility, from 3.50% to 4.25% (by default) for the A2 Facility and the additional A2 Facility, from 2.60% to 3.60% (by default) for the Acquisition Facility and from 1.75% to 2.75% (by default) for the revolving credit facility.

In addition, the margin may be adjusted downwards if the Company attains the ESG objectives set in the Senior Debt Agreement, reducing the margin by 0.05% for the following 12 months.

27.2 Financial covenants

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

At December 31, 2022, the leverage ratio (net debt/adjusted EBITDA) was required to be below 6.30 for senior debt facilities and 6.00 for bond issues.

At December 31, 2023, the leverage ratio (net debt/adjusted EBITDA) was required to be below 5.60 for senior debt facilities and 5.30 for bond issues.

At December 31, 2023 and December 31, 2022, the Group's total net debt/adjusted EBITDA ratio was 3.3x and 3.7x, respectively.

The Group regularly monitors changes in these financial covenants and, in an unstable macroeconomic context, paid close attention to financing agreements that could present a short- or medium-term risk of not complying with financial ratios.

In fiscal 2022 and 2023, the Group did not breach these financial covenants based on the leverage ratio.

There are no financial covenants based on Group consolidated equity.

Note 28 - Provisions and other liabilities

Accounting policy

Pursuant to IAS 37, *Provisions, contingent liabilities and contingent assets*, the Group recognizes provisions when it has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

Provisions are classified as "Non-current provisions" where the settlement of the related obligation is not expected to occur within one year or the settlement date cannot be determined.

Contingent liabilities are not recognized but are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources is remote.

The Group measures its provisions based on facts and circumstances relating to present obligations at the end of the reporting period, its experience in this area and its best knowledge available at the reporting date.

If the expected outflow of resources is offset by income, an asset is recognized when this income is virtually certain. Contingent assets are not recognized.

The Group recognizes provisions for litigation when it is probable that there will be an outflow of resources and when a reliable estimate can be made of the obligation. Where the effect of the time value of money is material, such provisions are recognized for their discounted amount, i.e., the present value of the expenditures expected to be required to settle the obligation. To determine the present value of these commitments, the Group uses discount rates that reflect estimates of the time value of money and the risks specific to these commitments.

The increase in provisions recorded to reflect the passage of time is recognized in “Other financial income” and “Other financial expenses”.

Provisions and other liabilities total €76,948 thousand (2022: €46,556 thousand) and mainly comprise provisions for customer warranties, employee benefits tax liabilities and amounts payable to the State.

Provisions

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

<i>(in € thousand)</i>	Provisions for disputes	Customer warranties	Other provisions	Total
Opening balance at March 16, 2021	-	-	-	-
Changes in consolidation scope				0
Acquisition of Photonis International		1,483	256	1,739
Charge		308	21	329
Reversal		(229)	(64)	(293)
Reclassification				0
Other movements				0
Translation adjustments		8		8
At December 31, 2021	-	1,570	213	1,783
<i>Of which current</i>				595
Opening balance at January 1, 2022	-	1,570	213	1,783
Changes in consolidation scope	100	25	266	391
Charge	450	62	158	670
Reversal		(385)	(211)	(596)
Reclassification				0
Other movements			13	13
Translation adjustments		11		11
At December 31, 2022	550	1,283	439	2,272
<i>Of which current</i>				829

<i>(in € thousand)</i>	Provisions for disputes	Customer warranties	Other provisions	Total
Opening balance at January 1, 2023	550	1,283	439	2,272
Changes in consolidation scope	635	96	234	965
Charge	630	588	956	2,175
Reversal	(450)	(36)	(134)	(620)
Reclassification		240	(56)	184
Other movements				0
Translation adjustments		(10)	9	0
At December 31, 2023	1,365	2,163	1,449	4,976
<i>Of which current</i>				<i>1,295</i>

Other non-current and current liabilities

Other non-current liabilities total €4,872 thousand (2022: €4,893 thousand) and mainly comprise research and development grants and current accounts in credit.

Other current liabilities break down as follows:

<i>(in € thousand)</i>	December 31, 2023	December 31, 2022
Employee benefits tax liabilities	21,448	15,630
VAT and other taxes	9,940	7,282
Accrued expenses	7,583	5,396
Capital expenditure payables	2,755	1,309
Advances and down-payments received on orders	19,394	5,082
Miscellaneous liabilities	5,979	4,692
Other current liabilities	67,099	39,391

As of 31 December 2023, the increase in other current liabilities was mainly due to the increase in business and a consolidation scope effect.

Note 29 - Share-based payments

Accounting policy

Share subscription and free share grant plans are recognized and measured in accordance with the provisions set out in IFRS 2, *Share-based payment*. The grant of free shares represents a benefit granted to their beneficiaries. As these grants do not give rise to monetary transactions, the benefits granted are expensed over the rights vesting period through a corresponding increase in equity. Benefits are measured by an external actuary based on the fair value of the equity instruments granted at the grant date.

The various free share plans are equity-settled.

Free share plans

Free shares are granted to certain Group employees in France and abroad.

Legally, rights are subject to the beneficiary's continued employment by the Group during a one-year period from the grant date.

The fair value of the various instruments is equal to the value of a preferred share, less any dividends discounted at the risk-free rate and the purchase value.

The assumptions underlying the fair value measurement of the instruments are set out below:

- The price of the instrument at the grant date is determined based on an independent valuer's report.
- The estimated maturity is equal to management forecasts of the most probable exit event, estimated at December 31, 2025.
- The dividend rate is determined at the grant date and based on past payments and management's future expectations.

The expense relating to share grant plans is recognized in the financial statements over the rights grant period, extending from the share grant date to December 31, 2025. This expense is recognized in "employees benefit expense" in the Group financial statements and represents €0.1 million in 2021, €0.8 million in 2022 and €1.6 million in 2023.

Movements in rights to free shares are as follows:

<i>In number of shares</i>	Number of rights to free shares outstanding
At March 16, 2021	-
Granted	5,148,188
Canceled	(49,375)
Shares delivered	-
At January 31, 2021	5,098,813
Granted	817,937
Canceled	-
Shares delivered	(4,121,375)
At December 31, 2022	1,795,375
Granted	533,250
Canceled	-
Shares delivered	(628,562)
At December 31, 2023	1,700,063

2021 preferred shares:

- A, R2 and R3 preferred shares were granted on July 22, 2021 and will be issued one year after their grant to beneficiaries.
- O', A' and R1 preferred shares were granted on September 15, 2021 and will be issued one year after their grant to beneficiaries.

2022 preferred shares:

- O', A' and R1 preferred shares were granted on May 18, 2022 and will be issued one year after their grant to beneficiaries.

- Additional R1 preferred shares were granted on July 13, 2022 and will be issued one year after their grant to beneficiaries.

2023 preferred shares:

- O', A' and R1 preferred shares were granted on March 15, 2023 and will be issued one year after their grant to beneficiaries.
- Additional R1 preferred shares were granted on July 19, 2023 and will be issued one year after their grant to beneficiaries.

Note 30 - Retirement termination payment commitments

Accounting policy

Certain employees are eligible for jubilee awards or long-term incentive bonuses, payable in cash when a required service period has been completed. All bonuses, jubilees, awards and other long-term benefit plans are accrued over the vesting period, based on actuarial assumptions. These employee benefits are defined benefit plans under IAS 19, *Employee Benefits*, whereby the Group's obligation is to provide the agreed benefits to current and former employees. Actuarial risk (that benefits will cost more than expected) and investment risk fall, in substance, on the Group.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method based on assumptions relating to mortality rates, employee turnover and estimated future salary levels.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The liability recognized in the statement of financial position at the end of each reporting period in respect of defined benefit plans is the present value of the defined benefit obligation adjusted for unrecognized past service costs. The present value of a defined benefit obligation is the probable present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Pursuant to IAS 19R, the Group recognizes actuarial gains and losses in other comprehensive income.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes the costs of a restructuring within the scope of IAS 37 and involving the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

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

The weighted average duration of the defined benefit obligation is as follows:

<i>Weighted (in years)</i>	<i>average</i>	<i>duration</i>	December 31, 2023	December 31, 2022
Retirement termination payments			11.4	10.4
Jubilee awards			6.8	5.9
Complementary pension plan			2.5	3.5

Expected disbursements over the next 10 years are as follows:

<i>Expected disbursements over the next 10 years (in € thousands)</i>	Retirement termination payments	Jubilee awards	Complementary pension	Total
December 31, 2024	432	123	-	554
December 31, 2025	235	288	254	777
December 31, 2026	212	113	371	696
December 31, 2027	210	107	-	317
December 31, 2028	181	58	-	239
December 31, 2029 - December 31, 2033	1,371	68	-	1,439

Actuarial assumptions underlying the calculation of obligations for French entities are as follows:

	December 31, 2023	December 31, 2022
Discount rate (retirement termination payments and jubilee awards)	3.20%	3.75%
Discount rate (complementary pension)	3.10%	3.30%
Mortality table	INSEE TD/TV 17- 19 TGH/TGF 05	INSEE TD/TV 15- 17 TGH/TGF 05
Employee turnover	Based on observed resignations	Based on observed resignations
Rate of salary increase (retirement termination payments and jubilee awards)	2.70%	2.70%
Rate of salary increase (complementary pension)	2.70%	2.70%
Social security contribution rate (retirement termination payments)	38.40%	38.40%
Retirement age (management employees)	64 years	63 years
Retirement age (non-management employees)	64 years	62 years
Retirement age (complementary pension)	65 years	65 years

The net benefit expense recognized in the income statement breaks down as follows:

<i>(in € thousand)</i>	December 31, 2023	December 31, 2022
Current service cost	340	537
Interest cost	240	89
Actual return on plan assets	(7)	(2)
Past service cost	(278)	(304)
Plan amendments	108	-
Total	403	320

The total expense was included in “employee benefits expense” and “other financial expenses” in the income statement.

The amount recognized in the statement of financial position breaks down as follows:

(in € thousand)	December 31, 2023	December 31, 2022
Defined benefit obligation	(7,602)	(7,081)
Value of plan assets at the period end	7	-
Asset/(liability) recognized in the statement of financial position	(7,595)	(7,081)

The change in defined benefit obligations during the period breaks down as follows:

(in € thousand)	December 31, 2023	December 31, 2022
Opening balance	(7,081)	
Changes in consolidation scope	(28)	(9,492)
Operating expense	(340)	(537)
Interest cost	(240)	(89)
Actuarial (gains) / losses	(80)	2,141
Past service cost	278	445
Impact of the IFRIC Staff Paper of May 2021	-	451
Plan amendments	(108)	-
Other changes	(4)	-
At December 31	(7,602)	(7,081)

The change in the fair value of plan assets during the period breaks down as follows:

(in € thousand)	December 31, 2023	December 31, 2022
Opening balance	0	0
Changes in consolidation scope		142
Actual return on plan assets	7	(2)
Employer contributions		96
Benefits paid by the fund		(237)
At December 31	7	0

An increase or decrease of 0.25% in discount rate assumptions would not have any material impact on the Company’s consolidated financial statements.

Note 31 - Trade payables and related accounts

Accounting policy

Trade payables represent liabilities for goods and services provided to the Group prior to the reporting date which are unpaid. These amounts are unsecured and are usually paid within 60 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

<i>(in € thousand)</i>	December 31, 2023	December 31, 2022
Trade payables	24,703	18,757
Purchase invoice accruals	7,531	3,960
Notes receivable	70	174
Trade payables and related accounts	32,304	22,891

Trade payables represent approximately 59 days' cost of sales at December 31, 2023 (56 days at end 2022).

Note 32 - Off-balance sheet commitments

32.1 Commitments received

Nil.

32.2 Commitments given

At December 31, 2023	Type of commitment	Commitment given
Exosens SAS	Pledge	Commitments given to lenders under the loan agreements of 07/20/2021
	Pledge	Commitments given to lenders on 12/22/2022 under the loan agreements of 07/20/2021
	Pledge	Commitments given to lenders on 07/18/2023 under the loan agreements of 07/20/2021
Exosens International SAS	Pledge	Guarantees given to banks (07/20/2021)
	Pledge	Guarantees given to banks (12/22/2022)
	Pledge	Guarantees given to banks (07/18/2023)
	Guarantees issued by CIC	In favor of HOLD-KEY - \$60K warranty bond (Lot 4) expiring 08/31/2023 - \$28K warranty bond (Lot 6) expiring 01/31/2024 - \$69K warranty bond (Lot 7) expiring 01/30/2024
	Guarantees issued by CIC	In favor of TWOWAY - \$44K warranty bond (Lot 5) expiring 04/30/2024
	Guarantees issued by CIC	In favor of TWOWAY - \$60K warranty bond (Extension 1000) expiring 08/10/2024
	Guarantees issued by LCL	In favor of OPNET System CO. Ltd - \$45K Minijol warranty bond (Lot 4) expiring 07/13/2024 - \$46K Minijol warranty bond (Lot 5) expiring 11/20/2024
	Guarantees and surety granted to CIC	Guarantee and surety granted to CIC Entreprises under the Photonis Infrared France loan (formerly Device-Alab):

At December 31, 2023	Type of commitment	Commitment given
		- €83K direct guarantee / foreign market guarantee / holdback guarantee - \$72K foreign market guarantee / holdback guarantee - \$129K foreign market guarantee / performance guarantee
	Pledge	Guarantees given to banks (12/24/2021)
	Pledge	Guarantees given to banks (12/22/2022)
	Pledge	Guarantees given to banks (07/18/2023)
PHOTONIS France SAS	Guarantees given in respect of foreign export contracts	- AED 4,682K performance guarantee (CIC) - INR 500K guarantee to EMD (CIC) - USD 38K performance guarantee (SG) - €1,686K performance bond (SG + CIC + LCL + BNP) - €1,306K warranty bond (CIC + LCL) - INR 12,000K performance guarantee (CIC) - €3,022K early payment guarantee (CIC + LCL + BNP) - €49K tailored guarantee (SG)
IMAGING SENSORS INTERNATIONAL	Guarantees given in respect of foreign export contracts	- €106K performance guarantee - €106K advance guarantee - INR 2,000K guarantee covering a foreign export contract
PHOTONIS Netherlands B.V.	Pledge	Guarantees given to banks (12/24/2021)
	Guarantees given in respect of foreign export contracts	Customer warranties of €439K
PHOTONIS Holding Inc.	Pledge	Extensive pledge through a wide security agreement (January 28, 2022) - not limited thereto
	Pledge	Extensive pledge through a wide security agreement - non exhaustive
PHOTONIS Scientific Inc.	Pledge	Extensive pledge through a security agreement (01/28/2022)
PHOTONIS Defense Inc.	Pledge	Extensive pledge through a security agreement (01/28/2022)
El-Mul	Guarantee issued for a real estate lease	Bank guarantee of ILS 1,442K with counter-guarantee issued by BNP
	Guarantee given to banks	Guarantee given for the bank margin (EDC) of CAD 2,000K
Telops	Sureties given to banks	Sureties given for ATA carnets of USD 1,000K
	Pledge	Guarantees given to banks of CAD 29,122K
Total		

Note 33 - Financial risk management

33.1 Financial risk management policy

33.1.1 Organization of financial risk management

Risks

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management program

focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management systems

The Group uses derivative financial instruments to manage foreign exchange risk and interest rate risk on borrowings.

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

In addition, to protect against counterparty risk on derivatives, the Group enters into contracts with several banks.

For all financial instruments, the carrying amount best represents the maximum exposure to credit risk.

33.1.2 Liquidity risk

Liquidity risk arises from the Company not being able to meet its obligations. The Company mainly relies on long-term debt to fund its acquisitions and operational needs.

The Group forecasts cash flows and monitors its liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn credit facilities (Note 27).

Surplus cash held by the operating entities over and above the amount required for working capital management is transferred to the Group treasury. Group treasury invests surplus cash in interest-bearing current accounts and term deposits. At the reporting date, the Group held liquid assets of €15.5 million that are expected to readily generate cash inflows for managing liquidity risk.

The contractual payment schedule for financial liabilities, including contractual interest, is as follows:

Contractual payment schedule for financial liabilities (in € thousand)	At December 31, 2023			Total
	Less than 1 year	1 to 5 years	More than 5 years	
A Bonds	13,110	236,348	0	249,458
B Bonds	891	11,749	0	12,640
2023 Bonds	2,415	43,538	0	45,953
A1 Senior Facility	4,830	11,192	0	16,022
A2 Senior Facility	1,472	31,786	0	33,258
A3 Senior Facility	1,412	32,288	0	33,700
Other financial liabilities	1,565	4,601	0	6,166
Total excluding derivatives	25,695	371,503	0	397,198
Cross Currency Swaps	152			152
TOTAL	25,847	371,503	0	397,350

33.1.3 Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. In fiscal 2023, 24% of the Group's sales were denominated in currencies other than the euro (25% in fiscal 2022), of which 15% was denominated in US dollars (100% in fiscal 2022). Also, 100% of financial liabilities were denominated in euros (100% end 2022).

Based on the current scope of the Exosens Group, foreign exchange risk generated by commercial transactions is very limited: Night Vision sales are mainly in euros, and the dollar portion is hedged by purchases in dollars of an equivalent amount. All sales by US entities are denominated in US dollars (99% of sales in fiscal 2022).

At December 31, 2023, if the US dollar had been 10% weaker/stronger against the euro with all other variables held constant, the impact on pre-tax net profit for the year and on other equity components would have been as follows:

(in € thousand)	At December 31, 2023			
	Impact on pre-tax net profit for the year		Impact on other equity components	
	10% increase	10% decrease	10% increase	10% decrease
Exchange rate (EUR/USD)	-1,266	1,266	13,002	-13,002
Exchange rate (EUR/CAD)	n/m	n/m	1,537	-1,537
Exchange rate (EUR/ISL)	n/m	n/m	559	-559
Exchange rate (EUR/SGD)	n/m	n/m	250	-250
Exchange rate (EUR/CNY)	n/m	n/m	39	-39
Exchange rate (CAD/USD)	332	-332	n/m	n/m

33.1.4 Interest rate risk

The Group's interest rate risk arises on long-term borrowings. Borrowings issued at variable rates expose the Group to interest rate risk on cash flows which is partially offset by cash invested at variable rates. In 2023, the Group's variable-rate borrowings were denominated in euros.

In 2023, if average interest rates had been 100 basis points higher/lower with all other variables held constant, the impact on pre-tax net profit for the year would have been as follows:

(in € thousand)	At December 31, 2023	
	Impact on pre-tax net profit for the year	
	+100bp	-100bp
Additional interest expense (income)	1,200	-1,200

33.1.5 Credit risk

Credit risk arises on cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers in case of any potential risk of non-recovery. If a customer becomes insolvent or files for bankruptcy, it may default on the receivables held by the Group and this may have a negative impact on the Group's income statement and cash flows.

The Group has set up procedures to manage and limit credit risk.

Trade receivables

The Credit department of each entity determines maximum payment periods and sets credit limits for customers to be applied by the operating entities. The Credit department manages and controls the credit activity, risks and results and is also responsible for managing trade receivables and their recovery.

33.2 Derivative financial instruments

Accounting policy

Derivative financial instruments are initially recognized at fair value at the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are recorded in financial assets when the fair value is positive and in financial liabilities when the fair value is negative. Fair values are based on information provided by banks.

Any gains or losses arising from changes in the fair value of derivatives are recognized directly in profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income (OCI).

For the purpose of hedge accounting, hedges are only classified as cash flow hedges (no fair value hedges) when they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign exchange risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. These hedges must be highly effective to offset changes in fair value or cash flows and are assessed on an ongoing basis to determine whether they have in fact been highly effective throughout the financial reporting periods for which they were designated.

Derivative instruments are used as part of the overall strategy to manage exposure to market risks primarily associated with fluctuations in interest rates (mainly through combinations of cross currency swaps and caps) and foreign exchange rates. As a matter of policy, derivatives are not used for speculative purposes. Derivative instruments measured at fair value on a recurring basis are included in the line item "Derivative financial instruments" in the consolidated statement of financial position.

	December 31, 2023		December 31, 2022	
(in € thousand)	Assets	Liabilities	Assets	Liabilities
Current portion				
Cross-currency swaps - cash flow hedge				1,902

Caps/Floors	152	4,968	
TOTAL	152	4,968	1,902
Non-current portion			
Cross-currency swaps - cash flow hedge			
Caps/Floors			
TOTAL	0	0	0

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

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

At December 31, 2023, derivative financial instruments used by the Group break down as follows:

Company	Instrument	Nominal amount	Maturity	Bank
Exosens Group	SWAP	€170 million	12/31/2024	BNP
Exosens Group	CAP	€40 million	12/31/2024	BNP

33.3 Financial instruments and fair value estimation

Accounting policy

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

The categories are defined as follows:

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

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

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

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

Financial instruments break down as follows:

December 31, 2023	Financial instruments by category	Fair value assumptions
-------------------	-----------------------------------	------------------------

(in € thousand)	Net carrying amount	Cash and cash equivalents	Loans and receivables	Other financial assets at amortized cost	Assets/ Liabilities at fair value through profit and loss	Hedging financial derivatives	Fair value	Level 1 (*)	Level 2 (**)	Level 3 (***)
Non-current financial assets	744		744				744	744		
Derivative financial instruments	152				152		152		152	
Trade receivables and related accounts	62,692		62,692				62,692	62,692		
Other current assets	134		134				134	134		
Current financial assets	70		70				70	70		
Cash and cash equivalents	15,458	15,458					15,458	15,458		
Total assets	79,250	15,458	63,640	0	152	0	79,250	79,098	152	0
Loans and borrowings	317,923			317,923			317,923	317,923		
Derivative financial instruments	0						3			
Trade payables and related accounts	24,703			24,703			24,703	24,703		
Other current liabilities	16,234			16,234			16,234	16,234		
Total liabilities	358,860		0	358,860	0	0	358,860	358,860	0	0

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

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

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

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

Loans and borrowings include variable-rate loans from banking institutions and fixed-rate shareholder loans which cannot be traded.

There is no material customer concentration risk.

Note 34 - Transactions with related parties

34.1 Business transactions with related parties

The Group's transactions with related parties mainly concern:

- employee benefits expense granted to members of management bodies, as detailed in note 34.2 below;
- commercial and financial transactions with the Group's non-consolidated subsidiaries and associates: the Group has no significant relationship with its non-consolidated subsidiaries and has no associates in its scope of consolidation.

Transactions with related parties are performed based on market prices.

34.2 Management bodies

The Group Executive Committee has 10 members at December 31, 2023 (2022: 10).

The table below shows the remuneration and similar benefits granted by Exosens SAS and the companies it controls to persons who are (or who were during the fiscal year) members of the Group Executive Committee.

The corresponding amounts have been expensed in 2023 and 2022 as follows:

<i>(in € thousand)</i>	Fiscal 2023	Fiscal 2022
Short-term employee benefits and severance pay*	3,260	3,417
Post-employment benefits ⁽¹⁾	(6)	(33)
Share-based payments* ⁽²⁾	310	285

* *Gross amounts excluding employer's contributions*

⁽¹⁾ *The amount shown under this heading is determined in accordance with IAS 19 and the procedures described in Note 30 Retirement termination payment commitments.*

⁽²⁾ *The amount shown under this heading is determined in accordance with IFRS 2 and the procedures described in note 29 Share-based payments.*

Total post-employment benefits for Executive Committee members amounted to 115 thousand euros at 31 December 2023 (121 thousand euros at 31 December 2022).

In addition, at 31 December 2023, certain members of the Executive Committee are entitled, in the event of termination of their employment contract and subject to certain conditions, to a contractual indemnity of a maximum aggregate amount of €1,572 thousand (off-balance sheet commitments).

Note 35 - Post-balance sheet events

On 26 January 2024, the Group signed an agreement to acquire a European player in the Nuclear market, for €23.6 million. This player is mainly specialised in the design and production of nuclear instrumentation components such as neutron detectors, Geiger Muller tubes and silicon photodiodes, used in particular for the detection of light or X-rays.

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

Note 36 - Consolidated companies

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

Fully consolidated companies at December 31, 2023	% interest	% control	Functional currency
Exosens (formerly Photonis Group)	Parent company		EUR
Exosens International (formerly Photonis International)	100.0%	100.0%	EUR
Photonis France	100.0%	100.0%	EUR
Photonis Netherlands B.V.	100.0%	100.0%	EUR
Imagine Sensors International	100.0%	100.0%	EUR
Photonis Infrared France	100.0%	100.0%	EUR
Photonis Holding Inc.	100.0%	100.0%	USD
Photonis Scientific Inc.	100.0%	100.0%	USD
Photonis Defense Inc.	100.0%	100.0%	USD
Photonis Asia Pacific Pte Ltd	100.0%	100.0%	SGD
Photonis Shenzhen Technologies	100.0%	100.0%	CNY
Xenics NV	100.0%	100.0%	EUR
Xenics Inc.	100.0%	100.0%	USD
SInfrared	100.0%	100.0%	EUR
Telops France	100.0%	100.0%	EUR
Telops Inc.	100.0%	100.0%	CAD
Telops USA Inc.	100.0%	100.0%	USD
El-Mul Technologies	100.0%	100.0%	ILS
Photonis Germany	100.0%	100.0%	EUR
Equity-accounted companies	% interest	% control	Functional currency
IGG Photonis night vision electronics and equipment repairs and testing LLC	49.0%	49.0%	AED

Fully consolidated companies at December 31, 2022	% interest	% control	Functional currency
Exosens (formerly Photonis Group)	Parent company		EUR
Exosens International (formerly Photonis International)	100.0%	100.0%	EUR
Photonis Technologies	100.0%	100.0%	EUR
Photonis France	100.0%	100.0%	EUR
Photonis Netherlands B.V.	100.0%	100.0%	EUR
Imagine Sensors International	100.0%	100.0%	EUR
Device-Alab SAS	100.0%	100.0%	EUR
Photonis Holding Inc.	100.0%	100.0%	USD
Photonis Scientific Inc.	100.0%	100.0%	USD
Photonis Defense Inc.	100.0%	100.0%	USD

Fully consolidated companies at December 31, 2022	% interest	% control	Functional currency
Photonis Asia Pacific Pte Ltd	100.0%	100.0%	SGD
Photonis Shenzhen Technologies	100.0%	100.0%	CNY
Xenics NV	100.0%	100.0%	EUR
Xenics USA	100.0%	100.0%	USD
SInfrared	100.0%	100.0%	EUR
Equity-accounted companies	% interest	% control	Functional currency
IGG Photonis night vision electronics and equipment repairs and testing LLC	49.0%	49.0%	AED

Note 37 - Statutory auditor fees

Statutory auditor fees borne by the Group for fiscal 2023 and 2022 are as follows:

Fiscal 2023:

(in € thousand)	PwC				Baker Tilly			
	Statutory auditor		Network		Statutory auditor		Network	
<i>Statutory audit and half-year review of the individual and consolidated financial statements</i>	Amount	%	Amount	%	Amount	%	Amount	%
Issuer	148	57%	0	-	41	94%	-	-
Fully-consolidated companies	113	43%	97	100%	3	6%	-	-
Sub-total	260	100%	97	100%	44	100%	-	-
<i>Non-audit services</i>								
Issuer	11	78%	65	72%	3	100%	-	-
Fully-consolidated companies	3	22%	26	28%	0	0%	-	-
Sub-total	14	100%	90	100%	3	100%	-	-
Total	274		187		47		-	

Fiscal 2022:

(in € thousand)	PwC				Fiducial			
	Statutory auditor		Network		Statutory auditor		Network	
<i>Statutory audit and half-year review of the individual and</i>	Amount	%	Amount	%	Amount	%	Amount	%

(in € thousand)		PwC				Fiducial			
		Statutory auditor		Network		Statutory auditor		Network	
<i>consolidated</i>	<i>financial</i>								
statements									
Issuer		59	25%	-	-	17	98%	-	-
Fully-consolidated companies		178	75%	89	100%	0	2%	-	-
Sub-total		237	100%	89	100%	17	100%	-	-
Non-audit services									
Issuer		35	60%	-	-	-	-	-	-
Fully-consolidated companies		23	40%	15	100%	-	-	-	-
Sub-total		58	100%	15	100%	-	-	-	-
Total		295		104		17		-	

18.1.2 PricewaterhouseCoopers Audit report on the consolidated financial statements for the years ended 31 December 2023 and 31 December 2022

This is a free translation into English of a report issued in French and is provided solely for the convenience of English speaking readers. The report should be read in conjunction with, and construed in accordance with, professional auditing standards applicable in France.

*“To the Chairman,
EXOSENS
 Domaine de Pelus
 Axis Business Park - Bât 5E
 33700 MERIGNAC*

Opinion

*In our capacity as statutory auditors of EXOSENS (the “**Company**”) and in accordance with EU Regulation 2017/1129 supplemented by EU Delegated Regulation 2019/980 relating to the proposed public offering and admission to trading of the Company’s shares on the regulated market of Euronext Paris, we have audited the accompanying consolidated financial statements of the Company, which comprise the statement of financial position as at 31 December 2022 and 31 December 2023, and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement cash flows for the fiscal year ended 31 December 2023, for the 22-month period from 16 March 2021 to 31 December 2022, for the 12-month period from 1 January 2022 to 31 December 2022 and for the 10-month period from 16 March 2021 to 31 December 2021, and the notes to the financial statements containing a summary of significant accounting policies (the “**2022-2023 Consolidated Financial Statements**”), as attached to this report.*

In our opinion, the 2022-2023 Consolidated Financial Statements give a true and fair view, in all material respects, in accordance with IFRSs as adopted by the European Union, of the assets and liabilities and of the financial position of the Group as at 31 December 2022 and 31 December 2023 and of the results of its operations for each of the years then ended and for the 12-month period from 1 January 2022 to 31 December 2022 and the 10-month period from 16 March 2021 to 31 December 2021.

Basis of opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France and with professional guidance issued by the Compagnie Nationale des Commissaires aux Comptes (CNCC). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities in accordance with these standards are set out in the paragraph ‘Responsibilities of the Statutory Auditors in relation to the audit of the 2022-2023 Consolidated Financial Statements’ paragraph of this report.

Independence

We conducted our audit in accordance with the rules of independence set out in the French Code de commerce and in the Code of Ethics for Statutory Auditors (code de déontologie de la profession de commissaire aux comptes).

Responsibilities of management and those charged with governance in relation to the 2022-2023 Consolidated Financial Statements

It is the responsibility of management to prepare the 2022-2023 Consolidated Financial Statements that give a true and fair view in accordance with IFRSs as adopted by the European Union, and to implement the internal control procedures it considers necessary to ensure that the Consolidated Financial Statements are free from material misstatement, whether due to fraud or error.

In preparing the 2022-2023 Consolidated Financial Statements, it is management’s responsibility to assess the Company’s ability to continue as a going concern, to present in these 2022-2023 Consolidated Financial Statements, where appropriate, the necessary information relating to the going concern basis of accounting and to apply the going concern basis of accounting unless the Company is to be wound up or cease trading.

These 2022-2023 Consolidated Financial Statements have been approved by the Chairman of the Company.

Statutory auditor’s responsibilities relating to the audit of the 2022-2023 Consolidated Financial Statements

Our responsibility is to issue a report on the 2022-2023 Consolidated Financial Statements. Our objective is to obtain reasonable assurance about whether the 2022-2023 Consolidated Financial Statements taken as a whole are free of material misstatement.

Reasonable assurance corresponds to a high level of assurance, without however guaranteeing that an audit carried out in accordance with professional standards applicable in France and with the professional doctrine of the Compagnie Nationale des Commissaires aux Comptes (CNCC) relating to this type of audit will systematically detect any material misstatement. Misstatements may arise from fraud or error and are considered material when it is reasonable to expect that they could, individually or in aggregate, influence the economic decisions that users of the financial statements make based on them.

Our audit of the 2022-2023 Consolidated Financial Statements does not constitute a guarantee of the viability or quality of the management of your company.

In the context of an audit carried out in accordance with these standards and the professional doctrine of the Compagnie Nationale des Commissaires aux Comptes relating to this type of engagement, the statutory auditor exercises professional judgement throughout the audit. In addition:

- *identifies and assesses the risks of material misstatement of the 2022-2023 Consolidated Financial Statements, whether due to fraud or error, designs and performs audit procedures to address these risks, and obtains audit evidence that it believes to be sufficient and appropriate to provide a basis for its opinion. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting a material misstatement due to error, as fraud may involve collusion, falsification, deliberate omission, misrepresentation or circumvention of internal control;*
- *to obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;*
- *it assesses the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as the related disclosures in the 2022-2023 Consolidated Financial Statements;*
- *it assesses the appropriateness of management's application of the going concern accounting policy and, based on the information obtained, whether there is any material uncertainty related to events or conditions that may affect the company's ability to continue as a going concern. This assessment is based on information gathered up to the date of the report, bearing in mind that subsequent events or circumstances could call into question the company's ability to continue as a going concern. If the auditor concludes that there is a material uncertainty, he draws the attention of the readers of his report to the information provided in the 2022-2023 Consolidated Financial Statements concerning this uncertainty or, if this information is not provided or is not relevant, he expresses a qualified opinion or an unfavourable opinion;*
- *it assesses the overall presentation of the 2022-2023 Consolidated Financial Statements and whether the 2022-2023 Consolidated Financial Statements reflect the underlying transactions and events in a manner that gives a true and fair view;*
- *concerning the financial information of the persons or entities included in the scope of consolidation, it gathers information that it considers sufficient and appropriate to express an opinion on the 2022-2023 Consolidated Financial Statements. It is responsible for directing, supervising and carrying out the audit of the 2022-2023 Consolidated Financial Statements and for the opinion expressed thereon.*

Toulouse, France, on 20 May 2024

One of the Statutory Auditors
PricewaterhouseCoopers Audit

Bertrand Cuq
Partner

18.2 Consolidated financial statements of Exosens International for the fiscal year ended 31 December 2021 and report of PricewaterhouseCoopers Audit

18.2.1 Consolidated financial statements of Exosens International for the fiscal year ended 31 December 2021

Table of contents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	256
CONSOLIDATED INCOME STATEMENT	257
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	258
CONSOLIDATED STATEMENT OF CASH FLOWS	259
CONSOLIDATED STATEMENT OF CASH FLOWS	260
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	261
NOTE 1 - GENERAL INFORMATION	262
NOTE 2 - SCOPE OF CONSOLIDATION AND MAJOR EVENTS	263
2.1 SCOPE OF CONSOLIDATION	263
2.2 MAJOR EVENTS	263
NOTE 3 - BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICIES.....	265
3.1 ACCOUNTING STANDARDS	265
3.2 BASIS OF PRESENTATION	266
3.3 CURRENCY TRANSLATION.....	267
3.4. CHANGES IN ACCOUNTING POLICIES.....	267
3.5. ESTIMATES AND ASSUMPTIONS	268
3.6. BUSINESS COMBINATIONS AND GOODWILL.....	269
3.7. SUBSIDIARIES	270
3.8. ELIMINATION OF INTRAGROUP TRANSACTIONS	270
3.9. FINANCIAL STATEMENTS OF FOREIGN ENTITIES	270
3.10. RESEARCH AND DEVELOPMENT – INTERNAL RESEARCH AND DEVELOPMENT PROJECTS	270
3.11. OTHER INTANGIBLE ASSETS	271
3.12. PROPERTY, PLANT AND EQUIPMENT	271
3.13. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	272
3.14. LEASES.....	272
3.15. FINANCIAL ASSETS	273
3.16. INVENTORIES.....	273
3.17. TRADE RECEIVABLES AND OTHER CURRENT ASSETS.....	273
3.18. CASH AND CASH EQUIVALENTS	274
3.19. TRADE AND OTHER PAYABLES.....	274
3.20. PROVISIONS.....	274
3.21. BONDS AND OTHER CURRENT AND NON-CURRENT FINANCIAL LIABILITIES.....	274
3.22. DERIVATIVE FINANCIAL INSTRUMENTS	275
3.23. SHARE-BASED PAYMENT	276
3.24. LONG-TERM EMPLOYEE BENEFITS	277
3.25. GOVERNMENT GRANTS.....	277
3.26. REVENUE	278
3.27. CORPORATE INCOME TAX.....	279
3.28. PROFIT (LOSS) FROM DISCONTINUED OPERATIONS.....	280
3.29 SEGMENT INFORMATION	280
NOTE 4 - FINANCIAL RISK MANAGEMENT	280
4.1. MARKET RISK.....	281
4.2. CREDIT RISK	281

4.3. LIQUIDITY RISK	282
4.4. DERIVATIVE FINANCIAL INSTRUMENTS	282
4.5. FINANCIAL INSTRUMENTS AND FAIR VALUE ESTIMATION	284
NOTE 5 - GOODWILL	285
5.1. OPENING BALANCE AND MOVEMENTS IN THE PERIOD.....	285
5.2. ANNUAL GOODWILL IMPAIRMENT TESTS	285
NOTE 6 - INTANGIBLE ASSETS	285
NOTE 7 - PROPERTY, PLANT AND EQUIPMENT, INCLUDING RIGHT-OF-USE ASSETS	286
NOTE 8 - INVESTMENT JOINT VENTURES AND AFFILIATED UNDERTAKINGS.....	287
NOTE 9 - INVENTORIES.....	288
NOTE 10 - TRADE RECEIVABLES AND OTHER CURRENT ASSETS.....	288
NOTE 11 - CASH AND CASH EQUIVALENTS	289
NOTE 12 - SHAREHOLDER'S EQUITY	289
NOTE 13 - LOANS AND BORROWINGS.....	290
13.1. FINANCING STRUCTURE.....	291
NOTE 14 - PROVISIONS.....	292
NOTE 15 - POST-EMPLOYMENT BENEFITS.....	292
NOTE 16 - TRADE PAYABLES	294
NOTE 17 - OTHER CURRENT AND NON-CURRENT LIABILITIES.....	294
NOTE 18 - REVENUE	295
NOTE 19 - OTHER PURCHASES AND EXTERNAL EXPENSES.....	296
NOTE 20 - PERSONNEL EXPENSES.....	296
NOTE 21 - OTHER OPERATING INCOME	297
NOTE 22 - ADDITIONS, WRITE-OFFS OF DEPRECIATION, AMORTIZATION AND IMPAIRMENT	297
NOTE 23 - OTHER INCOME AND EXPENSES	297
NOTE 24 - NET FINANCIAL RESULT	298
NOTE 25 - CORPORATE INCOME TAX AND DEFERRED TAX ASSETS AND LIABILITIES	298
NOTE 26 - OFF-BALANCE-SHEET COMMITMENTS	300
26.1. GUARANTEES RECEIVED.....	300
26.2. GUARANTEES GIVEN	300
NOTE 27 - RELATED-PARTY DISCLOSURES	303
27.1. BUSINESS TRANSACTIONS WITH RELATED PARTIES	303
27.2. KEY MANAGEMENT COMPENSATION	303
NOTE 28 - EVENTS AFTER THE REPORTING PERIOD	303
NOTE 29 - AUDITORS' FEES	303

Consolidated Statement of Financial Position

Year ended 31 December 2021

<i>(in €K)</i>	<i>Note</i>	December 31, 2021	December 31, 2020
Goodwill	5	257 552	399 977
Intangible assets	6	38 494	32 566
Property, plant and equipment	7	46 510	43 712
Investments in joint ventures and associates	8	1 767	1 813
Non-current financial assets		41	41
Derivative financial instruments	4	(0)	(0)
Deferred tax assets	25	3 187	0
Other non-current assets		240	590
NON-CURRENT ASSETS		347 790	478 712
Inventories	9	45 023	46 209
Trade receivables	10	35 583	28 146
Derivative financial instruments	4	0	2 550
Other current assets	10	16 152	11 336
Current financial assets		41	5
Cash and cash equivalents	11	15 927	31 142
CURRENT ASSETS		112 727	119 389
TOTAL ASSETS		460 517	598 100
Share capital	12	347 465	103 713
Share premiums	12	137 799	2 101
Primes		-	106 741
Reserves & Retained earnings		(160 481)	(95 811)
Profit (loss) for the period		(148 965)	(15 828)
Translation adjustments		(3 711)	(3 817)
Equity attributable to owners of the parent	12	172 107	97 098
Non-Controlling interests		-	-
CONSOLIDATED EQUITY		172 107	97 098
Long term provisions	14	7 962	8 525
Non-current loans and borrowings	13	221 335	428 762
Derivative financial instruments	4	(0)	(0)
Deferred tax liabilities	25	-	653
Other non-current liabilities	17	5 573	4 071
NON-CURRENT LIABILITIES		234 870	442 011
Short term provisions	14	2 355	2 226
Current loans and borrowings	13	4 847	22 829
Derivative financial instruments	4	-	-
Trade payables	16	15 894	10 687
Other current liabilities	17	30 444	23 248
CURRENT LIABILITIES		53 540	58 991
TOTAL EQUITY AND LIABILITIES		460 517	598 100

Consolidated Income Statement

Year ended 31 December 2021

<i>(in €K)</i>	<i>Note</i>	December 31, 2021	December 31, 2020
Continuing operations			
Revenue	18	166 168	149 859
Purchases consumed		(42 916)	(35 744)
Other purchases and external expenses	19	(23 219)	(22 283)
Taxes other than taxes on income		(1 309)	(1 608)
Personnel expense	20	(56 172)	(52 174)
Other operating income	21	2 041	2 719
Other operating expenses		(652)	(1 977)
Additions, write offs of depreciation, amortization and impairment	22	(11 982)	(8 083)
OPERATING PROFIT (LOSS) FROM CONTINUING OPERATIONS		31 955	30 700
Other income	23	-	23
Other expenses	23	(146 343)	(686)
OPERATING PROFIT (LOSS) FROM OPERATIONS		(114 388)	30 037
Income (loss) from joint ventures and associates	8	-	37
Cost of net debt		(37 599)	(41 880)
Net impact of hedging		1 748	(1 332)
Other		(27)	(99)
Net financial loss	24	(35 878)	(43 311)
PROFIT (LOSS) BEFORE TAX		(150 265)	(13 237)
Corporate income tax	25	1 299	(2 591)
PROFIT (LOSS) FROM CONTINUING OPERATIONS		(148 965)	(15 828)
Profit (loss) from discontinued operations		-	-
PROFIT (LOSS) FOR THE PERIOD		(148 965)	(15 828)
Attributable to non-controlling interests		-	-
PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT		(148 965)	(15 828)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2021

<i>(in €K)</i>	December 31, 2021	December 31, 2020
Profit (loss) for the period	(148 965)	(15 828)
Items that will not be reclassified subsequently to profit or loss		
Changes in actuarial gains/(loss) on retirement benefit before tax	360	(552)
Deferred tax on actuarial gains/(loss) on retirement benefit	(120)	184
Items that may be reclassified subsequently to profit or loss		
Change in cash flow hedges, before tax	-	427
Deferred tax on cash flow hedges	-	(142)
Translation adjustments	86	539
<i>Other comprehensive income (expense) for the period, net of tax</i>	<i>326</i>	<i>456</i>
TOTAL COMPREHENSIVE INCOME (EXPENSE)	(148 639)	(15 372)
Attributable to:		
Owners of the Parent	(148 639)	(15 372)
Non-controlling interests		
Total comprehensive income (expense) attributable to owners of the Parent arises from:		
Continuing operations		
Discontinued operations	(148 639)	(15 372)

Consolidated Statement of Cash Flows

Year ended 31 December 2021

<i>(in €K)</i>	<i>Note</i>	December 31, 2021	December 31, 2020
Profit (loss) for the period		(148 965)	(15 828)
Profit (loss) from continuing operations		(148 965)	(15 828)
Additions, write offs of depreciation, amortization and impairment		11 982	8 083
Capital gains and losses on disposals		-	8
Other expenses and income with no cash impact	(1)	144 656	2 284
Income tax expense (including deferred taxes)		1 299	2 591
Loss from joint ventures and associates		-	(37)
Finance cost with no cash impact	(2)	13 553	33 981
Finance cost with cash impact	(3)	22 314	9 330
Cash from operations before changes in working capital		44 839	40 412
Tax received/(paid)		(1 965)	(1 261)
Change in working capital		(219)	4 967
Cash flow from (used in) operating activities		42 655	44 119
Acquisition of equity stakes		(1 669)	-
Acquisition of non-current assets	(4)	(19 587)	(13 766)
Cash flow from investing activities		(21 256)	(13 766)
increases Capital		42 736	-
Internal financing		17 951	-
Refinancing of non-current borrowings		212 065	10 000
Repayment of non-current borrowings		(258 902)	(4 000)
Refinancing current borrowings		446	(442)
Repayment of current borrowings		(12 398)	-
Accrued interest payments		(9 055)	-
Changes in financial debt related to IFRS 16		367	(1 237)
Financial expenses with cash flow linked to loans		(21 925)	(8 990)
Financial expenses with cash flow linked to financial debts (IFRS 16)		(388)	(341)
Loan issue expenses		(7 722)	-
Cash flow from financing activities		(36 826)	(5 010)
Foreign exchange gains and losses		211	(260)
Change in cash and cash equivalents over the period		(15 216)	25 083
Opening cash and cash equivalents		31 142	6 059
Cash and cash equivalents at period-end		15 927	31 142
Change in cash		(15 215)	25 083

Consolidated Statement of Cash Flows

(1) Other expenses and income with no cash impact:

<i>(in € K)</i>	<i>Note</i>	December 31, 2021	December 31, 2020
Impact of IFRS 2	3.23	136	
Post-employment benefit expense (IAS standard 19)	15	282	391
Other operating income and expenses	21	372	1,893
Other expenses/(income)	23	143,866	
Other non-cash income and expenses		144 656	2 284

As at 31 December 2021, other operating expenses with no cash impact included EUR 372k related to the scrapping of inventories, EUR 282k for post-employment benefits and EUR 136k in charges related to share-based payments (IFRS 2). EUR 143,866k in other expenses without cash flow correspond to impairment of goodwill (see Note 5.2).

As at 31 December 2020, other operating expenses with no cash impact included EUR 1,893k related to the scrapping of inventories and EUR 391k for post-employment benefits.

(2) Financial income and expenses with no cash impact:

<i>(in € K)</i>	<i>Note</i>	December 31, 2021	December 31, 2020
Debt issuance costs	24	(6 932)	1 193
Interest cost on convertible bonds issued	24	(11 743)	19 207
Accrued interest on borrowings	13		12 903
Derivative financial instruments	4		(3 029)
Foreign exchange gains	24	7 407	(410)
Foreign exchange losses	24	(476)	4 099
Financial expenses on post-employment benefits			26
Other		(1 834)	(40)
Finance costs with no cash impact		(13 553)	33 981

(3) Finance costs with cash impact:

<i>(in € K)</i>	<i>Note</i>	December 31st, 2021	December 31st, 2020
Interest on debts		(21 925)	(8 272)
Interest on lease liabilities			(717)
Other		(388)	(341)
Finance costs with cash impact		(22 313)	(9 330)

Foreign exchange losses with cash impact related to repayment of long-term borrowings have been presented on the Repayment line of long-term borrowings.

(4) Acquisition of non-current assets:

<i>(in € K)</i>	<i>Note</i>	December 31st, 2021	December 31st, 2020
Acquisition of intangible assets	6	(9 070)	(7 056)
Acquisition of property, plant and equipment	7	(7 859)	(6 940)
Fixed assets suppliers		(187)	230
Other		(2 471)	
Finance costs with no cash impact		(19 587)	(13 766)

Consolidated statement of changes in equity

Year ended 31 December 2021

(in €K)	Equity attributable to owners of the parent									
	Share capital	Convertible	Share premium	Hedge reserves	Actuarial gain/(loss) reserve	Translation adjustments	Retained earnings and	Total	Non-controlling interests	Total equity
December 31, 2019	103 713	106 741	2 101	(427)	(1 958)	(4 431)	(93 472)	112 266	-	112 266
Changes in cash flow hedges				427			(142)	285		285
Actuarial gain/(loss) on retirement benefits				0	(552)		184	(368)		(368)
Translation adjustments				0		745		745		745
Other comprehensive income (expense)				427	(552)	745	42	661	-	661
Profit (loss) for the period (1)				0			(15 829)	(15 829)		(15 829)
Total comprehensive income (expense) for the period				427	(552)	745	(15 787)	(15 167)	-	(15 167)
Other changes				0		(195)	195	(0)		(0)
December 31, 2020	103 713	106 741	2 101		(2 510)	(3 882)	(109 064)	97 098	-	97 098
Changes in cash flow hedges				77				77		77
Actuarial gain/(loss) on retirement benefits					240			240		240
Translation adjustments						171		171		171
Other comprehensive income (expense)				77	240	171		487	-	487
Profit (loss) for the period							(148 965)	(148 965)		(148 965)
Total comprehensive income (expense) for the period				77	240	171	(148 965)	(148 478)	-	(148 478)
Share capital increase	243 752		135 699					379 451		379 451
Convertible bonds		(106 741)					(49 673)	(156 413)		(156 413)
IFRIC - IAS 19					301			301		301
IFRS 2					137			137		137
Other changes					12			12		12
December 31, 2021	347 465		137 799	77	(1 821)	(3 711)	(307 702)	172 107	-	172 107

* The capital increases that occurred during the financial year are described in the “Capital increase” Section of Note 2.2 herebelow.

** The variations seen in the “Convertible bonds” column are the result of the conversion of the bonds in the context of the acquisition of the PHOTONIS Group by HLD Europe (cf. Note 2.2).

*** Other reserves mainly include deferred taxes calculated on other comprehensive income.

Notes to the consolidated financial statements

Year ended 31 December 2021

Note 1 - General information

PHOTONIS International (“the Company”) was renamed EXOSENS International on 7 September 2023. The names PHOTONIS and EXOSENS will be used interchangeably in this document.

EXOSENS International (the “Company”) and its subsidiaries (together, “the Group” or “EXOSENS Group”, formerly the PHOTONIS Group) is a global leader in light amplification tubes mainly used for night vision applications. The EXOSENS Group also manufactures high technology digital camera components as well as scientific detectors used for space exploration and the nuclear industry. The Group operates in over 50 countries.

EXOSENS International is a simplified joint-stock company (*société par actions simplifiée*) governed by French law, whose registered office is located at Domaine de Pelus, Axis Business Park, Block E, 18 avenue Pythagore in Mérignac, France. It was incorporated on August 19, 2011.

The Group’s factories are located in France, the United States and the Netherlands.

The financial statements for the year ended 31 December 2021 were prepared in the context of the planned stock market flotation and admission of the shares onto Euronext Paris. They were thus prepared specifically for the purpose of the Financial Markets Authority’s (AMF – *Autorité des Marchés Financiers*) registration of the prospectus.

On 5 March 2024, the President approved the financial statements for the year ended 31 December 2021. These consolidated financial statements do not replace the historical consolidated financial statements for the year ended 31 December 2021 approved by the President on 31 March 2022 and by the Sole Shareholder on 23 June 2022.

Events after the date of approval of the financial statements by the President are not taken into account in these consolidated financial statements, in accordance with the decision of the IASB interpretation committee (IFRS IC Rejection – IAS 10 Events After the Reporting Period: Reissuing Previously Issued Financial Statements of May 2013). In particular, as regards the financial year ended 31 December 2021, these financial statements do not reflect events occurring after 31 March 2022 (approval date of the historical IFRS financial statements).

The following consolidated financial statements are presented in thousands of euros and all values are rounded to the nearest thousand unless otherwise stated. Thus, numbers may not sum precisely, due to rounding.

Note 2 - Scope of consolidation and major events

2.1 Scope of consolidation

Legal entities of the Group (“the Entities”) are consolidated under the global consolidation or equity method and using the functional currencies listed below:

Consolidated companies under global integration	Interest %	Ownership %	Functional currency applied
Photonis International	Parent company		EUR
Photonis Technologies SAS	100%	100%	EUR
Photonis France SAS	100%	100%	EUR
Photonis Netherlands BV	100%	100%	EUR
Imaging Sensors International SARL	100%	100%	EUR
Device-Alab SAS	100%	100%	EUR
Photonis Holding Inc.	100%	100%	USD
Photonis Scientific Inc.	100%	100%	USD
Photonis Defense Inc.	100%	100%	USD
Photonis Asia Pacific Pte Ltd	100%	100%	SGD

Consolidated companies under global integration	Interest %	Ownership %	Functional currency applied
IGG Photonis night vision electronics and equipment repairs and testing LLC	49.0%	49.0%	AED

2.2 Major events

– Setting-up of the PHOTONIS GROUP

PHOTONIS GROUP (renamed EXOSENS on 7 September 2023) was set up on 16 March 2021. The first consolidation at the level of PHOTONIS Group will take place on 31 December 2022.

PHOTONIS GROUP owns, directly or indirectly, 100% of PHOTONIS INTERNATIONAL, set up on 19 August 2011, following the acquisition transaction carried out on 22 July 2021 by HLD Europe.

– Acquisition of PHOTONIS Group by HLD Europe

On 16 February 2021 HLD Europe entered into exclusive discussions with Ardian for the acquisition of the PHOTONIS Group. The acquisition was concluded as at 22 July 2021 and HLD Europe has been the majority shareholder of PHOTONIS Group since that date.

– Repayment of a State-backed loan (PGE – Prêt *Garanti par l’Etat*)

As at 10 July 2021, the four PGEs taken out on 10 July 2020 for a total amount of EUR 10m have been repaid in full.

– Debt refinancing

At the same time as the acquisition by HLD Europe, PHOTONIS Group repaid its old debt which amounted to EUR 270m (including accrued interest) and a new debt was subscribed for a total amount

of EUR 210m on 22 July 2021. The new debt is in euros, fully subscribed by “PHOTONIS Group” and is structured as follows:

- EUR 175m in A Bonds with a seven-year term bearing an interest rate of 6.75% + EURIBOR and repaid at maturity;
 - EUR 15m in Facility A1 amortizable over 5.5 years with an interest rate of 2.75% + EURIBOR;
 - EUR 20m in Facility A2 with a six-year term and an interest rate of 4.25% + EURIBOR, repaid at maturity;
 - A EUR 20m revolving credit facility. The revolving credit facility was used for EUR 1.8m from July to November 2021. At year-end, the RCF had not been used;
 - A EUR 10m acquisition facility. The acquisition facility was not used in 2021.
- **Acquisition of the remaining stake in Device-Alab**

PHOTONIS exercised the option to purchase the remaining shares (60.1%) of Device-Alab before the end of 2020 and acquired them on 5 March 2021 for an amount of EUR 1.9m. PHOTONIS now owns 100% of this small French company based in Grenoble.

– **Capital increases**

Several capital increases took place at PHOTONIS International in 2021:

1. Conversion of the 158,314,898 convertible bonds into ordinary shares and corresponding EUR 22,616,414 increase in the share capital by means of the issuance of 22,616,414 new ordinary shares, subscribed by PhotoTechLuxco 2. This capital increase was accompanied by a EUR 135,699k share issue premium;
2. As a result of this conversion, the capitalized interest and accrued interest attached to the convertible bonds became due (the "Interest Claim"). A portion of the Interest Claim was paid by offsetting it against a claim that PHOTONIS International held on PhotoTechLuxco 2. Part of the balance of the Interest Claim was paid by offsetting 118,101,340 new ordinary shares subscribed by PhotoTechLuxco2 against the subscription price of a second capital increase. (see meeting minutes of the Chairman dated 22 July 2021).

Following these two capital increases, the share capital amounted to EUR 244,430,657.

3. On 22 July 2021, the partners of PHOTONIS International decided to:
 - o (1) convert Preference Shares 1, Preference Shares 2 and Ordinary Shares 2 to Ordinary Shares. The warrants of shares with equity warrants attached (ABSAs) ABSAs 1 and 2 have lapsed and the corresponding shares have been converted into ordinary shares;
 - o (2) to increase the share capital of PHOTONIS International by a nominal amount of EUR 103,034,741 from EUR 244,430,657 to EUR347,465,398 (see of PHOTONIS International’s closing meeting minutes dated 22 July 2021). This capital increase through the issuance of new ordinary shares was fully subscribed by PHOTONIS Group, to offset three receivables held by PHOTONIS Group on PHOTONIS International:
 - EUR 44,900,000 (see "Delegation agreement");

- EUR 51,097,929.47 (see "Indication of Payment Letter");
- EUR 7,036,811.80 (interest claims).

Summary of cash/non-cash impacts on the capital increase:

(in €k)	Amounts	Cash-flow Impact	
Bond conversion	22 616	Non-cash items	
Debt offsetting	118 101	Non-cash items	
Capital increase:			
“Delegation agreement”	44,900	Cash items	(*the difference with TFT is due to netting with a current account)
“Indication of Payment Letter”	51,098	Non-cash items	
“Interest receivable”	7,037	Non-cash items	
Total	243 752		

Note 3 - Basis of preparation and summary of accounting policies

3.1 Accounting standards

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

The accounting policies adopted in preparing and presenting the consolidated financial statements comply with the IFRS standards and interpretations as adopted by the European Union as at 31 December 2021. New and revised standards, interpretations and practice statements are available to IFRS subscribers at eifrs.ifrs.org. The following table provides the publication and effective dates of the IASB pronouncements.

New standards, amendments and interpretations adopted by the IASB and by the European Union applicable as from 1 January 2021

	Standard / Interpretations	IASB effective date	EU expected date
1	Amendment to IFRS 4 – deferral of IFRS 9	01/01/2021	01/01/2021
2	Interest rate benchmark reform – Phase 2 Amendments to IFRS9, IAS39, IFRS7, IFRS4 and IFRS16	01/01/2021	01/01/2021
3	Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021	01/04/2021	01/01/2021

These amendments had no impact on the consolidated financial statements as at 31 December 2021.

Standards and interpretations adopted by the IASB but not yet applicable as at 31 December 2021

The Group has not applied the following new and revised IFRS that have been issued but are not yet effective or adopted by the European Union:

	Standards / Interpretations	IASB effective date	EU expected date
1	Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture Effective date of amendments to IFRS10 and IAS 28	<i>Postponed indefinitely</i>	<i>Suspended</i>
2	IFRS 17 Insurance contracts	01/01/2023	01/01/2023
3	Amendments to IAS 1: Classification of Liabilities as Current or Non-current	01/01/2023	NC
4	Amendments to IAS 16: Property, Plant and Equipment— Proceeds before Intended Use	01/01/2022	01/01/2022
5	Amendments to IAS 37: Onerous Contracts— Cost of Fulfilling a Contract	01/01/2022	01/01/2022
6	Annual Improvements to IFRS 2018-2020	01/01/2022	01/01/2022
6.1	IFRS 9: Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities		
6.2	Illustrative Examples accompanying IFRS 16 Leases: lease incentives		
6.3	IAS 41: Taxation in Fair Value Measurements		
7	Amendments to IAS 1 [and IFRS Practice Statement 2]: Disclosure of Accounting Policies	01/01/2023	NC
8	Amendments to IAS 8: Definition of Accounting Estimates	01/01/2023	NC
9	Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01/01/2023	NC

At this stage, the Group is not anticipating any significant impact regarding the standard which will be mandatory as from financial year 2022.

3.2 Basis of presentation

The consolidated financial statements of PHOTONIS Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies

reporting under IFRS. The financial statements comply with IFRS as adopted by the European Union as issued by the International Accounting Standards Board (IASB).

In the balance sheet, assets and liabilities are analysed and reported as either current or non-current items.

In the income statement, operating expenses are analysed and reported according to their nature.

For a better presentation of the consolidated income statement, losses from joint ventures and associates are presented separately from the operating profit from continuing operations.

Cost of net debt represents total finance costs on borrowings less financial income generated by cash and cash equivalents.

3.3 Currency translation

The consolidated financial statements of the Group are presented in the functional currency of the parent company which is the euro.

For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

The exchange rate used by the group is the monthly exchange rate that corresponds to the official rate published by the Banque de France the Wednesday before the last Wednesday of the previous month.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Upon consolidation, the results of operations of the Group's subsidiaries, associates and joint arrangements whose functional currency is other than the euro are translated into euro at the average exchange rates and assets and liabilities are translated at the year-end exchange rates. Translation adjustments are recognized directly in other comprehensive income and are included in net profit (including non-controlling interests) only upon sale or liquidation of the underlying foreign subsidiary, associate or joint arrangement.

3.4. Changes in accounting policies

The new amendments had no impact on the consolidated financial statements as at 31 December 2021.

However, in April 2021, the IFRIC (IFRS Interpretations Committee) sent to IAS for decision, a “TAD” (Attempted Agenda Decision or Provisional Decision) by which it proposes to modify the method of calculating the commitments relating to certain defined benefit plans. The IAS Board validated this position at the beginning of June 2021, while specifying that there was no need to modify anything in IAS 19, which already allows this interpretation.

This is a retrospective application (change of method) and therefore the impact is carried forward to 1 January 2021 (and not within OCI as an actuarial difference). Application to the cases concerned will result in an increase in equity in the opening balance sheet of the PHOTONIS International sub-group used in the context of its acquisition.

3.5. Estimates and assumptions

The preparation of consolidated financial statements requires management to use reasonable estimates and assumptions that are likely to affect the amounts of assets, liabilities, equity, income and expenses in the financial statements, as well as disclosures on contingent assets and liabilities in the accompanying notes. These estimates are made based on a going concern assumption and on information available at the date of their preparation.

The final amounts may differ from these estimates.

The Group regularly reviews these estimates and assumptions in light of actual experience and any other factors considered reasonable in determining the carrying amount of its assets and liabilities.

Estimates relating to projects and contracts

The main estimates used by the Group to prepare its financial statements relate to forecasts of future cash flows under projects and contracts (business plans). Estimates and assumptions relating to projects and contracts cover periods over two to three years and primarily draw on assumptions about the volumes and selling prices of products sold, associated production costs, exchange rates for foreign currency-denominated sales and purchases as well as normal uncertainties in respect of forecast cost overruns and, for discounted future cash flows, the discount rate adopted for each contract. Cash flow forecasts, which may or may not be discounted, are used to determine the following:

- impairment of non-current assets: goodwill and assets allocated to projects are tested for impairment as described in "Impairment of property, plant and equipment and intangible assets"; the recoverable amount of goodwill, intangible assets and property, plant and equipment is generally determined using forecasts of estimated discounted future cash flows based on the key assumptions described above;
- capitalization of development costs: the conditions for capitalizing development costs are set out in "Research and development – internal Research and Development projects". The Group must assess the technical and commercial feasibility of the projects and estimate the useful lives of resulting products. Determining whether future economic benefits will flow from the assets and therefore the estimates and assumptions associated with these calculations are instrumental in (i) deciding whether project costs can be capitalized, and (ii) accurately calculating the useful life of the projects for the Group;
- profit (loss) on completion of contracts accounted for under the percentage-of-completion method: to estimate profit (loss) on completion, the Group takes into account factors inherent in the contract by using historical and/or forecast data, as well as contractual indexes. When total contract costs are likely to exceed total contract revenue, the expected loss is recognized within losses on completion;

- deferred tax provisions are composed of deferred income tax provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the annual accounts. The provisions for deferred taxation include mainly deferred income taxes linked to the revaluation of financial instruments and categories of assets that are accounted for at fair value. Deferred income tax is determined using tax rates and laws that have been enacted by the balance sheet date or are expected to apply when the deferred tax liability is settled. Deferred tax assets are recorded under the caption "Deferred tax assets" and deferred tax liabilities are recorded under the caption "Deferred tax liabilities". The variation of the deferred tax charge is recognised in the profit and loss account, except to the extent to which it relates to items recognised directly in equity. In this case, the deferred tax is also recognised in equity. Any changes in estimates and assumptions underlying cash flow forecasts for projects and contracts could have a material impact on the Group's future earnings and/or the amounts reported in its statement of financial position. Consequently, the sensitivity of key assumptions to such changes is systematically tested and the results of these tests are reviewed by management on a regular basis.

As part of the adoption of IFRS 16 as of 1 January 2019, the Group also uses judgement related to its leases, to estimate the length of the contract and the incremental borrowing rates used to determine the lease liabilities and corresponding right-of-use assets.

Disputes

Certain Group subsidiaries may be party to legal proceedings that could have a material impact on the Group's financial position, see "Provisions". The Group's management regularly reviews the progress of these proceedings and decides whether to book a provision or adjust the amount of an existing provision if any events arise during the proceedings that require a reassessment of the risk involved.

The decision to book a provision in respect of a given risk and the amount of any such provisions are based on an assessment of the risk associated with each individual case, management's estimate of the likelihood that an unfavourable decision will be issued in the proceedings in question, and the Group's ability to estimate the amount of the provision reliably.

3.6. Business combinations and goodwill

Business combinations are recognized in accordance with the revised version of IFRS 3 "Business Combinations".

When the Group acquires control over a business, the identifiable assets acquired, and liabilities assumed in the business combination are estimated at their fair value at the acquisition date. The difference between the acquisition purchase price (plus any non-controlling interests retained and/or the fair value of any previously held interests) and the fair value of the identifiable assets and liabilities of the acquired business is recognized as goodwill. Costs directly related to the acquisition are expensed as incurred.

Any contingent consideration (earn-out) payable to the vendor is initially recognized at its fair value at the acquisition date and is therefore included in the determination of the acquisition price and the resulting goodwill. If the earn-out is payable in cash, it is initially recorded as a liability and any subsequent change in fair value is recognized in the income statement until settlement. If the earn-out is recorded as equity, it is not subject to subsequent remeasurement.

At the end of the first fiscal year following the acquisition of control, a business combination may be recognized on a provisional basis. The amounts allocated to the identifiable assets acquired, liabilities

assumed, and the residual goodwill may be revised during a maximum period of 12 months as from the date of the acquisition. After initial recognition, goodwill is measured at the amount recognized at the acquisition date less any accumulated impairment losses.

Goodwill is not amortized but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

3.7. Subsidiaries

The subsidiaries controlled by the Group are consolidated. An entity is controlled by the Group when the criteria set out in IFRS 10 “Consolidated and Separate Financial Statements” are met, i.e., when the Group has the "power to govern the financial and operating policies of an entity so as to obtain benefits from its activities", which is the case for all entities within the scope of the consolidated PHOTONIS International Group.

The Group’s interests in equity-accounted investees comprise investments in associates and joint ventures. Investments in associates and in joint ventures are accounted for using the equity method and are initially recognised at cost.

3.8. Elimination of intragroup transactions

Transactions between consolidated subsidiaries (and the resulting receivables and payables) are eliminated in full. The same applies to intragroup margins (dividends, gains and losses on disposals) that are eliminated from consolidated profit or loss.

3.9. Financial statements of foreign entities

The functional currency of the Group’s foreign subsidiaries corresponds to the local currency.

Statement of financial position items of consolidated entities with a different functional currency than that used by the Group are translated at the year-end closing exchange rate, with the exception of equity which is translated at the historical exchange rate. Income statement items are translated at the average exchange rate for the year. Translation gains and losses are recorded through OCI (translation adjustments).

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within ‘other financial income’ or ‘other financial expenses’. All other foreign exchange gains and losses are presented in the income statement within operating profit (loss) from continuing operations.

3.10. Research and development – internal Research and Development projects

In accordance with IAS 38 “Intangible Assets”, internal research costs are expensed as incurred.

Internal development costs are recognized as intangible assets if, and only if, the following six conditions are met:

- the technical feasibility of completing the development project;
- the Group’s intention to complete the project;
- the Group’s ability to use this intangible asset;
- the demonstration of the probability that the asset will generate future economic benefits;
- the availability of adequate technical, financial and other resources to complete the project; and
- the reliable measurement of the development expenditure.

These costs are amortized on a straight-line basis according to their estimated economic lives, i.e., five to ten years, starting from the date they are put into service.

3.11. Other intangible assets

Intangible assets mainly include the following items.

Software is valued at the acquisition cost or at the production cost for software created (i.e., the cost of use of resources used plus direct costs and a fraction of the indirect production costs). Software is amortized on a straight-line basis according to the expected useful life (between one and five years).

Concessions, patents and similar rights, including DEPs Intellectual Property Rights acquired in 2016 (previous name: RQE), are recorded in the statement of financial position at their acquisition cost less, where applicable, accumulated amortization and impairment. They are amortized according to their estimated economic lives (between one and fifteen years).

Subsequent expenses relating to intangible assets are capitalized if they increase the related asset’s future economic benefits and if the cost can be reliably measured and allocated to the asset.

3.12. Property, plant and equipment

In accordance with IAS 16 “Property, Plant and Equipment”, on initial recognition property, plant and equipment is measured at cost (purchase price and additional costs) and is not subsequently revalued.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method over the estimated useful lives, which are typically as follows:

- Buildings: 30 to 50 years
- Fixtures and fittings: 10 years
- Specific installations: 10 years
- Industrial equipment: 10 to 15 years
- Transport equipment: 5 years
- IT equipment: 3 years

- Office furniture: 5 to 10 years
- Tooling: 3 to 5 years

3.13. Impairment of property, plant and equipment and intangible assets

In accordance with IAS 36 “Impairment of assets”, an impairment charge is recorded if the carrying amount of an asset exceeds its recoverable amount, which is the higher of its value in use and fair value. The impairment test is carried out at the level of a cash-generating unit or of a group of cash-generating units, as appropriate. Goodwill is tested for impairment annually. Other intangible assets and property, plant and equipment are amortized or depreciated, respectively. Accordingly, they are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the determination of value in use, expected cash flows are taken from management’s business plan and are discounted at a rate commensurate with the risk profile of the asset.

3.14. Leases

A lease is a contract in which the right to use an asset (the leased asset) is granted for an agreed-upon period in return for compensation. The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Since 1 January 2019 and the adoption of IFRS 16 which replaced IAS 17, as a lessee, the Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets, as defined in 3.12.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment, based on the policies defined in 3.13.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in non-current and current loans and borrowings (see Note 13).

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term, as was the case under IAS 17.

3.15. Financial assets

The Group recognizes a financial asset when it becomes party to the contractual provisions of the underlying instrument. Financial assets used by the Group include assets at fair value through profit and loss (derivatives) and loans and receivables (trade receivables, other current assets, current financial assets, cash and cash equivalent) for which the non-current portion is discounted at the expected refinancing rate.

These financial assets and liabilities are broken down in the statement of financial position into current (less than one year) and non-current (more than one year) items.

3.16. Inventories

Inventories are stated at the lower of cost and net realisable value. In accordance with IAS 2 "Inventories", inventories of raw materials and goods are valued according to the FIFO principle. Work-in-progress and finished products are valued at their production costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

A provision for inventory write-downs is set aside when the gross value, measured using the above-mentioned methods, is less than the net realizable value.

3.17. Trade receivables and other current assets

Trade receivables and other current operating assets are current financial assets. They are initially measured at fair value which generally corresponds to their nominal value. At each period-end, trade receivables and other current operating assets are measured at amortized cost less impairment losses that take into account any possible risk of non-recovery.

An estimate of the risk of non-recovery of receivables is made at each period-end and results in the recognition of impairment. The risk of non-recovery is calculated based on late payments and the debtor's ability to pay.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics.

The expected loss rates are based on the payment profiles of sales over a period of 60 months before December 31st, 2021 and the corresponding historical credit losses experienced within this period.

3.18. Cash and cash equivalents

Cash and cash equivalents include cash, short-term and highly liquid investments with a maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

3.19. Trade and other payables

Trade payables represent liabilities for goods and services provided to the group prior the end of financial year which are unpaid. These amounts are unsecured and are usually paid within 60 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

3.20. Provisions

In accordance with IAS 37 “Provisions, contingent liabilities and contingent assets”, the Group recognizes provisions when it has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

Provisions are classified as "Long term provisions" where the settlement of the related obligation is not expected to occur within one year or the settlement date cannot be determined.

Contingent liabilities are not recognized but are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources is remote.

The Group measures its provisions based on facts and circumstances relating to present obligations at the end of the reporting period, its experience in this area and the best of its knowledge available at the reporting date.

If the expected outflow of resources is offset by income, an asset is recognized when this income is virtually certain. Contingent assets are not recognized.

The Group recognizes provisions for litigation when it is probable that there will be an outflow of resources and when a reliable estimate can be made of the obligation. Where the effect of the time value of money is material, such provisions are recognized for their discounted amount, i.e., the present value of the expenditures expected to be required to settle the obligation. To determine the present value of these commitments, the Group uses discount rates that reflect estimates of the time value of money and the risks specific to these commitments.

The increase in the provisions recorded to reflect the passage of time is recognized in "Other financial income" and "other financial expenses".

3.21. Bonds and other current and non-current financial liabilities

These items mainly comprise convertible bonds, senior term loans, revolving credit facilities, finance lease liabilities, bank overdrafts and miscellaneous financial liabilities.

All these financial liabilities are initially recognized at fair value, less transaction fees, and are subsequently measured at amortized cost at each balance sheet date. Thus, transaction fees, issuance premiums, redemption premiums and any other difference between the net proceeds from the issuance and the final redemption value are amortized over the duration of the debt instrument using the effective interest rate method. The effective interest rate is the rate that discounts exactly the future cash flows (principal and interest) over the term of the instrument, to an amount that is equal to the initial carrying value of the instrument.

Interest expenses are recorded based on the effective interest rate, not the nominal interest rate.

The portion of financial debt which is classified as non-current corresponds to the debt for which the Group has an unconditional right to defer the settlement for at least 12 months from the balance sheet date.

3.22. Derivative financial instruments

The Group enters into derivative financial instruments to manage foreign currency and interest rate risks.

Such derivative financial instruments are initially recognized at fair value at the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Fair values are based on information provided by banks.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income.

For the purpose of hedge accounting, hedges are only classified as cash flow hedges (no fair value hedges): when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The closing and average rates are the following:

Functional currency applied	Closing rate	Average rate
USD	1,1326	1,1874
SGD	1,5279	1,5952
AED	4,1580	4,3719

Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the income statement as gross finance costs.

Amounts recognized as other comprehensive income are transferred to income or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

3.23. Share-based payment

The conditions for the valuation and recognition of the plans for the free allocation of shares are defined by IFRS 2 “Share-based Payments”. The allocation of free shares represents a benefit granted to their beneficiaries. Concerning transactions that do not give rise to monetary consideration, the benefits thus granted are recognized in expenses for the period of acquisition of the rights in return for an increase in share capital. They are valued by an external actuary on fair-value basis, at the allocation date of the equity securities allocated.

The various plans for the allocation of free are equity settled.

Free shares are allocated to certain French employees of the Group and abroad.

Legally, rights are subject to a condition of presence within the Group for a one-year period as from the allocation date.

The fair value of the different securities was calculated as the value of a preference share minus any dividends discounted at the riskless rate and by the purchase value. The assumptions used to measure the fair value of the securities are described below:

- The price of the security at the allocation date was determined on the basis of a report by an independent valuer.
- The estimated maturity corresponds to Management’s forecasts of the most probable payment date.

The dividend rate was determined at the allocation date and is based on the payment history and on Management’s future expectations.

The fair value of the free shares granted has been independently assessed by an appraising firm for EUR 5m. This value has been recognised in the accounts over the six-year vesting period, starting on 15 September 2021 for EUR 0.1m in 2021. This amount has been recognised in “Personnel expenses” in the 2021 financial statements.

Changes in the number of free shares are as follows:

<i>In thousands of shares</i>	Number of rights to free shares in circulation
-------------------------------	---

At 1 January 2021	48 863
Allocated	-
Sold/Cancelled	(48 863)
Shares delivered	-
At 31 December 2021	-

3.24. Long-term employee benefits

Certain employees are eligible for jubilee awards or for long-term incentive bonuses, payable in cash when a required service period has been completed. All bonuses, jubilees, awards and other long-term benefit plans are accrued over the vesting period, using actuarial assumptions. These employee benefits are defined benefit plans under IAS 19 “Employee Benefits” whereby the Group’s obligation is to provide the agreed benefits to current and former employees. Actuarial risk (that benefits will cost more than expected) and investment risk fall, in substance, on the Group.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method based on assumptions relating to mortality rates, employee turnover and estimated future salary levels.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The liability recognized in the statement of financial position at the end of each reporting period in respect of defined benefit plans is the present value of the defined benefit obligation adjusted for unrecognized past service costs. The present value of a defined benefit obligation is the probable present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

As requested by IAS 19R, the Group recognizes actuarial gains and losses in other comprehensive income.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

3.25. Government grants

The PHOTONIS Group receives public financing in the form of grants for the development of certain projects. The government grants are initially recognised at fair value where there is reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

In accordance with IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance”, these advances are recognized in deferred income that is recognized as income or loss over the useful life of the related development costs.

3.26. Revenue

The group manufactures and sells electro-optic components used in the detection and amplification of ions, electrons and photons.

The main types of contracts identified in the PHOTONIS Group are standard product sales contracts and service contracts.

If a payment deferral has a material impact on the calculation of the fair value of the consideration to be received, it is taken into account by discounting future payments.

The Group recognises revenue in accordance with IFRS 15 – Revenue from Contracts with Customers.

Standard product sales contracts

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Revenue is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment at the customer's location. The normal credit term is 30 to 90 days upon delivery.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of its products, the Group considers the effects of variable consideration, existence of a significant financing component, noncash consideration, and consideration payable to the customer (if any).

Revenue is recorded net of any late delivery penalties imposed by customers.

Service contracts

Under service contracts, revenue may only be recognized if:

- the stage of contract completion can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Profit from Group service contracts is recorded under the percentage-of-completion method, based on the technical objectives formally set down in such contracts.

If contract profit cannot be measured reliably, revenue is only recognized to the extent of the contract costs incurred.

Forecast contract margins are reviewed on a regular basis. A provision is set aside for any losses on completion as soon as such losses are foreseeable.

Licence rights for transfer of technology

Regarding transfer of technology licence, revenue is recognized according to the contractual schedule which defines the technology transfer steps and their related remunerations. The stage of technology transfer and the contract completion are reflected in recorded revenue.

3.27. Corporate income tax

The Group recognizes current income tax and deferred income tax in accordance with IAS 12 "Income Taxes". "Corporate income tax" includes the current taxes and deferred taxes of consolidated entities.

Current tax

Current income tax corresponds to the income tax owed to the tax authorities by each of the consolidated companies in the country in which they operate.

The 2010 Finance Act passed on 30 December 2009 replaced the previous business tax (*taxe professionnelle*) payable by French entities with two new taxes with effect from 2010: the *Cotisation Foncière des Entreprises* (CFE), based on the rental value of property falling within the scope of the former business tax and the *Cotisation sur la Valeur Ajoutée des Entreprises* (CVAE), based on the added value generated by the Company. The CVAE tax is considered to meet the definition of an income tax. Accordingly, CVAE has been recorded as an income tax in the Group's consolidated financial statements.

Deferred tax

In accordance with IAS 12 "Income Taxes", the Group recognizes deferred tax on temporary differences between the tax base of an asset or liability and its carrying amount in the consolidated statement of financial position, and on tax loss carry forwards if their recovery is considered probable.

The key inputs and assessment criteria are as follows:

- *Corporate income tax rate*

The tax rates applied are those that have been enacted or substantively enacted at the end of the reporting period and applicable to the tax entity in question. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the temporary differences reverse.

- *Principle for recording deferred tax balances and tax loss carryforwards in the consolidated statement of financial position*

The deferred tax assets and liabilities of each tax entity are offset, including deferred tax assets related to any tax loss carryforwards.

If the net balance is an asset, it is recorded in the consolidated statement of financial position to the extent that, for the tax entity in question, it is probable that future taxable income will be available, taking into account the economic outlook for each entity and the Group tax strategy for the near future. If this methodology leads implicitly to the non-recognition of all tax loss carryforwards while the net balance of deferred tax (excluding tax loss carryforwards) is a liability, this liability may be offset by the recognition of additional tax loss carryforwards. This adjustment is justified by the fact that certain deferred taxes have finite expiration dates that may be adapted to the duration of the carryforwards.

Net deferred liabilities are recorded in full in the consolidated statement of financial position.

- *Presentation*

Deferred tax is presented using a net position for each tax entity under assets and liabilities in the consolidated statement of financial position.

Deferred tax generated as a result of restatements recorded directly in equity is also recorded directly in equity.

In accordance with IAS 12 “Income Taxes”, deferred tax assets and liabilities are not discounted.

3.28. Profit (loss) from discontinued operations

A discontinued operation represents a separate major line of business or geographic area of operations for the Group that either has been disposed of or is classified as held for sale.

In accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, the results and cash flows attributable to the activities disposed of or held for sale are presented on separate lines of the consolidated financial statements for all periods presented.

3.29 Segment information

IFRS 8 “Operating Segments” requires the presentation of sector information based on internal management criteria.

The PHOTONIS Group operates in only one segment. The internal report made to the Chief Executive Officer, used for strategy and decision-making, does not present a performance analysis within the meaning of IFRS 8 at a level lower than this segment.

The revenue breakdown is presented in Note 18 “Revenue”.

Note 4 - Financial risk management

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

The Group’s overall risk management policy is defined in the Group manual of Policies and Procedures. Chapters 8 and 9 of this manual define the level at which any finance matter is decided (Supervisory Board/Chief Financial Officer, Financial Controller/Other Employee), whether the implementation of new financing, or hedging against fluctuations of interest rates and/or exchange rates.

To summarize: all hedging transactions are implemented by the Chief Financial Officer, acting for the PHOTONIS Group parent company. The Group does not use financial instruments for speculative purposes.

The majority of the financial instruments subscribed by the Group are interest rate caps and cross-currency swaps. These derivatives were subscribed to protect the Group both against an increase in interest rates and against an adverse change in exchange rate. By offsetting market risks on underlying debts with derivatives, the Group manages risk concentration on financial liabilities.

Moreover, the Group subscribes contracts with several banks to protect against counterparty risk on derivatives.

For all financial instruments, carrying amount best represents the maximum exposure to credit risk.

4.1. Market risk

Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rates which is partially offset by cash at variable rates. In 2021, the Group's borrowings at variable rates were denominated in euros.

Throughout 2021, if average interest rates had been 10 basis points higher/lower with all other variables held constant, the impact on before-tax profit for the year would have been as follows:

<i>(in €K)</i>	Impact on before-tax profit for the year	
	10bp higher	10bp lower
Additional interest charge (income)	146	-

A portion of the EUR denominated debt is borne by PHOTONIS Holding Inc. whose functional currency is the USD. To hedge the corresponding FX risk, the group entered into cross-currency swap instruments. Under the cross-currency swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between floating-rate Libor and Euribor interest amounts is calculated with reference to the agreed notional amounts of borrowings, with each leg of the swap denominated in a different currency, either US dollars or euros.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. Indeed, in 2021, 26% of the Group's sales were in currencies other than the euro, 100% of which were in US dollars. Also, 100% of the financial debt was denominated in euro.

To hedge the currency risk related to debt, the Group mainly uses cross-currency swaps, as described above.

Based on the actual scope of PHOTONIS Group, the foreign exchange risk generated by commercial transactions is very limited: Night Vision sales are mainly in euros, and the dollar part is covered by dollar cost of sales for an equivalent amount. More than 98% of the sales made by US entities are made in US dollars.

As at December 31st, 2021, if the US dollar had weakened/strengthened by 10% against the euro with all other variables held constant, the impacts on before-tax profit and on other components of equity for the year would have been as follows:

<i>(in € thousand)</i>	Impact on before-tax profit for the year		Impact on before-tax profit for the year	
	10% higher	10% lower	10% higher	10% lower
Exchange rate (EUR/USD)	332	(405)	-	-

4.2. Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers in the event of any risk of non-recovery.

Credit management is placed under the joint responsibility of the financial officer of the entity and the CFO.

Accounting policy on trade receivables and other current assets is presented in 3.16.

4.3. Liquidity risk

Liquidity risk arises from the Company not being able to meet its obligations. The Company mainly relies on long-term debt obligations to fund its acquisitions and operational needs.

The Group performs cash flow forecasting and monitors its liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 13).

Surplus cash held by the operating entities over and above the balance required for working capital management are transferred to the Group treasury, via PHOTONIS Technologies SAS. Group treasury invests surplus cash in interest bearing current accounts and time deposits. At the reporting date, the Group held liquid assets of EUR 15 927k that are expected to readily generate cash inflows for managing liquidity risk.

The contractual repayment schedule of the Group's non-derivative financial liabilities is as follows:

(in €K)	December 31, 2021					December 31, 2020				
	A bonds	Senior – Facility A1	Senior – Facility A2	Other liabilities	Total	Term loan	Payment in kind loan	Convertible bond	Other liabilities	Total
Amounts due In:										
1 year	(847)	2 588	(171)	2 118	3 687	12 458	8 976		1 398	22 832
5 years	(4 235)	10 342	(778)	5 668	10 997	162 242			4 947	167 189
Thereafter	173 764	1 364	20 000		195 128		94 617	166 955		261 572
Total non-derivative liabilities	168 681	14 294	19 051	7 786	209 812	174 700	103 593	166 955		451 593

Contractual maturities of financial liabilities, including contractual interests:

Contractual maturities of financial debt (in €K) At 31 December 2021	Less than 12 months	Between 1 and 5 years	More than 5 years	Total
Bonds A	11 924	47 730	192 890	252 543
Senior Facility A1	3 038	11 670	1 373	16 081
Senior Facility A2	862	3 450	20 406	24 718
Other financial debt	2 183	5 668	-	7 851
Total non derivatives	18 007	68 517	214 669	301 193
Cross-currency Swaps	-	-	-	-
Total	18 007	68 517	214 669	301 193

4.4. Derivative financial instruments

Description of the Group's derivative financial instruments

Derivative instruments are used as part of the overall strategy to manage exposure to market risks primarily associated with fluctuations in interest rates (mainly through a combination of cross-currency swaps and CAPs instruments) and foreign exchange rates. As a matter of policy, derivatives are not used for speculative purposes. Derivative instruments that are measured at fair value on a recurring basis are included in the caption "Derivative financial instruments" in the consolidated statement of financial position.

<i>(in €K)</i>	December 31, 2021		December 31, 2020	
	Assets	Liabilities	Assets	Liabilities
Current portion				
Cross-currency swaps – Cash flow hedges			2 448	
Caps held for trading			102	
Caps/Floors				
Total	-	-	2 550	-
Non-current portion				
Cross-currency swaps – Cash flow hedges				
Caps/Floors				
Total	-	-	2 550	-

Further to the acquisition transaction carried out on 22 July 2021 and described in Note 2 hereabove, all of PHOTONIS INTERNATIONAL's active derivative financial instruments were settled in order to be subscribed by PHOTONIS GROUP (the holding company of the PHOTONIS Group since that date). Thus, the amount of the active derivative instruments of PHOTONIS INTERNATIONAL is zero as at 31 December 2021.

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

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

As at 31 December 2021, the derivative financial instruments used by the Group are:

- *Cross-currency swaps:*

During the refinancing process, part of the debt was drawn by PHOTONIS Holding Inc. located in the USA. A cross currency swap was concluded to hedge the cash flows of this debt. This instrument is designated to hedge partially -- in terms of value and duration -- both the foreign exchange risk and the interest risk for PHOTONIS Holding Inc.

- *Caps*

Caps are concluded to partially hedge the cash flows of the floating-rate debts contracted in 2019 during the refinancing process. These instruments are not qualified for hedge accounting.

Entity	Instrument	Nominal amount (M€)	Maturity	Bank
Photonis Technologies	CAP	70,0	30/06/2022	BNP Paribas
Photonis Group	FLOOR	30,3	30/06/2023	CIC
Photonis Group	CCS	30,3	30/06/2023	CIC

CCS and floors are concluded to hedge the portion of the EUR-denominated debt borne by PHOTONIS Holding Inc.

4.5. Financial instruments and fair value estimation

Financial instruments are broken down as follows:

<i>(in € thousands)</i>	December 31, 2021	Financial instruments by category				Fair value estimation			
	Net book value	Loans and receivables	Other financial liabilities at amortized cost	Assets/Li abilities at fair value through profit or loss	Derivative used for hedging	Fair value	Level 1 (*)	Level 2 (**)	Level 3 (***)
Non-current financial assets	41	41				41			41
Derivative financial instruments	0			0		0	0		
Trade receivables	35 583	35 583				35 583			35 583
Other current assets	2 405	2 405				2 405			2 405
Current financial assets	41	41				41			41
Cash and cash equivalents	15 927			15 927		15 927			15 927
Total assets	53 997	38 070	-	15 927	-	53 997	-	0	53 997
Loans and borrowings	209 812		209 812			209 812			209 812
Derivative financial Instruments						-			
Trade payable	15 894		15 894			15 894			15 894
Other current liabilities	27 913		27 913			27 913			27 913
Total liabilities	253 620	-	253 620	-	-	253 620	-	-	253 620

<i>(in € thousands)</i>	December 31, 2020	Financial instruments by category				Fair value estimation			
	Net book value	Loans and receivables	Other financial liabilities at amortized cost	Assets/Li abilities at fair value through profit or loss	Derivative used for hedging	Fair value	Level 1 (*)	Level 2 (**)	Level 3 (***)
Non-current financial assets	54	54				54			54
Derivative financial instruments	2 550				2 550	2 550		2 550	
Trade receivables	28 146	28 146				28 146			28 146
Other current assets	589	589				589			589
Current financial assets	5	5				5			5
Cash and cash equivalents	31 142			31 142		31 142			31 142
Total assets	62 486	28 794	-	31 142	2 550	62 486	-	2 550	59 937
Loans and borrowings	451 592		451 592			451 592			451 592
Derivative financial Instruments	(0)				-	(0)		(0)	
Trade payable	10 689		10 689			10 689			10 689
Other current liabilities	7 790		7 790			7 790			7 790
Total liabilities	470 071	-	470 071	-	-	470 071	-	(0)	470 071

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

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

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

The fair value of financial debt does not differ significantly from the carrying amount, as this debt was funded recently.

Loans and borrowings include loans with banking institutions at variable rates and shareholder loans at fixed rate which cannot be traded.

There is no significant risk regarding the concentration of customers.

Note 5 - Goodwill

5.1. Opening balance and movements in the period

<i>(in €K)</i>	Goodwill
December 31, 2019	400 038
Increase	
Decrease	
Impairment	
Changes in scope of consolidation	(61)
December 31, 2020	399 977
Increase	1 387
Decrease	-
Impairment	(143 866)
Translation adjustments	55
December 31, 2021	257 552

5.2. Annual goodwill impairment tests

The Group performed annual impairment tests by comparing the value-in-use with the carrying amount. The recoverable amounts were calculated based on value-in-use corresponding to the future cash flow projections. The calculations are based on a five-year business plan prepared by management and on a terminal value applying the estimated growth rates stated below for cash flows beyond the five-year period.

Within the framework of the acquisition of PHOTONIS International by PHOTONIS Group, Management used the transaction value as the value-in-use and thus impaired the PHOTONIS Group's goodwill by EUR 143,866k.

Note 6 - Intangible assets

Intangible assets are amortized on a straight-line basis over their estimated useful lives, typically between 1 and 10 years, starting from the date they are put into service. The following table provides details regarding the Group's net intangible assets:

<i>(in €K)</i>	Contracts	Internal project development costs	Software, Concessions, patents and similar rights	Other intangible assets	Total
December 31, 2019	259	22 702	2 814	1 357	27 132
Additions	-	4 847	283	-	2 103
Disposals	-	-	-	-	(42)
Acquisition of a subsidiary	-	-	-	-	-
Transfer	(369)	-	369	-	-
Translation adjustments	(40)	-	(128)	-	43
Depreciation charge	(47)	(729)	(854)	-	(3)
December 31, 2020	197	26 820	2 484	3 064	32 566
Additions	(2)	-	6 342	873	9 329
Disposals	-	-	-	-	-
Operating write-off	-	-	-	-	-
Acquisition of a subsidiary	-	2 277	-	(844)	1 434
Transfer	-	-	-	-	-
Translation adjustments	11	(0)	200	-	211
Depreciation charge	(45)	(4 112)	(849)	(41)	(5 047)
December 31, 2021	164	31 328	3 950	3 052	38 494
Cost					66 483
Accumulated amortisation and impairment					(27 989)

- (1) Research and development expenses: the amounts of EUR 6.3m in 2021 and EUR 4.9m in 2020 include salaries and social security charges (EUR 3.6m in 2021 and EUR 3.0m in 2020) as well as purchases consumed (EUR 2.7m in 2021 and EUR 1.9m in 2020) relating to Research and Development projects.
- (2) Other intangible assets: the amounts of EUR 0.9m in 2021 and EUR 2.1m in 2020 are mostly related to the capitalization of the R & D of new software (Netherlands entity). The software is registered as an intangible asset under construction.

Note 7 - Property, plant and equipment, including right-of-use assets

At 31 December 2021, the Group's major categories of property, plant and equipment, including right-of-use assets, were as follows:

<i>(in € thousands)</i>	Land	Construction	Furniture, fittings and equipment	Other	Construction in progress	Total
December 31, 2019	1 802	9 985	24 883	750	4 676	42 096
Additions	-	217	560	(83)	7 023	7 717
Disposals	-	(527)	(428)	-	-	(955)
Acquisition of a subsidiary	-	-	-	-	-	-

Transfer	-	548	3 807	228	(3 164)	1 419
Translation adjustments	-	678	(174)	184	(1 020)	(333)
Depreciation charge	-	(1 907)	(3 989)	(349)	-	(6 229)
Impairment charges	-	-	-	-	-	-
December 31, 2020	1 802	8 993	24 659	745	7 514	43 713
Additions	-	1 210	491	181	6 840	8 721
Disposals	-	(48)	(155)	-	(10)	(213)
Acquisition of a subsidiary	-	50	143	38	11	242
Transfer	-	1 567	2 988	101	(4 656)	-
Translation adjustments	-	195	245	14	34	488
Depreciation charge	-	(1 948)	(4 144)	(349)	-	(6 441)
Impairment charges	-	-	-	-	-	-
December 31, 2021	1 802	10 018	24 227	730	9 733	46 510
Cost						139 217
Accumulated amortisation and impairment						(92 708)

As at 31 December 2021, part of the carrying amount for property, plant and equipment was composed of leases under IFRS 16. Further details on right-of-use assets are as follows:

<i>(in €K)</i>	Intangible assets	Land	Construction	Furniture, fittings and equipment	Other	Construction in progress	Total
Opening	174	-	4 863	1 107	6	-	6 150
Additions	25	-	1 100	131	21	-	1 277
Disposals	-	-	(219)	(26)	-	-	(245)
Transfer	-	-	72	-	-	-	72
Translation adjustments	-	-	355	11	0	-	366
Depreciation charge	(41)	-	(1 037)	(340)	(11)	-	(1 429)
Cost	158	-	5 133	883	17	-	6 190

Note 8 - Investment joint ventures and affiliated undertakings

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

As at 31 December 2021, investments in joint ventures and associates consisted in a 49% equity stake in IGG PHOTONIS NIGHT VISION ELECTRONICS AND EQUIPMENT REPAIRS AND TESTING LLC (“IGG”).

As at 31 December 2021, the change in investment in joint ventures and associates is related to the recognition of EUR 89k in translation adjustment. IGG had no activity during the year.

<i>(in €K)</i>	
December 31, 2019	1 915
Share of net profit (loss) for the period	37
Translation adjustment	(139)
Impairment	
Change in scope of consolidation	-
December 31, 2020	1 813
Share of net profit (loss) for the period	-
Translation adjustment	89
Impairment	
Change in scope of consolidation	
December 31, 2021	1 767

Note 9 - Inventories

<i>(in €K)</i>	31/12/2021	31 December 2020
Raw materials	14 859	15 123
Work in progress	28 050	27 414
Finished goods	10 551	12 835
Inventories – gross value	53 460	55 372
Provision for obsolescence	(8 438)	(9 162)
Inventories – net value	45 022	46 209

Note 10 - Trade receivables and other current assets

Trade receivables

All trade receivables have a maturity of less than one year. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

Trade receivables recognized in the consolidated statement of financial position can be analysed as follows:

<i>(in €K)</i>	December 31, 2021	December 31, 2020
Trade receivables – gross value	35 999	29 511
Accrued revenue (unbilled)	974	352
Provision for impairment of trade receivables	(1 391)	(1 718)
Trade receivables - net amount	35 583	28 146

Provision for impairment of trade receivables includes primarily EUR 1 333k in provisions for doubtful accounts for the year ended 31 December 2021.

In the context of the adoption of IFRS 9, the Group has updated its review of its account receivables depreciation over the last five years, which resulted in a non-material impact. Therefore, no additional depreciation has been recorded. Forward looking criteria to evaluate if some customers can become

risky are not applicable as approximately 80% of the Group's activity relates to the Defence sector, doing business with the Defence ministries of various countries who do not present any default risk.

Information about credit risk management is presented in Note 4.2.

As of 31 December 2021, the ageing analysis of trade accounts receivable not impaired is as follows:

<i>(in €K)</i>	Total	Neither past due nor Impaired	Past due but not Impaired			
			< 31 days	31 – 60 days	61 – 90 days	> 90 days
December 31, 2021	35 583	29 068	5 026	487	729	274

As of 31 December 2021, the majority of the trade receivables aged more than 90 days relates to customers for whom the Group does not anticipate any risk of non-recovery.

Other current assets

Other current assets are broken out as follows:

<i>(in €K)</i>	December 31, 2021	December 31, 2020
VAT and other tax receivables	3 787	3 173
Corporate income tax	4 468	5 093
Other receivables	5 632	2 346
Social security and other personnel receivables	(103)	136
Related-party receivables	2 371	589
Other current assets	16 152	11 337

Note 11 - Cash and cash equivalents

Cash and cash equivalents include the following:

<i>(in €K)</i>	December 31, 2021	December 31, 2020
Cash and cash equivalents	15 914	22 178
Short-term bank deposits	13	8 964
Cash and cash equivalents, excluding bank overdrafts	15 927	31 142
Bank overdrafts	-	-
Cash and cash equivalents net of bank overdrafts	15 927	31 142

The Group operates a cash pooling system relying on manual transfers between members of the cash-pooling convention and PHOTONIS Technologies SAS, which is the Group's treasury vehicle.

Note 12 - Shareholder's equity

Issued capital.

The Company's issued share capital amounts to EUR 347 465 398 and consists of 347 465 398 shares with a nominal value of EUR 1.

Rights, preferences and restrictions on each type of share

All of PHOTONIS International's shares are now ordinary shares.

The table below breaks down the number of outstanding ordinary and preferred shares as well as shares with warrants:

<i>(in €K)</i>	Ordinary shares	Preference shares A	Preference shares R2	Preference shares R3	Total
As at January 1, 2020	54 850	26 441	60	22 362	103 713
Cession/Annulation					-
Actions livrees					-
As at December 31, 2020	54 850	26 441	60	22 362	103 713
Cession/Annulation	292 615				292 615
Actions livrees		(26 441)	(60)	(22 362)	(48 863)
As at December 31, 2020	347 465	-	-	-	347 465

Note 13 - Loans and borrowings

<i>(in €K)</i>		December 31, 2021			December 31, 2020		
		Total	Current	Non-current	Total	Current	Non-current
Convertible bond issued		-	-	-	166 955	-	166 955
A Bonds	(1)	168 548	-	168 548	-	-	-
Senior debt	(2)	33 479	2 728	30 751	174 640	12 397	162 243
Junior debt - PIK		-	-	-	94 617	-	94 617
Lease liabilities		6 086	1 449	4 637	6 345	1 398	4 947
Other financial liabilities	(3)	16 370	-	16 370	-	-	-
Accrued interest	(4)	1 476	447	1 029	-	-	-
		223	223	-	9 034	9 034	-
Financial bank debt		-	-	-	-	-	-
Derivative financial instruments (equity and liabilities)	Note 4	-	-	-	-	-	-
Derivative financial instruments (assets)	Note 4	-	-	-	(2 550)	(2 550)	-
Derivative financial instruments (net)		-	-	-	(2 550)	(2 550)	-
Cash and cash equivalents	Note 11	(15 914)	(15 914)	-	(22 178)	(22 178)	-
Short-term bank deposits	Note 11	(13)	(13)	-	(8 964)	(8 964)	-
Cash and cash equivalents		(15 927)	(15 927)	-	(31 142)	(31 142)	-
Total financial debt, net		210 255	(11 080)	221 335	417 899	(10 863)	428 762

(1) The amount of A Bonds in 2021 includes the gross amount equal to EUR 174.2m, less EUR 5.5m in loan issuance costs.

(2) As at 31 December 2021, Senior debt concerns:

- o EUR 14.3m: Senior Debt Facility A1, including EUR 2.7min current debt
- o EUR 19.1m: Senior Debt Facility A2

The amount of Senior debt in 2021 includes the gross amount equal to EUR35m in debt, less EUR1.5min loan issuance costs.

(3) Other financial debts are related to debt subscribed by Device-Alab.

- (4) Accrued interest in 2021 relates to the Senior Debt Facility A1 for EUR 223k. The interest is accrued and payable according to the contractual schedule of the debt.

<i>(in €K)</i>	Cash Items			Non-cash Items			
	31/12/2020	Acquisition	Repayment	Change of scope	Others	Total "Non-cash Items"	31/12/2021
Bonds, loans and other	423 815	212 065	(266 628)	-	(168 923)	(168 923)	200 329
Financial debt to Photonis Group		206 904	(190 535)	-			16 369
Financial debt related to lease contracts	4 947			-	(310)	(310)	4 637
Long-term financial debts	428 762	418 969	(4 571 63)	-	(169 233)	(169 233)	221 335
Bonds, loans and other	21 432	446	(21 453)	-	2 971	2 971	3 396
Financial debt related to lease contracts	1 395	367		-	(312)	(312)	1 450
Financial debts related to lease contracts	22 827	813	(21 453)	-	2 659	2 659	4 847
Total financial debt	451 589	419 782	(478 615)	-	(166 574)	(166 574)	226 182
Active derivative instruments							
Impact in the consolidated cash flow statement		419 782	(478 615)				
Net impact (inflows/outflows) in the consolidated cash flow statement		-	(58 833)				

13.1. Financing structure

On 22 July 2021, PHOTONIS Group subscribed a new financing structure. The financing structure for a total amount of EUR210m consists of the following facilities:

A Bonds:

The financing structure includes a "A Bond" debt over seven years, subscribed on 22 July 2021 by PHOTONIS Group for a total amount of EUR 175.0m payable at maturity. This debt is reinvoiced to PHOTONIS International (EUR 87.5m), PHOTONIS Technologies (EUR 18m), PHOTONIS Netherlands (EUR 38.4m) and PHOTONIS Holding Inc. (EUR 30.3m).

Senior debts

The financing structure includes two senior debts subscribed on 22 July 2021 by PHOTONIS Group for a total amount of EUR 35m, reinvoiced to PHOTONIS Technologies. This senior debt is split into two: Senior Facility A1 over 5.5 years for EUR 15m, amortisable, and Senior Facility A2, over six years, for EUR 20m, payable at maturity. The policy to cover variable rates is described in Note 4.1. As of 31 December 2021, EUR 2.7m related to Senior Facility A1 has been reclassified to short term debt.

Revolving Credit Facility (RCF)

The financing structure also included a seven-year credit facility available to the entities of the Group for a maximum of EUR 20m. EUR 1.8m of the revolving credit facility was used from July to November 2021. At year end, the RCF had not been used.

B Bonds: Acquisition Facility

The financing structure also included a seven-year acquisition facility available to the entities of the Group for a maximum of EUR 10m. The acquisition facility was not used as at 31 December 2021.

Note 14 - Provisions

<i>(in €K)</i>	Litigation reserves	Customer warranty reserves	Personnel cost accruals	Reserve for commercial risks	Other risk reserve	Total
January 1, 2020	-	1 203	8 036	321	181	9 741
Additions	-	396	1 108	187	-	1 690
Reversal	-	-	-	(154)	-	(154)
Used during the year	-	(135)	(106)	(273)	-	(514)
Currency translation differences	-	(11)	-	-	-	(11)
December 31, 2020	-	1 452	9 037	81	181	10 752
Impact of IFRIC on IAS 19	-	-	(451)	-	-	(451)
Scope variations	-	-	-	-	-	-
Additions	148	368	98	21	24	806
Reversal	-	-	-	-	-	-
Used during the year	(148)	(263)	(150)	(54)	(39)	(802)
Currency translation differences	-	12	-	-	-	12
December 31, 2021	-	1 570	8 534	48	165	10 318
Of which						
Short term						2 355
Long term						7 962

The Company and its subsidiaries entered into various warranty agreements that include indemnification and guarantee provisions, especially in the event of product returns, as a routine part of the Company's business activities. The Group records a provision related to these warranties, based on the statistical product return rate.

Personnel costs relate to provisions for post-employment benefits presented in Note 15.

Note 15 - Post-employment benefits

The Group is committed to long-term employee benefit plans. In accordance with IAS 19 "Employee Benefits", the obligation of providing benefits under defined benefit plans is determined by independent actuaries using the projected unit credit actuarial valuation method.

The weighted average duration of the defined benefit obligation is the following:

Weighted average duration <i>(years)</i>	2021	2020
Post employment benefits	12,1	12,9
Jubilee	7,3	7,9
Complementary pension	3,1	4,1

The disbursements expected over the next 10 years are as follows:

Disbursements expected over the next 10 years <i>(in €K)</i>	Post employment benefits	Jubilee	Supplementary pension	Total
December 31, 2022	154	50	341	545
December 31, 2023	147	88	-	235
December 31, 2024	346	121	-	467
December 31, 2025	276	278	319	873
December 31, 2026	221	108	466	795
December 31, 2027 – December 31, 2031	1 376	157	-	1 533

The actuarial assumptions used to calculate these obligations for French entities are as follows:

	December 31, 2021	December 31, 2020
Discount rate	1.00%	0.35%
Mortality rate	INSEE TD/TV 15-17 TGH/TGF 05	INSEE TD/TV 15-17 TGH/TGF 05
Employee turnover	Based on observed resignations	Based on observed resignations
Estimated future salary increase (post employment benefits and jubilee)	2.40%	2.20%
Estimated future salary increase (Supplementary pension)	2.40%	2.20%
Social security charge rate	38.9%	39.0%
Retirement age (executive)	63 years	63 years
Retirement age (non executive)	62 years	62 years
Retirement age (supplementary pension)	65 years	65 years

The net benefit expense recognized in the statement of income breaks down as follows:

<i>(in €K)</i>	December 31, 2021	December 31, 2020
Current service cost	405	500
Interest cost	23	55
Expected return on plan assets	3	3
Past service costs	(122)	(109)
TOTAL	308	449

The total charge was included in “Personnel expenses” and “Other financial expenses” in the income statement.

The amount recognized in the statement of financial position breaks down as follows:

<i>(in €K)</i>	December 31, 2021	December 31, 2020
Defined benefit obligation	(8 681)	(9 182)
Fair value of plan assets	145	142
Total	(8 536)	(9 040)

The movement in the defined-benefit obligation over the year is as follows:

	(9 182)	(8 178)
At January 1st		
Current service cost	(405)	(500)

Interest cost	(23)	(55)
Actuarial gains / losses	355	(552)
Past service cost	122	103
Impact of the IFRIC Staff Paper May 2021	451	-
At December 31st	(8 682)	(9 182)

The movement in the fair value of plan assets of the year is as follows:

<i>(in €K)</i>	December 31, 2021	December 31, 2020
At January 1st	142	139
Current service cost	3	3
At December 31st	145	142

A 0.25% increase or decrease in discount rate assumptions would not have any material impact on the Company's consolidated financial statements.

Note 16 - Trade payables

Trade payables are at circa 45 days of purchases.

Note 17 - Other current and non-current liabilities

Other non-current liabilities

Other non-current liabilities amount to EUR 5,573k and are mainly related to Research & Development grants.

Other current liabilities

Other current liabilities recognized in the consolidated statement of financial position can be broken down as follows:

<i>(in €K)</i>	December 31, 2021	December 31, 2020
Amounts due to related parties	4 620	(37)
Social security and personnel liabilities	12 487	9 952
VAT and other taxes	2 492	2 432
Accrued expenses	2 686	4 155
Fixed assets suppliers	775	962
Prepaid income	3 582	3 075
Miscellaneous debts	3 802	2 709
Other current liabilities	30 444	23 248

* The various debts mainly correspond to internal re-invoicing by PHOTONIS Group.

Note 18 - Revenue

The Group's revenue can be broken down as follows:

<i>(in €K)</i>	December 31, 2021	December 31, 2020
Products sales	160 771	148 139
Service contracts	5 401	1 513
<i>Sale of goods</i>	<i>(4)</i>	<i>207</i>
Total revenue	166 168	149 859

Management views the business from a geographic standpoint and discloses the revenue of five geographic zones: Europe, Asia, North America, Africa and Australia.

<i>(in €K)</i>	December 31, 2021	December 31, 2020
Europe	97 440	86 840
Asia	28 561	29 435
North America	32 390	24 848
Africa	6 529	6 854
Australia	1 244	483
Other	4	1 399
Total revenue	166 168	149 859

Moreover, the Company's activity should be presented in the following two operational sectors:

- Amplification, which includes systems using amplification of electrons or electromagnetic waves to produce an image or power source;
- Detection and Imaging, which includes systems that enable detection of a signal (optical or electronic) or creation of an image in different wavelength bands of the optical spectrum (from ultraviolet to infrared).

<i>(in €K)</i>	December 31, 2021
Amplification	121 512
Detection and Imaging	43 494
Other, eliminations and not allocated	1 160
Total revenue	166 168

The revenue included in "Others, eliminations and non-allocated" concerns the holding company and corporate activities that cannot be offset, as well as the elimination of intragroup flows.

In accordance with IFRS 15, the calendar for revenue recognition is as follows:

December 31, 2021							
(in €K)	Europe	Asia	North America	Africa	Australia	Other	Group total
At a point in time	96 040	28 561	31 656	6 529	1 244	4	164 034
Over time	1 400	-	734	-	-	-	2 134
Total revenue	97 440	28 561	32 390	6 529	1 244	4	166 168

December 31, 2020							
(in €K)	Europe	Asia	North America	Africa	Australia	South Africa	Group total
At a point in time	86 840	29 435	24 848	6 854	483	1 399	149 859
Over time	-	-	-	-	-	-	-
Total revenue	86 840	29 435	24 848	6 854	483	1 399	149 859

Note 19 - Other purchases and external expenses

(in €K)	December 31, 2021	December 31, 2020
Temporary personnel	(3 865)	(6 829)
Fees	(6 278)	(5 240)
Travel, projects and receptions	(1 250)	(770)
Subcontracting	(3 722)	(2 592)
Rentals	(811)	(752)
Maintenance	(3 293)	(3 048)
Advertising	(755)	(307)
Insurance premiums	(604)	(463)
Transport	(496)	(491)
Post office and telecom costs	(547)	(620)
Banking fees	(356)	(265)
Other services – Misc.	(167)	(90)
Studies and research	(843)	(656)
Other (sundry external services, co-ownership expenses, rental)	(231)	(160)
Other purchases and external expenses	(23 219)	(22 283)

Note 20 - Personnel expenses

(in €K)	December 31, 2021	December 31, 2020
Wages and salaries	(39 184)	(37 536)
Social security charges	(13 382)	(12 489)
Defined benefit post-employment costs	(295)	(405)
Other personnel costs	(3 310)	(1 744)
Total personnel expense	(56 171)	(52 174)

* EUR 3,554k in capitalized personnel expenses relating to Research and Development projects were deducted from the “Wages and salaries” and “Social security charges” entries above.

The average number of personnel employed (excluding temporary personnel) by the Group during 2021 was 921 (2020: 835).

<i>(in €K)</i>	December 31, 2021	December 31, 2020
Senior executives	196	156
Technicians and supervisors	178	184
Employees	150	149
Workers	338	346
Total	862	835

Note 21 - Other operating income

- Other operating income:

<i>(in €K)</i>		December 31, 2021	December 31, 2020
Operating subsidies		665	708
Other operating income	(1)	912	1 914
Transfers of expense		108	61
Other		355	35
Total other operating income		2 041	2 719

(1) Other operating income is mainly composed of the Research Tax Credit for an amount of EUR 837k. In 2020, other operating income was mainly composed of a EUR 1,059k operating subsidy (*Paycheck Protection Program*) and the Research Tax Credit for EUR 678k.

- Other operating expenses:

Other operating expenses amounting to EUR 300k can be explained by the net impact of non-recurring scrapping of inventories for PHOTONIS France and PHOTONIS Netherlands.

Note 22 - Additions, write-offs of depreciation, amortization and impairment

<i>(in €K)</i>	Note	December 31, 2021	December 31, 2020
On other non-current assets (excluding IFRS 16)		(10 070)	(6 479)
On other non-current assets (IFRS 16 adjustment)	7	(1 418)	(1 383)
On current assets		(406)	71
On provisions		(88)	(292)
Total allowances and reversals		(11 982)	(8 083)

Note 23 - Other income and expenses

As of 31 December 2021, the total EUR 146.3m in other expenses mainly corresponds to impairment of goodwill (cf. Note 5.2).

Note 24 - Net financial result

Net financial loss for the reporting periods presented can be broken down as follows:

<i>(in €K)</i>	December 31, 2021	December 31, 2020
Interest expenses on convertible bonds	(11 743)	(19 207)
Interest expenses on bank borrowings	(17 689)	(21 139)
Debt costs	(7 779)	(1 193)
Interest expenses on leases	(388)	(341)
Other financial expenses	-	-
Net debt cost	(37 599)	(41 880)
Foreign exchange gains and losses	4 378	(3 657)
Fin. income on derivative instruments	(2 656)	-
Fin. expenses on derivative instruments	-	(717)
Other fin. Income – gains / losses on derivative instruments	26	3 043
Net result on derivative instruments	1 748	(1 331)
Other	(27)	(99)
Net financial result	(35 878)	(43 310)

The foreign exchange loss consists of the foreign exchange impact on the Company's loans.

Note 25 - Corporate income tax and deferred tax assets and liabilities

Income tax expense

<i>(in €K)</i>	December 31, 2021	December 31, 2020
Current tax	(2 812)	(2 549)
Deferred tax	4 111	(42)
Corporation income tax	1 299	(2 591)

Effective tax rate reconciliation

The tax on the Group's pre-tax profit differs from the theoretical amount that would be calculated using the weighted average tax rate applicable to profits of the consolidated entities, as follows:

<i>(in €K)</i>	December 31, 2021	December 31, 2020
Profit before tax	(150 265)	(13 237)
Headquarter Tax rate applicable to profit	26,50%	28,00%
Tax calculated at headquarter tax rate applicable to profits	39 820	3 706
Tax effects of:		
- Expenses not deductible for tax purposes	(2 038)	(3 102)
- Interest expenses not deductible for tax purposes in previous years	2 574	-
- Tax credits	304	269

- Utilisation of previously unrecognised tax losses	3	1
- Tax losses for which no deferred income tax asset was recognised	(2 127)	(5 904)
- Tax losses recognised (derecognised)	11	1 151
- Difference in tax rates	(483)	797
- Impairment of goodwill	(38 124)	-
- Other differences	1 360	521
- NL tax audit settlement	--	30
Tax expense	1 300	(2 591)

Net deferred tax variation

The gross movement on the net deferred tax account is as follows:

<i>(in €K)</i>	December 31, 2021	December 31, 2020
At opening	(653)	(316)
Deferred tax assets	-	292
Deferred tax liabilities	(653)	(608)
Deferred tax	4 111	(42)
Translation adjustments	(151)	(337)
Other comprehensive income	(120)	42
At year-end	3 187	(653)
Deferred tax assets	3 187	-
Deferred tax liabilities	-	(653)

Deferred income tax by type

<i>(in €K)</i>	December 31, 2021	December 31, 2020
Derivative financial instruments	1 339	786
Temporary differences	(3 723)	(2 910)
Investment acquisition costs	1 818	2 313
Post-employment benefits	(6 238)	(6 712)
Development cost capitalisation	456	349
Elimination of margins on inventories	9 150	5 573
Other	386	(52)
Deferred tax assets/(liabilities), net	3 187	(653)

PHOTONIS International Group heads the tax Group of the following French entities:

- PHOTONIS Technologies SAS
- PHOTONIS France SAS
- Imaging Sensors International SARL (ISIS)

As at 31 December 2021, the amount of unused tax losses that could be carried forward is EUR 100,357k.

Note 26 - Off-balance-sheet commitments

26.1. Guarantees received

None

26.2. Guarantees given

1. EXOSENS International SAS:

Guarantees given to the lenders as part of credit contracts (Bonds Facilities agreement and Super Senior Facilities Agreement) of 20 July 2021:

- (a) Pledge on PHOTONIS Technologies SAS shares (24 December 2021)
- (b) Pledge on bank account (24 December 2021)
- (c) Pledge on intercompany loans (24 December 2021)

2. PHOTONIS Technologies SAS:

Guarantees given to the lenders as part of credit contracts (Bonds Facilities agreement and Super Senior Facilities Agreement) of 20 July 2021:

- (a) Pledge of shares of (i) PHOTONIS Netherlands BV (24 December 2021), (2) PHOTONIS France SAS (24 December 2021) and (iii) PHOTONIS Holding Inc. (28 January 2022)
- (b) Pledge on bank account (24 December 2021)
- (c) Pledge on intercompany loans (24 December 2021)

Counter-guarantees for "advance payment" issued on behalf of PHOTONIS Technologies and for the benefit of LCL in connection with a contract concluded between PHOTONIS France and ISIS:

- EUR 1,042k in favor of PHOTONIS France
- EUR 106k in favor of ISIS

Counter-guarantee for performance guarantee - "Warranty Bound"- issued on behalf of PHOTONIS Defense and for the benefit of OPNET Technologies Co, Ltd ("OPNET") under an agreement between PHOTONIS Defense and OPNET:

- USD 39k in favor of PNC Bank, with the bank issuing the underlying warranty on behalf of PHOTONIS Defense, valid until 31 July 2022

Counter-guarantee for performance guarantee issued on behalf of PHOTONIS Defense and for the benefit of Hold-Key Electric Wire & Cable Co Ltd ("HOLD-KEY") under an agreement between PHOTONIS Defense and HOLD-KEY:

- USD 179k (SBLC Warranty) in favor of PNC Bank, with the bank issuing the underlying warranty (Warranty bonds Lots 1, 2 et 3) on behalf of PHOTONIS Defense

Guarantees issued by CIC, by order of PHOTONIS Technologies, on behalf of PHOTONIS Defense and for the benefit of HOLD-KEY under a contract concluded between PHOTONIS Defense and HOLD-KEY:

- (a) Warranty bond Lot 4 for USD 59,700 valid until 31 August 2023
- (b) Warranty bond Lot 5 for USD 59,700 valid until 31 October 2023
- (c) Warranty bond Lot 6 for USD 28,059 valid until 31 January 2024
- (d) Warranty bond Lot 7 for USD 69,252 valid until 30 January 2024

Counter guarantee for performance guarantee issued on behalf of PHOTONIS Defense and for the benefit of Two-Way Communications Inc. ("TWO-WAY") under a contract between PHOTONIS Defense and TWO-WAY:

- USD 149k (SBLC Warranty) in favor of PNC Bank, the bank issuing the underlying warranty (Warranty bonds Lots 1,2 and 3) on behalf of PHOTONIS Defense

Guarantees issued by CIC, by order of PHOTONIS Technologies, on behalf of PHOTONIS Defense and for the benefit of TWO-WAY under a contract concluded between PHOTONIS Defense and TWO-WAY:

- (a) Warranty bond Lot 4 for USD 19,701 valid until 3 November 2023
- (b) Warranty bond Lot 5 for USD 44,178 valid until 30 April 2024

Guarantees issued by CIC, by order of PHOTONIS Technologies, on behalf of PHOTONIS Defense and for the benefit of TWO-WAY under a contract concluded between PHOTONIS Defense and TWO-WAY:

- (a) Warranty bond (Extension 618) for USD36,895, valid until 10 August 2024
- (b) Warranty bond (Extension 1000) for USD59,700, valid until 10 August 2024

Guarantees issued by LCL, by order of PHOTONIS Technologies, on behalf of PHOTONIS Defense and for the benefit of OPNET System CO. Ltd ("OPNET") under an agreement concluded between PHOTONIS Defense and OPNET:

- (a) Warranty bond MinijoI for USD 45,453, valid until 13 July 2024
- (b) Warranty bond MinijoII for USD 46, 008, valid until 20 November 2024

Bank guarantee for EUR 108k in respect of PHOTONIS' office lease agreement in Mérignac.

Guarantee given for the EUR 500k Device-Alab loan of from CIC Grenoble GAP Entreprises

3. PHOTONIS France SAS:

Guarantees given to the bank pool:

- Pledge on bank accounts (24 December 2021)

- Pledge on intercompany loans (24 December 2021)

Guarantees given to foreign export contracts:

- (a) AED 5 101 101.92 guarantee for performance bond (CIC)
- (b) INR 528 000 guarantee for EMD (CIC)
- (c) USD 38 936.75 guarantee for performance bond (CIC + SG)
- (d) EUR 1 311 570.80 guarantee for performance bond
- (e) EUR 1 305 814.60 guarantee for warranty bond (CIC + LCL)
- (f) INR 12 000 000 guarantee for performance bond (CIC)
- (g) EUR 778 000 guarantee for Advance Payment
- (h) EUR 16 600 custom guarantee (SG)

4. IMAGING SENSORS INTERNATIONAL

Guarantees given to foreign export contracts:

- EUR 105 750 guarantee for performance bond
- EUR 105 750 guarantee for advance payment
- EUR 2 000 000 guarantee for INR foreign export agreement

5. PHOTONIS Netherlands B.V.:

Guarantees given to the bank pool:

- Pledge on bank accounts (24 December 2021)
- Pledge on intercompany loans (24 December 2021)

Guarantees given for customer export agreements: EUR445,590

6. PHOTONIS HOLDING Inc.

- Extended pledge via a warranty agreement (28 January 2022), including but not limited to: pledge on shares of (i) PHOTONIS Scientific Inc. and (ii) PHOTONIS Defense, Inc, bank accounts, intercompany loans, chattel paper, receivables, letters of credit, tangible and intangible assets, goods, all contracts and agreements, intellectual property rights, trademarks, licenses, information, claims.
- Extended pledge via a warranty agreement, including but not limited to: pledge on accounts, chattel paper, receivables, letters of credit, tangible and intangible assets, goods, all contracts and agreements, intellectual property rights, trademarks, licenses, information, claims.

Guarantees given for customer export agreements:

- Standby letter of credit for the guarantee: USD 366 865

7. PHOTONIS Scientific Inc.

- Extended pledge through a warranty agreement (28 January 2022), including but not limited to: pledge on accounts, chattel paper, receivables, letter of credit, tangible and intangible assets, goods, all contracts and agreements, intellectual property rights, trademarks, licenses, information, claims.

8. PHOTONIS Defense Inc.:

- Extended pledge through a warranty agreement (28 January 2022), including but not limited to: pledge on accounts, chattel paper, receivables, letter of credit, tangible and intangible assets, goods, all contracts and agreements, intellectual property rights, trademarks, licenses, information, claims.

Guarantees given for customer export agreements:

- Standby Letter of Credit for Warranty: USD 366,865

Note 27 - Related-party disclosures

27.1. Business transactions with related parties

Certain acts of the subsidiaries' overall management are centralized by the holding company PHOTONIS Group. The services rendered by the holding company to its subsidiaries are billed based on assistance agreements.

PHOTONIS International SAS is solely liable for corporate income tax due in respect of the tax group which includes PHOTONIS Technologies SAS, PHOTONIS France SAS and ISIS.

PHOTONIS Holding Inc. is solely liable for corporate income tax due in respect of the tax group which includes PHOTONIS Defense Inc. and PHOTONIS Scientific Inc.

In accordance with the tax consolidation agreement, tax consolidation subsidiaries bear their own tax burden as if they were not members of the tax consolidation and pay the corresponding amounts to PHOTONIS International SAS as their contribution to the Group tax payment.

In 2021, transactions between PHOTONIS International SAS and its main shareholder PHOTONIS Group mainly concerned financial interest on intragroup loans for an amount of (EUR 6.2m), various expenses and income for (EUR 1.2m) and EUR 2.7m respectively.

27.2. Key management compensation

This information will not be disclosed, as it is highly confidential.

Note 28 - Events after the reporting period

The Group does not anticipate any major adverse consequences as a result of the conflict in Ukraine.

Note 29 - Auditors' fees

The audit fees paid by the PHOTONIS Group are the following for 2021:

- EUR 217k for the audit of its statutory accounts
- EUR 182k for the audit of its consolidated accounts
- EUR 48k for non-assurance services

18.2.2 PricewaterhouseCoopers Audit report on the consolidated financial statements for the fiscal year ended 31 December 2021

This is a free translation into English of a report issued in French and is provided solely for the convenience of English speaking readers. The report should be read in conjunction with, and construed in accordance with, professional auditing standards applicable in France.

*“To the Chairman,
EXOSENS
Domaine de Pelus
Axis Business Park - Bât 5E
33700 MERIGNAC*

Opinion

In our capacity as statutory auditors of EXOSENS INTERNATIONAL and in accordance with EU Regulation 2017/1129 supplemented by EU Delegated Regulation 2019/980 relating to the proposed public offering and admission to trading of the Company’s shares on the regulated market of Euronext Paris, we have audited the accompanying consolidated financial statements of EXOSENS INTERNATIONAL (formerly PHOTONIS INTERNATIONAL), which comprise the statement of financial position as at 31 December 2021 and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement cash flows for the fiscal year ended at this date, and the notes to the financial statements containing a summary of significant accounting policies (the “2021 Consolidated Financial Statements”), as attached to this report.

In our opinion, the 2021 Consolidated Financial Statements give a true and fair view, in all material respects, in accordance with IFRSs as adopted by the European Union, of the assets and liabilities and of the financial position of the Group as at 31 December 2021 and of the results of the group formed by the persons and entities included in the scope of consolidation for the year ended 31 December 2021.

Basis of opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France and with professional guidance issued by the Compagnie Nationale des Commissaires aux Comptes related to this type of engagement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities in accordance with these standards are set out in the paragraph ‘Responsibilities of the Statutory Auditors in relation to the audit of the 2021 Consolidated Financial Statements’ paragraph of this report.

Independence

We conducted our audit in accordance with the rules of independence set out in the French Code de commerce and in the Code of Ethics for Statutory Auditors (code de déontologie de la profession de commissaire aux comptes).

Responsibilities of management and those charged with governance in relation to the 2021 Consolidated Financial Statements

It is the responsibility of EXOSENS INTERNATIONAL management to prepare the 2021 Consolidated Financial Statements that give a true and fair view in accordance with IFRSs as adopted by the European Union, and to implement the internal control procedures it considers necessary to ensure that the Consolidated Financial Statements are free from material misstatement, whether due to fraud or error.

In preparing the 2021 Consolidated Financial Statements, it is EXOSENS INTERNATIONAL management's responsibility to assess EXOSENS INTERNATIONAL's ability to continue as a going concern, to present in these 2021 Consolidated Financial Statements, where appropriate, the necessary information relating to the going concern basis of accounting and to apply the going concern basis of accounting unless the Company is to be wound up or cease trading.

These 2021 Consolidated Financial Statements have been approved by the Chairman of EXOSENS INTERNATIONAL.

Statutory auditor's responsibilities relating to the audit of the 2022-2023 Consolidated Financial Statements

Our responsibility is to issue a report on the 2021 Consolidated Financial Statements. Our objective is to obtain reasonable assurance about whether the 2021 Consolidated Financial Statements taken as a whole are free of material misstatement.

Reasonable assurance corresponds to a high level of assurance, without however guaranteeing that an audit carried out in accordance with professional standards applicable in France and with the professional doctrine of the Compagnie Nationale des Commissaires aux Comptes relating to this type of audit will systematically detect any material misstatement. Misstatements may arise from fraud or error and are considered material when it is reasonable to expect that they could, individually or in aggregate, influence the economic decisions that users of the financial statements make based on them.

Our audit of the 2021 Consolidated Financial Statements does not constitute a guarantee of the viability or quality of the management of EXOSENS INTERNATIONAL.

In the context of an audit carried out in accordance with these standards and the professional doctrine of the Compagnie Nationale des Commissaires aux Comptes relating to this type of engagement, the statutory auditor exercises professional judgement throughout the audit. In addition:

- identifies and assesses the risks of material misstatement of the 2021 Consolidated Financial Statements, whether due to fraud or error, designs and performs audit procedures to address these risks, and obtains audit evidence that it believes to be sufficient and appropriate to provide a basis for its opinion. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting a material misstatement due to error, as fraud may involve collusion, falsification, deliberate omission, misrepresentation or circumvention of internal control;*
- it obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;*

- *it assesses the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as the related disclosures in the 2021 Consolidated Financial Statements;*
- *it assesses the appropriateness of management’s application of the going concern accounting policy and, based on the information obtained, whether there is any material uncertainty related to events or conditions that may affect the company’s ability to continue as a going concern. This assessment is based on information gathered up to the date of the report, bearing in mind that subsequent events or circumstances could call into question the company’s ability to continue as a going concern. If the auditor concludes that there is a material uncertainty, he draws the attention of the readers of his report to the information provided in the 2022-2023 Consolidated Financial Statements concerning this uncertainty or, if this information is not provided or is not relevant, he expresses a qualified opinion or an unfavourable opinion;*
- *it assesses the overall presentation of the 2021 Consolidated Financial Statements and whether the 2021 Consolidated Financial Statements reflect the underlying transactions and events in a manner that gives a true and fair view;*
- *concerning the financial information of the persons or entities included in the scope of consolidation, it gathers information that it considers sufficient and appropriate to express an opinion on the 2021 Consolidated Financial Statements. It is responsible for directing, supervising and carrying out the audit of the 2021 Consolidated Financial Statements and for the opinion expressed thereon.*

Toulouse, France, on 20 May 2024

One of the Statutory Auditors
PricewaterhouseCoopers Audit

Bertrand Cuq
Partner”

18.3 Pro forma financial information for the 12-month fiscal year ended 31 December 2023 and statutory auditors’ report

18.3.1 Pro forma financial information for the 12-month fiscal year ended 31 December 2023

1. Introduction

Exosens unaudited *pro forma* financial information consists of the *pro forma* consolidated income statement for the year ended December 31, 2023 and the notes thereto (together the “***pro forma Financial Information***”), in accordance with European regulatory provisions.

The unaudited *pro forma* Financial Information presented by Exosens illustrates the expected effects of the acquisition of control of the Telops group, ProxiVision and El-Mul (the “Transactions”) and their financing, set out in Sections 1.1 and 1.2 below (together with the Transactions, the “Operations”) on the Exosens income statement for the year ended December 31, 2023 as if the Operations had taken place on January 1, 2023.

1.1 Overview of the Transactions

On March 30, 2023, Exosens, through its subsidiary Photonis Technologies SAS, entered into a definitive agreement for the acquisition by the Exosens group of the Telops group comprising three

companies: Telops Canada, Telops USA and Telops France. This transaction, approved by the Exosens Supervisory Board, was finalized on October 13, 2023 for an amount of €39.1 million.

On March 2, 2023, Exosens, through its subsidiary Photonis Technologies SAS, entered into a definitive agreement for the acquisition by the Exosens group of ProxiVision. This transaction, approved by the Exosens Supervisory Board, was finalized on June 30, 2023 for an amount of €6.7 million.

On June 12, 2023, Exosens, through its subsidiary Photonis Technologies SAS, entered into a definitive agreement for the acquisition by the Exosens group of El-Mul. This transaction, approved by the Exosens Supervisory Board, was finalized on July 18, 2023 for an amount of €24.0 million.

1.2 Transaction financing

To finance the Transactions, Exosens secured a range of financing in 2023 to cover payment of the acquisition considerations (including related fees and costs).

The financing plan for all the Transactions is structured as follows:

- A bond issue (the “Additional Bonds”) performed on June 30, 2023, governed by the Bond Issue Agreement (see Section 8.2.2.3, Bond issues, of this Registration Document), for an amount of €35 million, paying annual variable interest indexed to 6-month Euribor plus a margin adjusted based on the leverage ratio (see Note 27.2 to the Exosens consolidated financial statements for the periods ended December 31, 2023 and December 31, 2022) and ranging from 6.50% to 7.00% per annum;
- A Debt Senior - Acquisition Facility secured on June 30, 2023 for an amount of €30 million and repayable over its four-year term (see Section 8.2.2.1, Senior Debt Agreement, of this Registration Document), paying annual variable interest indexed to 3-month Euribor plus a margin adjusted based on the leverage ratio (see Note 27.2 to the Exosens consolidated financial statements for the periods ended December 31, 2023 and December 31, 2022) and ranging from 2.60% to 3.60% per annum; used, together with the proceeds from the Additional Bonds issue (see above) to finance the acquisition of Telops and El-Mul.

The acquisition of ProxiVision was financed from the company’s available cash.

1.3 Nature of the *pro forma* Financial Information presented

The unaudited *pro forma* Financial Information illustrates the impact of the Operations on the Exosens consolidated income statement for fiscal 2023, assuming the Operations were performed on January 1, 2023 and considering anti-trust and foreign investment authority approval to have been fully obtained at this date.

Pro forma Financial Information is presented for illustrative purposes and presents a hypothetical situation. Therefore, it is not necessarily representative or indicative of the performance that would have been observed if the Operations had been effectively performed at January 1, 2023. It is also not an indication of future Exosens group results.

The *pro forma* adjustments included in the *pro forma* Financial Information are limited to adjustments directly attributable to the Operations and that can be reasonably documented at the date of preparation of this *pro forma* Financial Information. They do not reflect items that could not be identified or determined at the date of this document such as:

- Restructuring or integration costs that may result from the Transactions;

- Synergies, operating efficiency improvements and other cost reductions that may result from the Transactions;
- All specific subjects and costs that may be incurred and cannot be identified or determined at this stage and that should not have a recurring impact on the Group.

Given the assumptions adopted and the valuations performed on a preliminary basis for *pro forma* Financial Information purposes, future definitive results of the Exosens group may differ from these *pro forma* amounts in so far as additional information will be available or additional analyses will be performed.

2. Basis of preparation of the *pro forma* Financial Information

This unaudited *pro forma* Financial Information is prepared in accordance with Annex 20, “*Pro forma financial information*”, of Delegated Regulation (EU) no. 2019/980 supplementing European Regulation no. 2017/1129. The *pro forma* Financial Information applies the recommendations issued by ESMA (ESMA 32-382-1138 of March 4, 2021) and the provisions of Position-Recommendation no. 2021-02 issued by the French Financial Markets Authority (*Autorité des Marchés Financiers*).

The unaudited *pro forma* Financial Information was prepared from the following components:

- The consolidated income statement for the year ended December 31, 2023 taken from the Exosens consolidated financial statements for the periods ended December 31, 2023 and December 31, 2022, prepared in accordance with IFRS as adopted by the European Union and on which PricewaterhouseCoopers Audit issued an unmodified audit report, presented in Chapter 18.1 of this registration document;
- The ProxiVision unaudited income statement for the first 6 months of 2023, prepared in accordance with local recognition and measurement rules applied by the company in its annual financial statements (*German GAAP*);
- The El-Mul audited income statement for the first 6 months of 2023, prepared in accordance with local recognition and measurement rules applied by the company in its annual financial statements (*Israeli GAAP*);
- The Telops group unaudited consolidated income statement for the period from January 1 to October 12, 2023, prepared in accordance with local recognition and measurement rules applied by the company in its annual financial statements (*Canadian GAAP*).

The unaudited *pro forma* Financial Information is prepared in accordance with the accounting principles used to prepare the Exosens historical consolidated financial statements for the periods ended December 31, 2023 and December 31, 2022.

The impact of the Transactions is fully reflected in the Exosens Group consolidated statement of financial position at December 31, 2023. Accordingly, this unaudited *pro forma* Financial Information includes only a *pro forma* consolidated income statement for the year ended December 31, 2023.

3. *Pro forma consolidated income statement for fiscal 2023*

<i>(in € thousand)</i>	Exosens consolidated income statement for the year ended December 31, 2023	ProxiVision, EL- Mul and Telops interim data	Harmonization of accounting rules and methods	Financing	Business combinations	Elimination of inter-company transactions	Proforma consolidated information for the year ended December 31, 2023
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	
Revenue	291,819	22,759	4,455	0	0	(237)	318,796
Cost of sales	(75,977)	(7,664)	(910)	0	0	237	(84,314)
Other purchases and external expenses	(54,069)	(3,968)	364	0	0	0	(57,673)
Taxes and duties other than income tax	(1,607)	(305)	0	0	0	0	(1,912)
Employee benefits expense	(81,277)	(9,300)	0	0	0	0	(90,576)
Other operating income	4,547	1,066	0	0	0	0	5,614
Other operating expenses	(416)	(45)	0	0	0	0	(461)
Depreciation, amortization and charges to provisions	(30,407)	(1,398)	(282)	0	(2,100)	0	(34,187)
CURRENT OPERATING PROFIT (LOSS)	52,614	1,146	3,326	0	(2,100)	0	55,285
Other income	336	0	0	0	0	0	336
Other expenses	(4,665)	0	0	0	0	0	(4,665)
OPERATING PROFIT (LOSS)	48,285	1,146	3,626	0	(2,100)	0	50,957
Cost of net debt	(26,914)	(56)	(1)	(3,813)	0	0	(30,784)
Net gains (losses) on derivative instruments	(1,661)	(111)	0	0	0	0	(1,773)
Other	528	9	0	0	0	0	537
Net financial income (expense)	(28,046)	(159)	0	(3,813)	0	0	(32,018)
NET PROFIT (LOSS) BEFORE TAX	20,239	987	3,625	(3,813)	0	0	18,938
Income tax	(1,833)	(497)	(956)	953	535	0	(1,798)
NET PROFIT (LOSS), ATTRIBUTABLE TO OWNERS OF THE COMPANY	18,406	490	2,669	- 2,859	1,566	-	17,140

4. Notes to the *pro forma* Financial Information

Note 1 – Exosens consolidated income statement for the year ended December 31, 2023

The column “Exosens consolidated income statement for the year ended December 31, 2023” corresponds to the Exosens consolidated income statement for the year ended December 31, 2023 presented in the consolidated financial statements for the periods ended December 31, 2023 and December 31, 2022, prepared in accordance with IFRS as adopted by the European Union and on which PricewaterhouseCoopers Audit issued an unmodified audit report, presented in Chapter 18.1 of this registration document.

This data includes the contribution of ProxiVision, El-Mul and Telops from their respective acquisition dates until December 31, 2023.

Note 2 – ProxiVision, El-Mul and Telops interim data

The column “ProxiVision, El-Mul and Telops interim data” corresponds to the ProxiVision, El-Mul and Telops accounts prepared in accordance with local recognition and measurements rules applied by ProxiVision, El-Mul and Telops in their annual financial statements. To present this information, the Exosens Group translated the El-Mul and Telops accounts and performed reclassifications to adjust the presentation in line with that used by the Exosens Group:

- The ProxiVision unaudited income statement for the period from January 1 to June 30, 2023, drawn up in euros (EUR), presented using the Exosens income statement format;
- The El-Mul income statement for the period from January 1 to June 30, 2023, drawn up in new shekel (ILS) and translated into euros using the average EUR/ILS exchange rate for the period January 1 to June 30, 2023 (EUR/ILS: 3.8848). The income statement was presented using the Exosens income statement format;
- The Telops unaudited consolidated income statement for the period January 1 to October 12, 2023, prepared in Canadian dollars (CAD) and translated into euros using the average EUR/CAD exchange rate for the period January 1 to October 12, 2023 (EUR/CAD: 1.4577). The income statement was presented using the Exosens income statement format.

<i>(in € thousand)</i>	Interim data translated and reclassified			ProxiVision, El-Mul and Telops interim data translated and reclassified
	El-Mul January 1 to June 30, 2023	ProxiVision January 1 to June 30, 2023	Telops Conso January 1 to October 12, 2023	
Revenue	5,147	3,717	13,895	22,759
Cost of sales	(1,476)	(1,371)	(4,817)	(7,664)
Other purchases and external expenses	(829)	(460)	(2,679)	3,968)
Taxes and duties other than income tax	(34)	(271)	0	(305)
Employee benefits expense	(2,011)	(1,781)	(5,508)	(9,300)
Other operating income	0	29	1,037	1,066
Other operating expenses	0	(43)	(2)	(45)
Depreciation, amortization and charges to provisions	(73)	(199)	(1,126)	(1,398)
CURRENT OPERATING PROFIT (LOSS)	724	(379)	801	1,146
Other income	0	0	0	0

Other expenses	0	0	0	0
OPERATING PROFIT (LOSS)	724	(379)	801	1,146
Cost of net debt	20	(66)	(11)	(56)
Net gains (losses) on derivative instruments	55	0	(167)	(111)
Other	0	0	9	9
Net financial income (expense)	799	(66)	632	(159)
NET PROFIT (LOSS) BEFORE TAX	724	5445°	632	987
Income tax	(145)	0	(352)	497)
NET PROFIT (LOSS), ATTRIBUTABLE TO OWNERS OF THE COMPANY	654	- 445	281	490

Note 3 – Harmonization of accounting rules and methods

The unaudited *pro forma* Financial Information is presented in accordance with the Exosens accounting rules and methods used to prepare the consolidated financial statements for the periods ended December 31, 2023 and December 31, 2022. The harmonization of the ProxiVision, El-Mul and Telops accounting rules and methods with those of Exosens, performed using available information, revealed differences related in particular to the application of IAS 2, *Inventories*, IFRS 15, *Revenue from contracts with customers* and IFRS 16, *Leases*.

Right-of-use assets:

Right-of-use assets were measured in accordance with the recognition and measurement rules applied by Exosens and in accordance with IFRS (IFRS 3, paragraphs 28A and 28B). Lease payments were therefore discounted at the incremental borrowing rate of Exosens group entities with a similar economic environment to the entities acquired and useful lives determined in line with Exosens' outlook.

Leased assets are mainly real estate assets and passenger vehicles.

Revenue:

Revenue recognition was analyzed with regard to IFRS 15, *Revenue from contracts with customers*.

In its accounts, Telops recognizes revenue on a percentage completion basis for all its activities (except camera rental). Following the analysis conducted by the Group, none of the three criteria set out in IFRS 15, paragraph 35 (“*the customer simultaneously receives and consumes the benefits provided by the entity’s performance as the entity performs*”; “*the entity’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced*”; or “*the entity’s performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date*”) apply to the activities carried out by Telops. The recognition of its revenue on a completion basis is therefore not justified pursuant to IFRS 15. An adjustment was therefore recorded to recognize Telops revenue on completion at the date of transfer of control. This analysis was conducted using information provided by Telops management based on all current transactions at both December 31, 2022 and October 12, 2023 (date of acquisition of control) to reflect the impact of recognizing revenue in accordance with IFRS 15 and Group accounting policies in the *pro forma* income statement for the period January 1 to October 12, 2023.

The *pro forma* adjustment of €4.4 million corresponds to the difference between the following two adjustments:

- 12.2 million euros of revenue recognised using the percentage-of-completion method in Telops' financial statements at 31 December 2022, in accordance with local accounting rules, for which delivery took place in 2023 and which was therefore recognised in 2023 in the *pro forma* financial information;
- 7.8 million in revenue recognised using the percentage-of-completion method for the period from 1 January 2023 to 12 October 2023, for which delivery took place after 12 October 2023.

The magnitude of the restatements made is directly related to the delivery schedule of the goods and equipment sold. *Pro forma* sales are therefore illustrative in nature and take into account the timing of delivery of the goods and equipment sold.

□ **Inventories:**

In its accounts, El-Mul does not include direct labor costs in processing costs when valuing inventories, expensing these costs when they are incurred. The Group performed a restatement to recognize costs consumed to produce products manufactured by El-Mul in the correct period. To record the correct expense in the *pro forma* income statement, an estimate was performed at December 31, 2022 and June 30, 2023 (the date of acquisition of control by the Group), using an average margin rate and an average direct labor cost rate per type of inventory.

(in € thousand)	Accounting policy adjustments					Accounting policy adjustments - Total
	Leases			Revenue recognition	Inventory change	
	ProxiVision	El-Mul	Telops	Telops	El-Mul	
Revenue				4,455		4,455
Cost of sales				(1,076)	166	(910)
Other purchases and external expenses	38	164	161			364
Taxes and duties other than income tax						0
Employee benefits expense						0
Other operating income						0
Other operating expenses						0
Depreciation, amortization and charges to provisions	(30)	(135)	(117)			(282)
CURRENT OPERATING PROFIT (LOSS)	8	30	44	3,379	166	3,626
Other income						0
Other expenses						0
OPERATING PROFIT (LOSS)	8	30	44	3,379	166	3,626
Cost of net debt	(8)	(54)	62			(1)
Net gains (losses) on derivative instruments						0
Other						0
Net financial income (expense)	0	0	0	0	0	0
NET PROFIT (LOSS) BEFORE TAX	(1)	(25)	106	3,379	166	3,625
Income tax	0	6	(28)	(895)	(38)	(956)
NET PROFIT (LOSS), ATTRIBUTABLE TO OWNERS OF THE COMPANY	(0)	(19)	78	2,484	127	2,669

Note 4 – Financing *pro forma* adjustments

As detailed in Section 1.2 “Transaction financing”, the financing plan for all the Transactions is structured as follows:

- A bond issue (the “Additional Bonds”) performed on June 30, 2023, governed by the Bond Issue Agreement (see Section 8.2.2.3, Bond issues, of this Registration Document), for an amount of €35 million, paying annual variable interest corresponding to 6-month Euribor plus a margin of 6.50% the applicable margin based on the 2023 leverage ratio;
- A Senior Debt – Acquisition Facility secured on June 30, 2023 for an amount of €30 million and repayable over its four-year term, paying annual variable interest corresponding to 3-month Euribor plus a margin of 3.6%, the applicable margin based on the 2023 leverage ratio, used, together with the proceeds from the Additional Bonds issue (see above) to finance the acquisition of Telops and El-Mul.

The *pro forma* Financial Information has therefore been adjusted to reflect the costs directly relating to the Operations as if the financing had been set-up at January 1, 2023.

Pro formal adjustments were therefore made to financial expenses, reflected in the 2023 *pro forma* income statement by:

- An additional financial expense of €2.6 million in respect of the Additional Bonds, paying interest at an average rate of 9.59%, for the financing of the Telops acquisition; and
- An additional financial expense of €1.2 million in respect of the Senior Debt - Acquisition Facility, paying interest at an average of 6.50%, for the financing of the Telops (€0.3 million) and El-Mul (€0.9 million) acquisitions.

Note 5 – Business combination *pro forma* adjustments

Business combinations are accounted for using the acquisition method pursuant to IFRS 3, revised. Under this method, Exosens is identified as the acquirer of ProxiVision, El-Mul and Telops.

As Exosens acquired control of ProxiVision on June 30, 2023, El-Mul on July 18, 2023 and Telops on October 13, 2023, the accounts of these companies are consolidated in the Exosens group from July 1, 2023, July 1, 2023 and October 13, 2023, respectively. At the date of acquisition of control, Exosens held the entire share capital of these companies.

Exosens, recognized the assets acquired and liabilities assumed of these three companies as follows and then determined the goodwill arising on acquisition.

Recognition of assets acquired and liabilities assumed

The identifiable assets acquired and liabilities assumed of the three companies were provisionally measured at their fair value at the date of acquisition of control by Exosens, with any residual difference compared to the consideration transferred recognized as goodwill (see “Note 5.1, Transactions in 2023” to the consolidated financial statements for the periods ended December 31, 2023 and December 31, 2022 in Chapter 18.1 of this registration document). If new information is obtained during a period of one year from the acquisition date, about facts and circumstances that existed at the acquisition date and identifying adjustments to these fair values, then adjustments relating to the purchase price allocation may be modified. Once the Transactions have been finalized, the completion of valuation procedures is likely to result in significant differences in depreciation and amortization charges.

An additional charge of €2.1 million was included in current operating profit (loss) to reflect the full-year amortization of intangible assets recognized by Exosens on the acquisition of the Transactions.

<i>(in € thousand)</i>	Amortization of intangible assets			Business combinations
	El-Mul	ProxiVision	Telops	
Revenue				0
Cost of sales				0
Other purchases and external expenses				0
Taxes and duties other than income tax				0
Employee benefits expense				0
Other operating income				0
Other operating expenses				0
Depreciation, amortization and charges to provisions	(698)	(73)	(1,329)	(2,100)
CURRENT OPERATING PROFIT (LOSS)	(698)	(73)	(1,329)	(2,100)
Other income				0
Other expenses				0
OPERATING PROFIT (LOSS)	(698)	(73)	(1,329)	(2,100)
Cost of net debt				0
Net gains (losses) on derivative instruments				0
Other				0
Net financial income (expense)	0	0	0	0
NET PROFIT (LOSS) BEFORE TAX	(698)	(73)	(1,329)	(2,100)
Income tax	161	22	352	535
NET PROFIT (LOSS), ATTRIBUTABLE TO OWNERS OF THE COMPANY	- 537	- 51	- 977	- 1,566

Note 6 – Elimination of inter-company transactions

The elimination of inter-company transactions relates exclusively to the elimination of transactions between the Exosens historical scope and ProxiVision during the period from January 1 to June 30, 2023. The amounts eliminated were determined based on information recorded in Exosens' accounting systems: sales of €0.2 million.

Note 7 – Segment revenue

Segment information is presented for the following two operating segments:

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

The Transactions were allocated in full to the Detection and Imaging segment.

<i>(in € million)</i>	Fiscal 2023				Total
	Amplification	Detection and imaging	Other, eliminations and not allocated		
Revenue – Exosens consolidated financial statements for the year ended December 31, 2023	209.9	82.5	-	0.6	291.8
Revenue of acquired companies from January 1 to their acquisition date	-	27.0		-	27.0
Revenue – <i>Pro forma</i> 2023	209.9	109.5	-	0.6	27.0
<i>Contribution (% of total pro forma revenue)</i>	<i>66%</i>	<i>34%</i>		<i>0%</i>	

Note 8 – Adjusted EBITDA

The Group defines EBITDA (adjusted) as operating profit, less (i) charges net of reversals to depreciation, amortization and impairment of non-current assets; (ii) non-current income and expenses as presented in the consolidated income statement in the lines “Other income” and “Other expenses”, and (iii) the impact of items that do not reflect ordinary operating performance such as activity reorganization or adaption costs as well as the IFRS 2 share-based payment expense.

Reconciliation with the consolidated financial statements

<i>(in € thousand)</i>	Exosens Group excluding Transactions	El-Mul	ProxiVision	Telops	Total
Current operating profit (loss) (1)	47,707	196	849	- 75	48,285
Depreciation, amortization and impairment (1)	27,141	933	303	990	29,367
Other income and expenses (1)	4,366	25	- 12	-	4,329
Other (1) / (2)	3,997				3,997
EBITDA (adjusted) (1)	83,211	712	1,140	915	85,978
Current operating profit (loss) – Pre-acquisition		221	- 444	2,895	2,672
Depreciation, amortization and impairment – Pre-acquisition		906	340	2,335	3,581
Adjusted EBITDA – <i>Pro forma</i> 2023		1,839	1,036	6,146	92,231

- (1) Taken from the consolidated financial statements for the periods ended December 31, 2023 and December 31, 2022.
- (2) See Note 6 to the consolidated financial statements for the periods ended December 31, 2023 and December 31, 2022

Note 9 – Income tax expense

The tax adjustment presented on the “Income tax” line of the *pro forma* income statement for the year ended December 31, 2023 represents an estimate of the income tax expense that the Group would have incurred if the Operations had taken place on January 1, 2023, calculated by applying the prevailing income tax rates in each country.

The income tax adjustment is €35 thousand and breaks down as follows:

- Current tax: €(497) thousand, corresponding to income tax recorded in the accounts of the Transactions in accordance with local accounting rules;
- Deferred tax: €532 thousand, corresponding to deferred taxes recognized on the *pro forma* adjustments.

The tax effect on adjustments was determined using prevailing tax rates in the country of each Operation, taking into account the tax situation of the entities, i.e., 29.8% for ProxiVision, 23.0% for El-Mul and 26.5% for Telops. A tax rate of 25% was used for the tax effect on *pro forma* adjustments relating to financing carried by Exosens, i.e., the tax rate applicable in France.

18.3.2 Statutory auditors’ report on the *pro forma* financial information for the fiscal year ended 31 December 2023

This is a free translation into English of a report issued in French and is provided solely for the convenience of English speaking readers. The report should be read in conjunction with, and construed in accordance with, professional auditing standards applicable in France.

« Exosens

Domaine de Pelus
18 avenue de Pythagore, Axis Business Park Bat 5e
33700 MERIGNAC

Statutory auditors’ report on the *Pro forma* Financial Information for the fiscal year ended 31 December 2023

To the Chairman of Exosens,

In our capacity as statutory auditors and in accordance with Regulation (EU) 2017/1129 as supplemented by Delegated Regulation (EU) 2019/980, we have prepared this report on the *pro forma* financial information of Exosens (the ‘Company’) for the year ended 31 December 2023 included in section 18.3 of the registration document (the ‘*Pro forma* Financial Information’).

This *Pro forma* Financial Information has been prepared solely for the purpose of illustrating the effect that the acquisition of control of the Telops Group, ProxiVision and El-Mul by the Company would have had on the Company’s consolidated income statement for the year ended 31 December 2023 if the transactions had taken effect on 1 January 2023. By their very nature, they describe a hypothetical

situation and are not necessarily representative of the financial position or performance that would have been achieved if the transaction or event had taken place on a date prior to that of its actual or expected occurrence.

This *Pro forma* Financial Information has been prepared under your responsibility in accordance with the provisions of Regulation (EU) 2017/1129 as supplemented by Delegated Regulation (EU) 2019/980 and the ESMA guidance on *pro forma* financial information.

It is our responsibility, on the basis of our work, to express a conclusion, in the terms required by Section 3 of Annex 20 of Delegated Regulation (EU) 2019/980, as to whether the *Pro forma* Financial Information has been properly prepared on the basis stated.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body (Compagnie Nationale des Commissaires aux Comptes) relating to this type of engagement. Those procedures, which do not include an audit or a limited review of the financial information underlying the preparation of the *Pro forma* Financial Information, consisted mainly in verifying that the bases on which this *Pro forma* Financial Information has been prepared are consistent with the source documents as described in the explanatory notes to the *Pro forma* Financial Information, examining the evidence supporting the *pro forma* restatements and obtaining from the Company's management all the information and explanations we considered necessary.

In our opinion:

- the *Pro forma* Financial Information has been properly prepared on the basis stated;
- this basis is consistent with the accounting policies applied by the Company.

This report is issued for the sole purpose of:

- approval of the registration document by the AMF;
- the admission to trading on a regulated market, and/or a public offering, of the Company's financial securities in France and in the other countries of the European Union in which the prospectus approved by the AMF would be notified,

and may not be used in any other context.

Toulouse and Nantes, 20 May 2024
The Statutory Auditors

PricewaterhouseCoopers Audit

Baker Tilly Strego

Bertrand Cuq

Jean-Marc Binson François Pignon-Hériard »

18.4 Date of latest financial information

31 December 2023.

18.5 Dividend distribution policy

The Company has not paid any dividends in respect of the periods/fiscal years ended 31 December 2023, 2022 and 2021.

Over the period 2025–2027, the Group’s objective is to distribute dividends in an annual amount of between 20% and 25% of its net profit, subject to approval by the Company’s General Meeting of Shareholders with the aim of paying in 2025 in respect of the 2024 fiscal year a first dividend between 10% and 12.5% of its net profit).

18.6 Legal and arbitration proceedings

In the normal course of its business, the Group may become involved in legal, arbitration, administrative or regulatory proceedings, which may include disputes with customers, suppliers, competitors, employees and tax or other authorities.

At the date of this registration document, the Group is not aware of any administrative, legal or arbitration proceedings (including any proceedings of which the Group is aware, which are pending or which the Group is threatened with), which are likely to have or have had, in the last twelve months, a significant impact on the financial position or profitability of the Company or the Group.

18.7 Significant change in financial position

To the best of the Company’s knowledge, there has been no significant change in the Group’s financial position since 31 December 2023.

An analysis of the Group’s results for the fiscal quarter ended 31 March 2024 (which have not been subject to a limited review by the Company’s auditors) is set out below. The Group’s consolidated interim financial statements for the fiscal quarter ended 31 March 2024 and the related limited review report of the Company’s auditors will be included in a supplement to this registration document which will be submitted to the *Autorité des marchés financiers* for approval.

Revenue

The Group’s consolidated revenue increased by €28.8 million, or 49.6%, from €57.9 million for the fiscal quarter ended 31 March 2023 to €86.7 million for the fiscal quarter ended 31 March 2024.

This increase in revenue was mainly due to:

- organic revenue⁵⁵ growth of 33.4%, resulting mainly from significant growth in Group sales volumes and from price increases in an inflationary environment;
- for €9.4 million by the impact over the fiscal quarter ended 31 March 2024 of the integration of Telops, El-Mul and ProxiVision, acquired after 31 March 2023, respectively in October 2023, July 2023 and June 2023, into the Detection and Imaging business.

The table below shows the breakdown of revenue by segment for the fiscal quarter ended 31 March 2024 and the fiscal quarter ended 31 March 2023:

⁵⁵ Organic growth is the growth in revenue achieved by the Group on a like-for-like basis, which corresponds to revenue achieved during period “n” by all the companies included in the Group’s scope of consolidation at the end of period “n-1” (excluding any contribution from companies acquired after the end of period “n-1”), compared with revenue achieved during period “n-1” by the same companies, regardless of when they entered the Group’s scope of consolidation. Organic growth for the fiscal year ended 31 December 2023 therefore excludes the contribution of ProxiVision, El-Mul and Telops, acquired by the Group in June 2023, July 2023 and October 2023 respectively.

<i>(In millions of euros)</i>	Fiscal quarter ended 31 March 2024	Change (%)	Fiscal quarter ended 31 March 2023
Amplification	63.9	45.7%	43.9
Detection and Imaging	23.6	65.9%	14.2
Other, eliminations and unallocated	(0.8)	380.3%	(0.2)
Total revenue	86.7	49.7%	57.9

Amplification business revenue

The strong 45.7% increase in sales generated by the Amplification business was due in particular to (i) a solid commercial performance, with the booking in January 2024 of three major orders in excess of €10 million, for delivery in 2024-2025, and the activation of two delivery options by customers on existing contracts (ii) a general market context favourable to growth in demand for defence equipment, (iii) the benefit of the continued increase in production capacity, thanks to the growth investments made in 2022 and 2023, and (iv) the positive effect of the increase in Group prices.

Detection and Imaging business revenue

The strong 65.9% increase in sales generated by the Detection and Imaging businesses is due in particular to (i) the positive effect of the increase in Group prices, (ii) the contribution of Telops, El-Mul and Proxivision, acquired after 31 March 2023, in October 2023, July 2023 and June 2023 respectively, and (iii) strong growth, particularly in Nuclear and Detection (special tubes, mass spectrometry).

Adjusted gross margin

Adjusted gross margin increased by €16.2 million, or 64.8%, from €24.9 million, or 43.0% of sales, in the fiscal quarter ended 31 March 2023, to €41.1 million, or 47.4% of sales, in the fiscal quarter ended 31 March 2024.

The table below shows the breakdown of the adjusted gross margin by segment for the fiscal quarter ended 31 March 2024 and the fiscal quarter ended 31 March 2023:

<i>(In millions of euros)</i>	Fiscal quarter ended 31 March 2024	Change (%)	Fiscal quarter ended 31 March 2023
Amplification	29.2 (45.7% of revenue)	58.9%	18.4 (42.0% of revenue)
Detection and Imaging	11.8 (50.1% of revenue)	81.7%	6.5 (45.8% of revenue)
Total adjusted gross margin	41.1 (47.4% of revenue)	64.8%	24.9 (43.0% of revenue)

Adjusted EBITDA

Adjusted EBITDA increased by €10.3 million, or 80.2%, from €12.8 million (or an adjusted EBITDA margin of 22.1%) in the fiscal quarter ended 31 March 2023, to €23.1 million (or an adjusted EBITDA margin of 26.7%) in the fiscal quarter ended 31 March 2024.

Adjusted EBIT

Adjusted EBIT increased by €9.1 million, or 98.6%, from €9.2 million (or an adjusted EBIT margin of 16.0%) in the fiscal quarter ended 31 March 2023, to €18.3 million (or an adjusted EBIT margin of 21.2%) in the fiscal quarter ended 31 March 2024.

The strong increase in adjusted gross margin, adjusted EBITDA and adjusted EBIT for the fiscal quarter ended 31 March 2024 is mainly due to (i) the strong growth in the Group's activities, which contributed to the significant increase in its sales, (ii) the selling price increases implemented by the Group, aimed in particular at passing on increases in raw material and energy costs to selling prices, and (iii) the Group's effective control of its operating expenses through the continued implementation of operational excellence measures.

19. FURTHER INFORMATION

19.1 Share capital

19.1.1 Subscribed share capital and authorised but unissued share capital

At the date of this registration document, the Company's share capital amounted to €1,949,656.32, divided into 194,965,632 shares with a par value of €0.01 each, fully paid up and distributed as follows:

- 75,968,360 ordinary shares;
- 113,952,540 preferred shares known as “ADP A”;
- 50,000 preferred shares known as “ADP R2”;
- 39,000 preferred shares known as “ADP R3”;
- 792,000 preferred shares known as “ADP O”;
- 1,188,000 preferred shares known as “ADP A”;
- 2,975,732 preferred shares known as “ADP R1”.

ADP A, ADP R2, ADP R3, ADP O, ADP A' and ADP R1 preferred shares are preferred shares within the meaning of Article L. 228-11 of the French Commercial Code. They will be converted into new ordinary shares in the Company with effect from the date of settlement-delivery of the Company's shares in connection with their admission to trading on the Euronext Paris regulated market. From that date, the Company's share capital will consist exclusively of ordinary shares.

A General Meeting of the Company's shareholders will be held before the AMF approves the prospectus relating to the admission of the Company's shares to trading on the Euronext Paris regulated market, for the purpose of adopting the following financial delegations, subject to the final determination of the price of the Company's shares in connection with their admission to trading on the Euronext Paris regulated market:

Nature of the delegation	Maximum duration	Maximum nominal amount
Authorisation granted to the Board of Directors to perform operations on the Company's shares (treasury shares)	18 months	Up to 10% of the total number of shares comprising the share capital
Authorisation granted to the Board of Directors to reduce the share capital by cancelling treasury shares	26 months	Up to 10% of the share capital per 24 months
Delegation of authority to the Board of Directors to decide to increase the share capital by issuing shares and/or securities giving access to equity securities to be issued, with preferential subscription rights.	26 months	50% of capital ⁽¹⁾ 500 million euros for debt securities ⁽²⁾
Delegation of authority to the Board of Directors to decide to increase the share capital by issuing shares and/or marketable securities giving access to equity securities to be issued, by public offering other than those referred to	26 months	20% of capital ⁽¹⁾ 500 million euros for debt securities ⁽²⁾

Nature of the delegation	Maximum duration	Maximum nominal amount
in Article L.411-2 of the French Monetary and Financial Code, with waiver of preferential subscription rights and with a compulsory priority subscription period		
Delegation of authority to the Board of Directors to decide to increase the share capital by issuing shares and/or marketable securities giving access to equity securities to be issued, by public offering other than those referred to in Article L.411-2 of the French Monetary and Financial Code, with waiver of preferential subscription rights and with an optional priority subscription period	26 months	10% of capital ⁽¹⁾⁽³⁾ 500 million euros for debt securities ⁽²⁾
Delegation of authority to the Board of Directors to decide to increase the share capital by issuing shares and/or marketable securities giving access to equity securities to be issued, by public offering pursuant to section 1 of Article L.411-2 of the French Monetary and Financial Code, with waiver of preferential subscription rights	26 months	10% of capital ⁽¹⁾⁽³⁾ 500 million euros for debt securities ⁽²⁾
Delegation of authority to the Board of Directors to decide to increase the share capital by issuing shares and/or marketable securities giving access to equity securities to be issued, with waiver of preferential subscription rights, as consideration for contributions in kind	26 months	10% of capital ⁽¹⁾⁽³⁾ 500 million euros for debt securities ⁽²⁾
Delegation of authority to the Board of Directors to increase the share capital by capitalisation of reserves, profits, premiums or any other amount that may be capitalised	26 months	20% of the capital
Delegation of authority to the Board of Directors to decide to issue shares reserved for members of a company savings plan, with waiver of preferential subscription rights for such members	26 months	3% of capital ⁽⁴⁾
Authorisation for the Board of Directors to allocate free new or existing shares, with waiver of preferred subscription rights, to employees and corporate officers of the Company and related companies	38 months	1% of capital ⁽⁴⁾⁽⁵⁾

(1) The maximum aggregate nominal amount of capital increases that may be carried out under this authorisation shall be deducted from the overall ceiling of 50% of the share capital for immediate and/or future capital increases.

(2) The maximum aggregate nominal amount of debt securities that may be issued under this delegation of authority shall be deducted from the overall ceiling of 500 million euros for issues of debt securities.

(3) The maximum aggregate nominal amount of capital increases that may be carried out under this authorisation shall be deducted from the sub-ceiling set at 10% of the share capital for immediate and/or future capital increases with waiver of preferred subscription rights and without a priority subscription period.

(4) A common maximum limit is set at 3% of the capital in the case of capital increases reserved for employees.

(5) A sub-ceiling of 20% is provided for corporate officers.

19.1.2 Securities not representing the share capital

As at the date of this registration document, the Company has not issued any securities not representing capital.

19.1.3 Shares held by the Company or on its own account

At the date of this registration document, the Company did not hold any of its own shares and no Company shares were held by one of its subsidiaries or a by third party on its behalf.

The General Meeting of shareholders to be held no later than the date of approval by the French *Autorité des marchés financiers* (AMF) of the prospectus relating to the admission of the Company's shares to trading on the Euronext Paris regulated market will authorise, for a period of 18 months from the date of the Meeting, and subject to the condition precedent of settlement-delivery of the Company's shares in connection with their admission to trading on the Euronext Paris regulated market, the Board of Directors, with powers to subdelegate within the law and regulations, in accordance with the provisions of Articles L. 22-10-62 *et seq.* and L. 225-210 *et seq.* of the French Commercial Code, to purchase, on one or more occasions and at such times as it shall determine, a number of shares in the Company which may not exceed 10% of the total number of shares comprising the share capital at any time, or 5% of the total number of shares comprising the share capital in the case of shares acquired by the Company with a view to their retention and subsequent remittance in payment or exchange in connection with a merger, demerger or contribution, it being stipulated that the number of shares held by the Company may under no circumstances result in the Company holding more than 10% of the shares comprising its share capital at any time.

Shares may be acquired, at the discretion of the Board of Directors, in order to:

- ensure liquidity and market-making in the Company's securities through an investment services provider acting independently under a liquidity contract that complies with the market practice accepted by the AMF;
- allocate to corporate officers and members of staff of the Company and Group entities in particular as part of (i) employee profit-sharing, (ii) any stock option plan involving the Company's shares, in accordance with the provisions of Articles L. 225-177 *et seq.* and L. 22-10-56 *et seq.* of the French Commercial Code, (iii) any savings plan in accordance with the provisions of Articles L. 3331-1 *et seq.* of the French Labour Code, or (iv) any bonus share allocation in accordance with the provisions of Articles L. 225-197-1 *et seq.* and L. 22-10-59 *et seq.* of the French Commercial Code, in addition to performing all hedging operations related to these operations, under the conditions laid down by the market authorities and on dates that the Board of Directors or the individual acting by delegation of the Board of Directors sees fit;
- deliver shares in the Company on the exercise of rights attached to marketable securities giving entitlement, directly or indirectly, by redemption, conversion, exchange, presentation of a warrant or in any other way to the allotment of shares in the Company within the framework of the regulations in force, and to carry out any hedging transactions relating to these transactions, under the conditions laid down by the market authorities and at the times that the Board of Directors or the person acting on behalf of the Board of Directors deems appropriate;
- retain the Company's shares and subsequently remit them in payment or exchange in connection with any acquisitions, mergers, demergers or asset-for-share exchanges;

- cancel the Company’s shares as part of a capital reduction;
- implement any market practice that would be accepted by the AMF and, more generally, carrying out any operation in accordance with the regulations in force.

The maximum unit purchase price, excluding costs, may not exceed 200% of the price of the Company’s shares set in the context of their admission to trading on the Euronext Paris regulated market, as this price will be mentioned in the Company’s standard press release relating to the definitive characteristics of the offer of the Company’s shares and their admission to trading on the Euronext Paris regulated market.

The Board of Directors may, however, in the event of transactions affecting the Company’s share capital, in particular a change in the par value of the share, a capital increase by capitalisation of reserves followed by the creation and free allocation of shares, or a stock split or reverse stock split, adjust the aforementioned maximum purchase price to take account of the impact of such transactions on the value of the Company’s shares.

The acquisition, sale or transfer of these shares may be carried out and paid for by any means permitted by the regulations in force, on a regulated market, on a multilateral trading facility, with a systematic internaliser (*internalisateur systématique*) or over-the-counter (*gré à gré*), in particular by means of the acquisition or sale of blocks of shares, through the use of options or other derivative financial instruments, or warrants or, more generally, marketable securities giving entitlement to shares in the Company, at such times as the Board of Directors shall see fit, excluding periods when there is a takeover bid for the Company’s shares.

The Board of Directors shall have full powers, with powers to subdelegate in accordance with the law and regulations, in order, in compliance with the relevant legal and regulatory provisions, to make any permitted reallocations of shares purchased for one of the objectives of the programme, for one or more of its other objectives, or to sell them on or off the market.

The Board of Directors will inform the General Meeting of any transactions carried out, in accordance with the law.

19.1.4 Other securities giving access to capital

As at the date of this registration document, the Company has not issued any securities giving access to capital other than the shares described in Section 16.1 of this registration document.

19.1.5 Conditions governing any acquisition rights and/or obligations attached to subscribed but not paid-up capital

None.

19.1.6 Share capital of any Group company which is under option or an agreement to be put under option

None.

19.1.7 Changes in the Company’s share capital over the last three financial years

Date	Nature of the transaction	Capital before transaction	Number of shares before transaction	Number of shares after transaction	Nominal value	Capital after transaction
16 March 2021	Incorporation of the Company	N/A	N/A	10,000	€0.01	€100
22 July 2021	Capital increase of €1,899,999	€100	10,000	190,009,900	€0.01	€1,900,099
22 July 2022	Capital increase of €24,051.25 by incorporation of additional paid-in capital as part of a free share plan	€1,900,099	190,009,900	192,415,025	€0.01	€1,924,150.25
15 September 2022	Capital increase of €17,162.50 by incorporation of additional paid-in capital as part of a free share plan	€1,924,150.25	192,415,025	194,131,275	€0.01	€1,941,312.75
19 May 2023	Capital increase of €5,791.87 by incorporation of additional paid-in capital under the free share plan	€1,941,312.75	194,131,275	194,710,462	€0.01	€1,947,104.62
13 July 2023	Capital increase of €493.75 by incorporation of additional paid-in capital under the free share plan	€1,947,104.62	194,710,462	194,759,837	€0.01	€1,947,598.37
15 March 2024	Capital increase of €2,057.95 by incorporation of additional paid-in capital under the free share plan	€1,947,598.37	194,759,837	194,965,632	€0.01	€1,949,656.32

19.2 Deed of constitution and Articles of Association

19.2.1 Corporate purpose

The Company's corporate purpose in France and abroad is as follows:

- buying, subscribing for, holding, managing, selling or contributing shares or other securities in any company;

- all services and advice on management, human resources, IT, management, communication, finance, legal affairs, marketing and purchasing for its subsidiaries and direct or indirect holdings;
- the activities of a group finance company and, as such, the provision of any type of financial assistance to companies forming part of the group of companies to which the Company belongs;
- and, more generally, any transactions, whether financial, commercial, industrial, civil, real estate or movable property, which may be directly or indirectly related to the above corporate purpose or to any similar or related purposes, and which may directly or indirectly promote the achievement of this purpose by the Company, its expansion, its development and its corporate assets.

19.2.2 Stipulations in the Articles of Association relating to administrative and management bodies – Corporate policies and procedures of the Board of Directors

The following is a summary of the main provisions of the Company's Articles of Association and corporate policies and procedures relating to the Board of Directors, in particular its mode of operation and its powers, as they will apply from the date of settlement-delivery of the Company's shares in connection with their admission to trading on the Euronext Paris regulated market.

The corporate policies and procedures will be adopted with effect from the date of settlement-delivery of the Company's shares in connection with their admission to trading on the Euronext Paris regulated market. In addition to the provisions relating to the Board of Directors mentioned below, it sets out the organisation and operation, powers and authority of the committees that the Board of Directors has set up (see Section 14.3 of this registration document).

(i) Board of Directors (Articles 15 and 17 of the Articles of Association and corporate policies and procedures 2, 3, 5 and 6)

Composition

The Company is managed by a Board of Directors of at least three and no more than 18 members, subject to the exceptions provided for by law.

The Board of Directors may appoint one or more non-voting members, without the number of non-voting members sitting on the Board of Directors exceeding two. Non-voting members are individuals or legal entities chosen from among or from outside the shareholders. Non-voting members are appointed for a term of four years, unless they resign or the Board decides to terminate their appointment early. The terms and conditions of the non-voting members' duties, including any remuneration, are determined by the Board of Directors. Non-voting members may be re-appointed. They are invited to attend meetings of the Board of Directors during which they may make observations but may not vote.

In accordance with *Autorité des marchés financiers* recommendation 2012-02 on corporate governance and the remuneration of executives of companies referring to the Afep-Medef code, censors must be informed of the regulations on market abuse (in particular Regulation (EU) 596/2014 of the European Parliament and of the Council of 16 June 2014 on market abuse) and more specifically the rules on refraining from disclosing inside information. In addition, conflict of interest management measures must be put in place to prevent censors from attending debates when they are in a potential conflict of interest situation. Consequently, the obligations set out in the internal rules of the Company's Board of Directors applicable to directors and relating to the prevention of conflicts of interest apply, *mutatis mutandis*, to non-voting directors.

Lastly, the Board of Directors may appoint a lead director from among its individual members, in addition to the Chairman. If the functions of Chairman of the Board of Directors and Chief Executive

Officer are combined, the Board of Directors must appoint a lead director. The powers of the lead director are defined in the Board of Directors' internal rules.

Appointment

During the life of the Company, the directors are appointed, reappointed or dismissed in accordance with the conditions of the applicable laws and regulations.

Each member of the Board of Directors must own at least 100 shares throughout their term of office and in all cases no later than six (6) months after their appointment. This obligation does not apply, where applicable, to directors representing the Group's employees or, if so decided by the Board of Directors (which can be granted on a general basis and for the entire term of office and successive renewals), to directors representing shareholders. Loans of shares by the Company to members of the Board of Directors are not permitted. On assuming their duties, members of the Board of Directors must register the securities they hold. The same applies to any securities acquired subsequently.

Term of office of directors

A director's term of office is four years.

By way of exception, the General Meeting may, in order to introduce or maintain a principle of staggered renewal of the Board of Directors, appoint one or more directors for a different term of office not exceeding four (4) years or reduce the term of office of one or more directors in office to less than four (4) years. The term of office of any director so appointed or whose term of office is amended for a period not exceeding four (4) years shall expire at the close of the Ordinary General Meeting of shareholders called to approve the financial statements for the previous financial year and held in the year in which the term of office of the said director expires.

Directors may be re-appointed. They may be dismissed at any time by the Ordinary General Meeting.

Directors must not be over 70 years of age, it being specified that if this age limit is reached during a term of office, the director concerned will continue to hold office until the end of the term, without being eligible for re-appointment on expiry of the term. They are subject to the legislative and regulatory provisions applicable to multiple appointments.

In addition, the number of directors over the age of 70 may not exceed one third of the directors in office.

Identity of directors

Directors may be natural persons or legal entities. On appointment, the latter must designate a permanent representative who is subject to the same conditions and obligations and incurs the same liabilities as if he were a director in his own name, without prejudice to the joint and several liability of the legal entity he represents.

The permanent representative is appointed for the duration of the term of office of the legal entity they represent.

If the legal entity revokes the appointment of its permanent representative, it must notify the Company of this revocation and of the identity of its new permanent representative without delay by registered letter. The same applies in the event of the death, resignation or prolonged incapacity of the permanent representative.

Chairman of the Board of Directors

The Board of Directors elects a Chairman from among its individual members.

The Chairman is appointed for the duration of his directorship and may be dismissed by the Board of Directors at any time. He is eligible for re-appointment.

The Chairman must not be over 70 years of age, it being specified that if this age limit is reached during their term of office, his duties will end at the close of the next Annual General Meeting.

Deliberations of the Board of Directors

The Board of Directors carries out the duties and exercises the powers conferred on it by law, the Company's Articles of Association and the Board of Directors' corporate policies and procedures. The Board of Directors determines the direction of the Company's business, taking into account the issues referred to in Article L. 225-35 of the French Commercial Code, and oversees their implementation. Subject to the powers expressly granted to shareholders' meetings and within the limits of the corporate purpose, it deals with any matter relating to the smooth running of the Company and, through its deliberations, settles matters that concern it. The Board of Directors carries out the controls and verifications it deems appropriate.

The Board of Directors is convened (i) by the Chairman or (ii) at the request of at least two-thirds of its members on a specific agenda or (iii) in any circumstances by the lead director, when the functions of Chairman of the Board of Directors and Chief Executive Officer are combined or, as the case may be, (iv) by the Chief Executive Officer or the lead director if the Chairman is unable to attend or is unable to act, as often as the interests of the Company so require, it being specified that the frequency and duration of Board meetings must be such as to allow in-depth examination and discussion of the matters falling within the Board's remit. The Chief Executive Officer may also ask the Chairman to convene a meeting of the Board of Directors on a specific agenda.

The following are subject to prior authorisation by the Board of Directors acting by a two-thirds majority of its members present or represented:

- adopting or amending the Group's annual budget;
- the annual update or modification of the Group's business plan;
- any commitment or investment in excess of two million five hundred thousand euros (€2,500,000) made by the Company or one of its subsidiaries, not included in the annual budget;
- any new loan or borrowing in any form whatsoever (including bonds, credit facilities, financial leases), and any guarantee or security, in each case by the Company or any of its subsidiaries, which is not provided for in the annual budget and (i) the unit amount of which exceeds ten million euros (€10,000,000) or (ii) which increases the Group's total indebtedness, guarantees and securities outstanding by more than ten million euros (€10,000,000);
- any decision having the effect of creating a breach of covenant, an event of default or accelerated or early repayment in respect of any existing indebtedness at the level of the Company or one of its subsidiaries for an amount in excess of ten million euros (€10,000,000);
- the acquisition by the Company or one of its subsidiaries of an interest in a company or of any asset for more than twenty-five million euros (€25,000,000), or the disposal by the Company or one of its subsidiaries of an interest in a company or of any asset for more than ten million euros (€10,000,000), unless such transaction is carried out between members of the Group;

- any issue or allotment, or any repurchase, including pursuant to the use of a delegation of authority, of shares or marketable securities giving access to the share capital or voting rights of the Company or one of its subsidiaries (including the introduction of free share plans or share subscription and/or purchase option plans and allocations within this framework), as well as the introduction of any other employee profit-sharing or incentive scheme (going beyond the legal regime) at the level of the Company and/or one of its subsidiaries and any modification of these plans;
- any distribution of dividends, interim dividends, share premiums or reserves by the Company;
- any merger, demerger, reorganisation, dissolution, liquidation, partial contribution of assets, lease of business, sale of business or transfer of key assets of the Company or any subsidiary whose revenue represented, during the last financial year, more than 5% of the Company's consolidated annual revenue, unless such a transaction is carried out between members of the Group;
- any significant transaction outside the strategy announced by the Group or the latest business plan approved by the Board of Directors;
- any decision relating to (i) the appointment, remuneration or dismissal of an executive director of the Company or one of its subsidiaries, (ii) the recruitment, dismissal or remuneration of a member of the Company's Executive Committee or (iii) the combination of the functions of Chairman of the Board of Directors and Chief Executive Officer (and vice versa);
- any transaction for an amount in excess of two million five hundred thousand euros (€2,500,000) with a view to putting an end to a dispute involving the Company or one of its subsidiaries, or the initiation of any dispute where the economic stakes for the Group exceed two million five hundred thousand euros (€2,500,000);
- any decision that would call into question or be incompatible with HLD Europe's commitments under the commitment letter entered into with the French State on 10 June 2021 and any decision whose implementation would be subject to the agreement of the French State or a safety committee under the said letter;
- the entering into, amending or termination of any agreement governed by Article L. 225-38 of the French Commercial Code, including agreements entered into in the ordinary course of business and on arm's length terms; and
- any amendment to the internal rules of the Company's Board of Directors, with the exception of any amendment relating to compliance with applicable regulations (it being specified that any amendment to the internal rules also requires the agreement of at least one independent director).

Remuneration of the members of the Board of Directors

On the recommendation of the Appointments and Remuneration Committee, the Board of Directors:

- freely distributes among its members the total annual sum allocated to the remuneration of the Board of Directors by the General Meeting of Shareholders, it being specified that a substantial part of this remuneration must be linked to the effective participation of the directors on the Board of Directors and in the committees. A share fixed by the Board of Directors and deducted from the total annual sum allocated to the Board of Directors by the General Meeting of Shareholders is paid to committee members, also taking into account their actual attendance at committee meetings;

- determines the Chairman’s remuneration;
- may also allocate exceptional remuneration to some of its members or, where applicable, to some of its non-voting members, for assignments or mandates entrusted to them.

The Board of Directors reviews the appropriateness of the level of directors’ remuneration in relation to the duties and responsibilities of each director.

(ii) General Management (Article 19 of the Articles of Association)

Type of exercise

The Company’s general management is the responsibility of either the Chairman of the Board of Directors or another individual appointed by the Board of Directors and bearing the title of Chief Executive Officer.

The Board of Directors may choose between these two methods of general management at any time and, at least, whenever the term of office of the Chief Executive Officer expires or the term of office of the Chairman of the Board of Directors expires when the latter is also Chief Executive Officer of the Company.

Shareholders and third parties are informed of this choice in accordance with the regulatory conditions.

Where the Board of Directors chooses to separate the duties of Chairman and Chief Executive Officer, it appoints the Chief Executive Officer, sets his term of office, determines the remuneration of the Chairman and Chief Executive Officer and, where applicable, the restrictions on his powers.

When the general management of the Company is assumed by the Chairman of the Board of Directors, the following provisions relating to the Chief Executive Officer apply. He is then appointed Chairman and Chief Executive Officer.

Deputy Chief Executive Officers

On the recommendation of the Chief Executive Officer, the Board of Directors may appoint one or more individuals to assist the Chief Executive Officer, with the title of Deputy Chief Executive Officer.

The number of Deputy Chief Executive Officers may not exceed two.

The Chief Executive Officer and the Deputy Chief Executive Officers may not be over 65 years of age. When the Chief Executive Officer or a Deputy Chief Executive Officer reaches the age of 65, their duties end at the close of the next Annual General Meeting.

The term of office of the Chief Executive Officer or Deputy Chief Executive Officers is determined at the time of their appointment but may not exceed their term of office as a director.

Dismissal

The Chief Executive Officer may be dismissed at any time by the Board of Directors. The same applies, on the recommendation of the Chief Executive Officer, to the Deputy Chief Executive Officers.

If the Chief Executive Officer ceases or is prevented from carrying out his duties, the Deputy Chief Executive Officers shall retain their duties and powers until the appointment of a new Chief Executive Officer, unless the Board decides otherwise.

The Board of Directors determines the remuneration of the Chief Executive Officer and the Deputy Chief Executive Officers.

Powers

The Chief Executive Officer is vested with the broadest powers to act on behalf of the Company in all circumstances. It exercises these powers within the limits of the Company's corporate purpose and subject to those powers expressly conferred by law on Shareholders' Meetings and the Board of Directors.

He represents the Company in its dealings with third parties. The Company is bound even by actions of the Chief Executive Officer that do not fall within the Company's corporate purpose, unless it can prove that the third party knew that the action exceeded that corporate purpose or that he could not have been unaware of it given the circumstances, it being understood that the mere publication of the Articles of Association is not sufficient to constitute such proof.

The powers of the Chief Executive Officer may be limited and certain decisions may be subject to the prior authorisation of the Board of Directors under the conditions set out in the Board of Directors' internal rules. Decisions of the Board of Directors limiting the powers of the Chief Executive Officer are not enforceable against third parties.

In agreement with the Chief Executive Officer, the Board of Directors determines the scope and duration of the powers conferred on the Deputy Chief Executive Officers. The Deputy Chief Executive Officers have the same powers in relation to third parties as the Chief Executive Officer.

The Chief Executive Officer or the Deputy Chief Executive Officers may, within the limits set by current legislation, delegate the powers they deem appropriate, for one or more specific purposes, to any agents, even those who are not Company employees, either individually or in a committee or commission, with or without the option of substitution, subject to the limits set by law. These powers may be permanent or temporary and may or may not include the power to substitute. Delegations of authority thus granted shall remain in full force and effect notwithstanding the expiry of the term of office of the person who granted them.

(iii) Form, rights and obligations attached to shares (Articles 10, 11, 12 and 13 of the Articles of Association)

Fully paid-up ordinary shares may be held in registered or bearer form, at the shareholder's choice, in accordance with current regulations.

As long as the Company's shares are admitted to trading on a regulated market, the Company is entitled to request the identification of holders of securities conferring immediate or future voting rights at its shareholders' meetings, as well as the quantities of securities held, under the conditions provided for by the laws and regulations in force.

Intermediaries registered as holders of securities on behalf of third parties are required (without prejudice to the reporting obligations of the said third parties and the penalties incurred by them in the event of failure to comply) to make all the disclosures required by law and by the provisions of the Articles of Association in respect of all the shares in the Company for which they are the registered shareholder. Failure by the intermediary to make a declaration is sanctioned in accordance with Article L. 228-3-3 of the French Commercial Code.

Each share entitles the holder to a proportionate share of the Company's profits and assets. In addition, each share entitles the holder to vote and be represented at General Meetings in accordance with the law and the Company's Articles of Association.

Each share carries the right to one (1) vote. However, double voting rights are granted to fully paid-up shares held in registered form by the same shareholder for at least two (2) years. In calculating this holding period, no account is taken of the period during which the Company's shares were held prior to the date of admission to trading on Euronext Paris.

Shareholders only bear losses up to the amount of their contributions.

The rights and obligations attached to the share are transferred with the share to whomever it passes. Ownership of a share automatically entails acceptance of the Articles of Association and the decisions of the General Meeting.

Whenever it is necessary to own several shares in order to exercise any right, shares held singly or in a smaller number than that required do not give their owners any rights against the Company, shareholders having, in such cases, to arrange for the necessary number of shares to be held.

Indivisibility of shares – Usufruct

The shares are indivisible with respect to the Company.

Joint owners of undivided shares are represented at general meetings by one of their owners or by a single proxy. In the event of disagreement, the representative will be appointed by the court at the request of the most diligent co-owner.

If the shares are subject to usufruct, their registration in the account must show the existence of the usufruct. Unless an agreement to the contrary is notified to the Company by registered letter with acknowledgement of receipt, voting rights belong to the beneficial owner at Ordinary General Meetings and to the bare owner at Extraordinary General Meetings.

Transfer and sale of shares

Ordinary shares, whether registered or bearer, are freely negotiable, unless otherwise provided by law or regulation. They are recorded in an account and are transferred from one account to another, in respect of the Company and third parties, in accordance with the procedures defined by the laws and regulations in force.

(iv) Changes in capital and rights attached to shares (Article 8 of the Articles of Association)

The share capital may be increased, reduced or written down in accordance with the law and the Articles of Association.

(v) General Meetings (Article 21 of the Articles of Association)

Notice of meeting, venue

General Meetings are convened under the conditions, in the form and within the time limits laid down by law.

They are held at the registered office or at any other place indicated in the Notice of Meeting.

Agenda

The agenda for the Meeting is set out in the Notice of Meeting and is drawn up by the person issuing the Notice.

The General Meeting may only deliberate on matters appearing on its agenda; nevertheless, it may,

under any circumstances, remove one or more directors from office and replace them.

One or more shareholders representing at least the percentage of share capital provided for by law, and acting in accordance with the conditions and time limits laid down by law, may request that items and/or draft resolutions be included on the agenda.

Access to Meetings

All shareholders have the right to attend General Meetings and to take part in the deliberations in person or by proxy.

Any shareholder may take part in General Meetings, either in person or by proxy, under the conditions laid down by the regulations in force, by providing proof of their identity and of the ownership of their securities in the form of an accounting record of their securities in accordance with the conditions laid down by the laws and regulations in force.

If the Board of Directors decides to use telecommunication means, as published in the Notice of Meeting, shareholders who take part in the Meeting by video conference or by other means of telecommunication or teletransmission, including the internet, which enable them to be identified in accordance with the conditions laid down by the regulations in force, shall be deemed to be present for the purposes of calculating the quorum and majority.

Any shareholder may vote by post or give a proxy in accordance with the regulations in force, using a form drawn up by the Company and sent to it under the conditions laid down by the regulations in force, including by electronic or teletransmission means, as decided by the Board of Directors. This form must be received by the Company in accordance with the regulatory conditions in order to be taken into account.

Meeting minutes are drawn up and copies are certified and delivered in accordance with the regulations in force.

The legal representatives of legally incompetent shareholders and individuals representing corporate shareholders take part in General Meetings, whether or not they are shareholders in their own right.

Attendance sheet, officers, minutes

An attendance sheet containing the information required by law is kept for each Meeting.

Meetings are chaired by the Chairman of the Board of Directors or, in his absence, by a director delegated for this purpose by the Board. Failing this, the Meeting elects its own chairman.

The duties of scrutineers are performed by the two members of the Meeting present and accepting these duties, who themselves or as proxies have the greatest number of votes.

Officers designate the secretary who can be chosen from outside the shareholders.

The officers are responsible for checking, certifying and signing the attendance register, ensuring that debates are properly conducted, dealing with any incidents that may arise during the Meeting, checking and ensuring regularity of votes cast and ensuring that the minutes are drawn up.

Minutes are drawn up and copies or extracts of deliberations are issued and certified in accordance with the law.

Ordinary General Meeting

The Ordinary General Meeting is called to take all decisions that do not amend the Articles of Association. It meets at least once a year, within six months of the end of each financial year, to approve the parent company financial statements for that year and the consolidated financial statements.

When convened for the first time, the Meeting may only validly deliberate if the shareholders present or represented or having voted by post hold at least one-fifth of the shares with voting rights. On second call, no quorum is required.

Decisions are taken by a majority of the votes cast by the shareholders present, represented or voting by post.

Extraordinary General Meeting

The Extraordinary General Meeting has sole authority to amend all provisions of the Articles of Association. It may not, however, increase shareholders' liabilities, except in the case of transactions resulting from a regular reverse share split.

Deliberations are valid only if the shareholders present, represented or having voted by post hold at least one quarter of the shares with voting rights on first notice and one fifth of the shares with voting rights on second notice. If this quorum is not reached, the second Meeting may be adjourned to a date no more than two months after the date on which it was convened.

Decisions are taken by a two-thirds majority of the votes cast by the shareholders present, represented, or voting by post.

The Extraordinary General Meeting may not, however, under any circumstances, except with the unanimous consent of the shareholders, increase the commitments of the shareholders or affect the equality of their rights.

(vi) Stipulations to delay, defer or prevent a change of control of the Company

The Company's Articles of Association do not contain any provisions allowing a change of control to be delayed, deferred or prevented.

(vii) Instances of crossing the statutory thresholds (Article 14 of the Articles of Association)

As long as the Company's shares are admitted to trading on a regulated market, in addition to the declarations of crossing thresholds expressly provided for by the laws and regulations in force, any individual or legal entity who comes to own, directly or indirectly, alone or in concert, a fraction of the Company's capital or voting rights (calculated in accordance with the provisions of Articles L. 233-7 and L. 233-9 of the French Commercial Code and the provisions of the General Regulations of the French *Autorité des marchés financiers* (AMF)) equal to or greater than 0.5% of the capital or voting rights, or any multiple of this percentage, including above the thresholds provided for by the laws and regulations, must notify the Company of the total number (i) of shares and voting rights that they hold, directly or indirectly, alone or in concert (determined in accordance with the rules set out in Article L. 233-9 of the French Commercial Code), (ii) securities giving future access to shares in the Company that it holds, directly or indirectly, alone or in concert, and the voting rights potentially attached thereto, and (iii) shares already issued that this person may acquire by virtue of an agreement or a financial instrument referred to in Article L. 211-1 of the French Monetary and Financial Code, without prejudice to the provisions of Articles 4 and 4 bis of Article L. 233-9 of the French Commercial Code; the same applies to the voting rights that this person may acquire under the same conditions. This notification must be sent by registered letter with acknowledgement of receipt within four trading days of the threshold being crossed.

The obligation to inform the Company also applies, within the same timeframe and under the same conditions, when the shareholder's holding of capital or voting rights falls below one of the aforementioned thresholds.

In the event of failure to comply with the aforementioned notification requirement, and at the request, recorded in the minutes of the General Meeting, of one or more shareholders representing at least 5% of the share capital or voting rights, the shares in excess of the fraction that should have been declared will be stripped of their voting rights until the expiry of a period of two years following the date on which the notification is rectified.

The Company reserves the right to inform the public and shareholders either of the information notified to it or of any failure by the person concerned to comply with the aforementioned obligation.

(viii) Specific clauses governing changes in share capital

With regard to changes in capital, the Company's Articles of Association do not contain any specific stipulations that are stricter than the legal provisions.

20. MAJOR CONTRACTS

20.1 Light intensifier tube supply contracts with Theon

A contract for the supply of light intensifier tubes was entered into between Theon and the Group on 14 April 2021, as amended on 15 March 2022 (the “**Theon 2021 Contract**”). The Theon 2021 Contract was concluded following a call for tenders organised by the *Organisation Conjointe de Coopération en matière d’Armement* (OCCAR) as part of the *Night Vision Capability Program*, as a result of which Theon was selected, alongside the German company Hensoldt, to supply night vision equipment to the German and Belgian armed forces, which are members of OCCAR. Under the terms of the contract concluded by the Hensoldt - Theon consortium with OCCAR following the call for tenders, the night vision equipment supplied must be fitted with light intensifier tubes supplied by the Group, which is the subject of the Theon 2021 Contract. As the only supplier of critical size able to provide light intensifier tubes without constraint by foreign export regulations (notably ITAR in the United States), the Group is thus qualified as the sole source of supply of light intensifier tubes for equipment qualified by armed forces sourcing via OCCAR.

The initial volume of deliveries under the Theon 2021 Contract was 19,100 light intensifier tubes, with a first option to increase the initial purchase volume to 40,000 units, which was exercised by Theon for deliveries until August 2024.

Following the conclusion of a second contract between the Hensoldt - Theon consortium and OCCAR, in January 2024, activating the production of an additional 20,000 binoculars for Germany and Belgium, scheduled for delivery in 2024 and 2025, Theon has chosen to exercise the second option offered to it under the Theon 2021 Contract, under which the Group will deliver an additional 40,000 light intensifier tubes to Theon until November 2025. The new agreement between the Hensoldt - Theon consortium and OCCAR also includes a possibility for the Group to deliver an additional 25,000 night vision binoculars, i.e., an option for the Group to deliver an additional 50,000 light intensifier tubes.

Deliveries under the Theon 2021 Contract are made on a monthly basis, for a predetermined quantity of products, payable at the end of the month following the month of delivery. The prices initially agreed when the Theon 2021 Contract is entered into are adjusted in accordance with a formula based in particular on an industrial product price index. The Theon 2021 Contract may be terminated by either party, subject to 90 days’ notice, in particular in the event of bankruptcy or insolvency proceedings against the other party or in the event of a significant breach of one of its obligations under the contract which is not remedied within 30 days. The Theon 2021 Contract also provides for the payment of penalties by the Group in the event of late delivery, after expiry of a grace period. The Theon 2021 Contract remains in force until delivery of the last order made under the contract.

The Group also entered into a contract for the supply of light intensifier tubes with Theon on 13 July 2022 (the “**Theon 2022 Contract**”), providing for the delivery of an initial volume of 8,000 light intensifier tubes, with an option for Theon to increase this volume of deliveries up to a maximum of 22,000 units to a NATO Member State⁵⁶. As at the date of this registration document, Theon has partially exercised this option, with further deliveries under this contract scheduled until December 2024. Deliveries are made on a monthly basis, for a predetermined quantity of products, payable at the end of the month following the month of delivery. For deliveries made on or after 1 January 2024, the prices initially agreed when the Theon 2022 Contract was signed will be adjusted in accordance with a formula based on an inflation index.

⁵⁶ North Atlantic Treaty Organization

Theon International, a company listed on the regulated market of Euronext Amsterdam, is the Group's largest customer in terms of sales, having accounted for 36% of its sales in the financial year ended 31 December 2023 and 26% on average over the last three financial years.

The Group's business with Theon is therefore linked to numerous end customers, varying in size and geography, the largest of which are currently OCCAR and the NATO Member State referred to above.

20.2 New Senior Credit Agreement

See Section 8.3 "New Senior Credit Facilities Agreement" of this registration document.

21. DOCUMENTS AVAILABLE TO THE PUBLIC

The Company's Articles of Association, minutes of General Meetings and other corporate documents, as well as any valuation or statement drawn up by an expert at the Company's request that must be made available to shareholders, in accordance with applicable legislation, may be consulted at the Company's registered office.

Once the Company's shares are admitted to trading on the Euronext Paris regulated market, regulated information within the meaning of the General Regulation of the French *Autorité des marchés financiers* will also be available on the Company's website (www.exosens.com).

ANNEX

Consolidated financial information for Telops⁵⁷

Income statements – Period from 1 January 2023 to 12 October 2023

<i>(in Canadian dollars)</i>	Cumulative	
	Current	
Income	18,555,357	100%
Fees	(508,361)	-2.7%
Net income	18,046,996	97%
Cost of goods sold		
Workforce	1,431,177	7.7%
Equipment	6,892,236	37.1%
Subcontracting	0	
Travel	44,034	0.2%
Tax credits	(496,883)	2.7%
COGS	7,870,564	42.4%
Operating margin	10,176,432	54.8%
Manufacturing overheads		
Indirect engineering	761,063	4.1%
Indirect production	1,091,518	5.9%
Indirect rental	170,807	0.9%
Guarantee	345,123	1.9%
General	2,368,510	12.8%
Gross margin	7,807,921	42.1%
Operating costs		
In-house Research and Development	2,310,813	12.5%
SR&ED tax credits and subsidies	(917,285)	-4.9%
Sales	1,379,513	7.4%
Marketing	1,429,383	7.7%
Administration	1,424,909	7.7%
Operating	5,627,333	30.3%
Operating profit	2,180,589	11.8%
Financial expenses	111,684	0.6%
Exchange rate fluctuation	242,828	1.3%
Other expenses (income)	903,806	4.9%
Profit before tax (including bonuses) 	922,271	5.0%
Interco management fees	477	
Tax	512,654	
Net profit	409,140	2.2%

⁵⁷ Unaudited financial data prepared in accordance with the Canadian accounting and valuation rules applied by Telops (Canadian GAAP).

Balance sheet at 12 October 2023

	Current
Short-term assets	
Cash in hand	1,064,554
Investments	0
Receivables	5,865,483
Prepayments	438,772
Inventory	5,847,800
PB & Démos inventory	1,209,820
Work in progress	4,744,548
Foreign exchange gains	0
Tax receivable	1,382,303
Short-term deferred tax - VA	35,682
Interco - Financial assets - subsidiaries	1,634
	<u>20,590,595</u>
Long-term assets	
Research and Development tax credit	213,396
Long-term deferred tax	55,104
	<u>268,500</u>
Intangible assets	57,034
Property, plant and equipment	<u>1,253 133</u>
Total assets	<u><u>22,169,262</u></u>
Short-term liabilities	
Bank loans (margin)	320,000
Accounts payable	992,318
Salaries and employee benefits deductions payable	1,656,715
Accrued expenses	1,861,387
Deferred income	970,940
Advances on contracts	0
Tax payable	865,209
Deferred tax – short-term portion	935,185
Portion of long-term debt maturing in the short-term	20,619
	<u>7,622,374</u>
Long-term liabilities	
Long-term debt	268,987
Long-term deferred tax	0
Preference shares	11,443,105
	<u>11,712,092</u>
	19,334,466
Shareholders' equity	

Non-distributed profits	15,409,421
Share capital	<u>(12,574,626)</u>
	<u>2,834,795</u>
Total liabilities and shareholders' equity	<u>22,169,262</u>
	0