A French corporation (*société anonyme*) with a share capital of 5 173 434 euros
Registered office: Sactar site – 84500 BOLLENE
Avignon Companies Register (RCS) No.: 338 070 352

ANNUAL FINANCIAL REPORT

31 DECEMBER 2021

Contents

Statement by the person responsible for the original French version of the annual financial report

"*I declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable financial reporting standards and give a true and fair view of the assets and liabilities, financial position and results of the operations of the company and the group formed by the companies included in the consolidated financial statements, and that the enclosed management report for the period faithfully presents business trends, the results and financial position of the company and the group included in the consolidation and the description of the main risks and uncertainties*."

May 18, 2022

James F. Collins

Chair-Chief Executive Officer

EGIDE

A French corporation (*société anonyme*) with a share capital of €5,148,434
Registered office: Sactar site – 84500 BOLLENE
Avignon Companies Register (RCS) No.: 338 070 352 (Siren)

Combined General Meeting of June 30, 2022

Board of Directors' report for the year ended December 31, 2021 (*constituting a summary of the company's situation for the year ended*)

To the shareholders,

We have called you to this combined ordinary and extraordinary general meeting in accordance with the company's articles of association and the French law on commercial companies to report to you on the activity of the company for the year ended 31 December 2021, the results of its operations and outlook, and submit for your approval the separate parent company and consolidated annual financial statements for the period. These financial statements are attached to this report.

The meeting notices required by law have been properly sent to you and all documents and items provided for by applicable regulations were made available to you in accordance with the required deadlines.

This report will present the following items:

1. The company's operations, results and financial position
2. Information on internal control and risk management procedures
3. Information on research and development
4. Information on terms of payment
5. Information on corporate governance
6. The social and environmental impact of its business
7. Information on subsidiaries and associates
8. Miscellaneous information about the company
9. Items to be addressed at the General Meeting

1. The company's operations, results and financial position

1.1 2021 operating highlights

There were no major developments in 2021. In contrast, 2021 continued to be impacted by significant developments of 2020.
The fire in early July 2020 at Egide USA's electroplating facility in Cambridge was by far the most significant event, with several consequences:

- While the reconstruction of the surface treatment workshop was delayed and production did not fully resume until June 2021, subcontractors were used to maintain deliveries and preserve the customer base. This subcontracting proved to be particularly expensive, representing €2.8 million for the year (93% in the first half). This additional cost was only partially offset by coverage for operating losses in the amount of €0.5 million.
- New electroplating line equipment represented €2.8 million of new fixed assets financed by insurance payments and as such, representing exceptional profit.
- Finally, it was once again possible to benefit from a US government relief Covid-19 PPP (Paycheck Protection Plan) aid in the amount of €0.7 million.

More generally, and not only for Egide USA, it may be noted that while Covid did not have a major direct effect, the health crisis did complicate the sales process, resulting in delayed order intake, resulting in a slower start for business in 2022 which will be made up in the second quarter.

Finally, the levels of earnings by company led to a reassessment of indicators of impairment resulting in the following measures:

- A €0.29 million goodwill impairment charge for Santier;
- Activation of a portion of the US deferred tax asset in the amount of €0.34 million;
- Reversal of the remaining balance of impairment charges on fixed assets of Egide SA originating in 2018 in the amount of €0.50 million;
- Activation of portion of Egide SA's loss carry forward in the amount of €0.20 million.

1.2 Presentation of business activity and results

1.2.1 Egide SA operating highlights

Revenue in 2021 totaled €14.48 million compared to €13.70 million in 2020, an increase of 5.7%. Excluding intra-Group transactions, sales amounted to respectively €14.19 million and €13.42 million, representing an increase of 5.7%.

The growth of the revenue originates entirely from countries outside the West and in particular China.
The share of the thermal imaging sector is still growing, accounting for 72% of the business up from 65% in 2020, but spread over a larger customer base and more countries.

Intercompany billings represent chargebacks between Egide SA and its subsidiaries Egide USA for commercial, financial and technical assistance. These miscellaneous chargebacks represented €0.24 million in 2021 compared to €0.29 million in 2020.

Ceramic technology, in contrast to glass-to-metal technology, is continuing to grow and represented 58% of revenue versus 57% in 2020. This distinction is increasingly less relevant as the products for which Egide is competitive are complex based on the combination of several technologies. And while not a priority, we are nevertheless seeking to improve our segmentation.

No engineering studies were billed by the company in fiscal year 2021, compared to €0.15 million in 2020 and €0.26 million in 2019. Expense and billing processes were somewhat disrupted by Covid, resulting in €0.11 million outstanding studies, but more generally, after introducing a change in approach, studies are now focused on the innovation needs of markets defined as strategic. Research & Development efforts have remained steady at €557,000 versus €589,000 in 2020.

France accounted for 50% of Egide SA's revenue in 2021 (excluding intercompany sales) compared to 46% in 2020. Europe excluding France accounts for 11% of revenue for the period and North America 4%. Revenue from the rest of the world in 2021 represented 35% compared to 32% in 2020 and concerned primarily Israel, China and India.

1.2.2 Egide USA operating highlights

Egide USA had revenue of US$12.70 million in 2021 (including US$0.53 million intra-group) compared to US$9.66 million in 2020 and US$13.25 million in 2019 (including $0.56 million with the group). This shows an improvement compared to 2020, heavily impacted by the fire in the Cambridge electroplating facility in early July 2020. At the beginning of 2021, the reconstruction of the surface treatment workshop was delayed and subcontractors were used to ensure deliveries to customers in a timely manner. The resumption of production was possible only in the second half of the year, after the new workshop had been certified by the customers. Activity in 2021 once again experienced disruptions;

In terms of markets, the power segment remains the largest representing 68% of revenue in 2021 versus 74% in 2020. In terms of the geographical revenue mix, business remained concentrated in the US, which represented 95% of revenue, as in 2020.

1.2.3 Santier's business

Sales in 2021 amounted to US$10.31 million (of which US$0.84 million with the Group), compared to US$10.40 million in 2020 (US$0.80 million with the Group). Non-Group sales have therefore remained unchanged at a fairly low level making it impossible to reach break-even.

The optronics and microwave segments represent 34% and 34% respectively of non-Group sales, while power-related markets represents 9%, without any significant changes compared with the previous year.

The North American market accounts for 75% of Santier sales in 2021, up from 70% in 2020.

1.2.4 Egide SA parent company financial highlights

The annual financial statements of Egide SA for the period ended December 31, 2021 have been prepared in accordance French GAAP based on the principles of conservatism, fair presentation, consistency of presentation, the time period concept and going concern.

Revenue for the period amounted to €14.48 million compared to €13.70 million for the previous period or up 5.7%, unchanged from the previous year excluding intra-group chargebacks. This was accompanied by €578,000 in operating profit, €304,000 in net profit for 2021 compared to an operating loss of €920,000 and a net loss of €758,000 one year earlier. This improvement in profitability is primarily due to a higher gross margin rate, which increased by approximately 9% in response to efforts in terms of expenses but a higher quality selection of customer orders. Overall, expenses remained stable while revenue increased. Measures to reduce costs are continuing and starting to pay off. For this reason, while in 2018 it was necessary to recognize an impairment loss for fixed assets of €936,000, the recovery of the business and recent forecasts resulted in the reversal of the remaining balance of this impairment of €501,000. Because this 2018 impairment was recorded under operating results, so was the reversal which means that the operating profit of €578,000 included the impact of €501,000 in non-recurring income. This operating result was also impacted by €126,000 in expenses linked to the dismissal and notice period of one of the directors. However, even at €203,000 (578-501+126) this operating result represented a particularly positive development in relation to previous years.

Overall, these results confirm the savings announced when the 2019 restructuring plan was published and the lowering of the break-even point by €2 million.

Average headcount (permanent + fixed-term contracts) continued to decline slightly from 135 employees in 2020 to 132 in 2021.

Research and development expenditures incurred in the period as determined for the Research Tax Credit remained stable at €0.56 million compared to €0.59 million in 2020. These expenditures are not capitalized and are fully expensed.

Net financial income was impacted by a €0.36 million impairment of the equity investments of the holding company that owns the US subsidiaries.

Net exceptional items in 2021 was close to nil (representing an expense of €1,000 reflecting mainly the recognition and disposal of a fixed asset) compared to €0.09 million in income originating from tax refunds on electricity.

The Research Tax Credit amounted to €0.17 million in 2021 compared to €0.14 million in 2020.

A provision for profit-sharing in the amount of €25,000 was recorded destined to be distributed equally among employees.

At December 31, 2021, the company's total assets amounted to €16.97 million, up from €16.24 million in 2020. Cash at year-end amounted to €0.95 million compared to €0.71 million in 2020. Financial debt at the close of December 31, 2021 increased slightly to €2.24 million (€2.06 million in 2020) after obtaining new French government-backed Covid-19 relief loans (PGE) totaling €0.75 million and new CIR financing from BPI in the amount of €0.11 million, while other debts continued to be repaid as planned, and, most notably the end of the bond loan. In addition, a debt contracted with the US subsidiary Santier in the amount of US$0.3 million was repaid.

The table of results provided for by article R225-102 paragraph 2 of the French commercial code and the table of portfolio securities at year-end are attached to this report.

1.2.5 Egide Group consolidated results

At December 31, 2021, the following companies were consolidated by Egide Group, it being specified that the Group does not have any branch offices:

- Egide SA, parent company
- Egide USA LLC, a direct wholly-owned subsidiary
- Egide USA Inc., wholly-owned through Egide USA LLC
- Santier Inc., wholly-owned through Egide USA LLC

For Egide SA, income and expenses are presented solely in euros. Sales in US dollars of the French entity paid in dollars (US $0.9 million) were used to pay for purchases in foreign currencies (US $1.9 million) from foreign suppliers. The balance of the US dollars were purchased. For the subsidiaries, Egide USA and Santier, all income and expenses are presented in US dollars. The fluctuation in the Euro/US dollar exchange rate between 2020 and 2021 (with average exchange rates of respectively 1.1413 and 1.1835) resulting in a negative currency effect on sales of 0.2% In light of the respective balance between Group entities with respect to foreign exchange, currency hedges are not considered necessary.

The main components of comprehensive income for the period are as follows:

IFRS (€m)	**2021**	**2020**
Revenue	32.50	29.74
Gross operating profit	(1.07)	1.06
Current operating profit/(loss)	(2.54)	(0.35)
Other operating income	4.17	12.42
Other operating expenses	(0.81)	(10.10)
Operating profit / (loss)	0.82	1.97
Net financial income (expense)	(0.43)	(0.56)
Income tax	(0.19)	(0.42)
Net income/(loss)	0.20	0.98
Other comprehensive income	0.84	(0.81)
Comprehensive income	1.04	0.18

The margin on materials and direct labor (before overhead costs) has remained stable from one year to the next at the consolidated level notably in response to the 6% improvement in the margin rate at Egide SA. Manufacturing overhead expenses were severely impacted in the first half at Cambridge by electroplating subcontracting, resulting in additional costs of €2.8 million, only partially offset by €0.5 million in insurance payments for operating losses.
As in 2020, the 2021 financial statements are impacted by factors related to the Cambridge fire, the application of IFRS accounting standards and, to a lesser extent, Covid.
Covid: Egide USA obtained governmental aid in the form the forgiveness of Paycheck Protection Program loans in the amount of €0.67 million.
Egide SA obtained two new PGE loans for €750,000.
Fire: A profit in the amount of €2.80 million was recognized for new replacement assets financed by insurance payments.

IFRS: Santier: indications of impairment led to the immediate recognition of a €0.29 million impairment charge on the remaining balance of goodwill, based on estimated future cash flows.
U.S. deferred tax assets: forecasts of taxable income for the two US entities led to a determination that the period of utilization of the US tax asset recognized in the balance sheet was too long, and a charge of €0.34 million ($0.4 million) was recorded to reduce this asset.
Egide SA previously recorded a €936,000 impairment on fixed assets in 2018 to reflect the decline in its business activity and limited prospects for recovery. The balance of this impairment charge, reversed each year in line with the normal depreciation of fixed assets, was €501,000. Based on estimated cash flows, this impairment was reversed in this period. In light of the recovery in activity and the projected results, Egide SA's tax losses have been activated, representing 2 to 3 years of earnings (€0.2 million).

In compliance with IFRS, the €0.16 million research tax credit of Egide SA was recognized under "operating income". All R&D expenditures were fully expensed in the income statement (and not capitalized).

The allowance for depreciation and impairment of €1.85 million in 2021 includes €0.47 million related to the application of IFRS 16, and is up from €1.58 million in 2020 due to the impairment of Santier goodwill.

Net financial expense included borrowing costs (interest expense linked to the use of factoring, borrowing costs and the bond issue) for €0.46 million in 2021 versus €0.56 million in 2020. The restatement of lease payments in accordance with IFRS 16 generated financial expenses of €0.14 million in 2021 and €0.17 million in 2020.

As explained in the above IFRS adjustments, income tax expense is the difference between an expense of €0.34 million (US$0.4 million), an income of €0.2 million and the current expense of France taxes on production reclassified as income tax.

Comprehensive income includes translation losses and gains from financial statements of subsidiaries presented in foreign currencies and actuarial gains and losses on provisions for employee benefits. Santier's creation was recorded in US dollars at the exchange rate of February 28, 2017 of €1.05. The closing rate for 2020 was US$1.21 per €1 compared to US$1.13 at December 31, 2021. An asset in US dollars has consequently increased in value when converted into euros, resulting in a profit of €0.84 million. On that basis, comprehensive income for fiscal 2021 amounted to €1.04 million.

The main components of the statement of financial position at December 31, 2021 were as follows:

ASSETS (€m)		***LIABILITIES AND EQUITY (€m)***	
Fixed assets	9.7	Shareholders' equity	11.6
Right-of-use assets	2.0	Non-current provisions	0.9
Other financial assets	0.5	Financial liabilities excluding lease liabilities (> 1 yr.)	1.6
Deferred tax assets	0.7	Other non-current liabilities including lease liabilities	2.3
Inventory and work in progress	7.4	Current financial liabilities (< 1 yr.) including lease liabilities	6.7
Trade and other receivables	4.8	Trade and other payables	5.3
Cash and cash equivalents	1.6	Other non-current liabilities	0.0
Other current assets	1.6		
Total	**28.3**	**Total**	**28.3**

Intangible assets include items originating from the acquisition of Santier Inc.: a trademark in the amount of US$0.25 million, and customer relationships and technology valued at US$0.50 million each. These intangible assets are amortized over periods of 15, 10 and 10 years respectively. At December 31, 2021, intangible assets had a net value of €0.6 million.

The deferred tax asset resulted from the recognition of Egide USA tax loss carryforwards and is considered as a non-current asset.

Current cash balances amounted to €1.59 million, down from €1.40 million one year earlier

It is specified that Egide Group does not use financial instruments giving rise to any particular risk.

Working capital represented 89 days of sales compared to 105 days in 2020. In this calculation, the decrease relates to other current assets corresponding to a receivable from the Cambridge insurer paid in January 2021.

1.3 Presentation of the financial position

Operating results in 2021 by entity were as follows:

(€m)	Egide SA	Egide USA Inc.	Santier Inc.	Egide USA LLC	Consolidated
Revenue	14.2	10.3	8.0		32.50
Operating profit / (loss)	0.6	1.0	(0.7)	(0.1)	0.82
Net income/(loss)	0.8	0.7	(1.0)	(0.3)	0.2

For Egide SA, the turnaround that began in mid-2020 has been confirmed. By improving margins and controlling expenses, it was possible to start rewarding staff that had become demotivated and discouraged. As a result, it was possible to allocate €25,000 in profit-sharing benefits. At the financial level, this improvement, underpinned by industrial modernization projects partly financed by stimulus programs, facilitated access to bank financing.

For Egide USA, the impact of the July 2020 fire continued into the third quarter of 2021 due to the delay in rebuilding the electroplating workshop and its subsequent certification by customers. These delays made it necessary to rely on subcontracting which represented a cost of €2.3 million minus the insurance payout. This additional expense is offset at an accounting level by gains generated from fixed assets financed by insurance, but at a financial level was already allocated to capital expenditures, and in consequence was not available to offset cash outflows for subcontractors. The cash flow situation has consequently become tighter, as the total amount credit lines were used to finance working capital requirements. In this somewhat challenging environment, a refinancing project is currently being developed using the Cambridge building and its contents as collateral in order to significantly reduce debt and find a new banking partner.

Santier had a difficult year with losses that significantly impacted cash flow and required use of the full amount of credit lines to finance working capital. The PMB bank that had been supporting Santier and Egide USA since 2018 was acquired by a larger bank (Banc of California) that announced its intention to cease providing credit beyond June 30, 2022, in part because the covenants on the long-term loans are not met. An extension of the June 30 deadline by one quarter is currently under negotiation.

The group's cash position at December 31, 2021 amounted to €1.6 million, with balances of €0.95 million for Egide SA, €0.16 million for Egide USA and €0.48 million for Santier. Through the Cambridge building refinancing project, the two U.S. subsidiaries will regain the financing capacity needed to take advantage of the backlog reconstituted in December 2021 and January 2022 and start modernizing operations. As for Egide SA, it is starting to benefit from a better image that will improve its access to financing.

At the end of 2021, Group debt (excluding factoring entities and lease liabilities) amounted to €6.05 million (€1.70 million for Egide SA, €2.81 million for Egide USA and €1.53 million for Santier) compared to €4.56 million at December 31, 2021. The Egide USA and Santier loans are subject to covenants that were not respected this year. The Group's debt ratio (financial ratio excluding factoring and lease liabilities - cash/ shareholders' equity) was 39% at December 31, 2021 compared to 30% one year earlier.

1.4 Post-closing events

The Group's activities are not directly impacted by the war in Ukraine, either in terms of sales or purchases. While it is likely that the recovery of global military budgets will have a positive impact, but there are no signs of such developments to date.
In contrast, inflation, particularly for energy, of which the Group is a major consumer, has an immediate impact. However, the Group's business model is based on pricing proposals from customers, which are backed up by pricing proposals from suppliers. When the customer confirms the order, the purchase price is also confirmed. The impacts are therefore limited to energy, consumables and labor, which for the time being remain supportable.

The significant event of the period concerned the financing of the US operations. The US bank PMB, after merging with the Banc of California and a breach of covenants, announced its intention to cease providing additional financing after June 30, 2022. To date, arrangements for the refinancing of the U.S. debt are still in the due diligence phase and in consequence are not yet firm and definitive, the continuity of US operations in consequence remains subject to confirmation of the following:

- Refinancing of the Cambridge building and the assets it contains for US$6 million by World Business Capital: The proposal was submitted by WBC and accepted by Egide. The audit and the file compilation phase are currently in progress and should be completed by mid-June 2022. The terms provide for a principal in the amount of $6 million repayable in 20 years at interest of 6.91%. The first application of these funds will be to repay long-term loans (US$2.5 million).
- Refinancing the revolving credit facilities used to finance Egide USA and Santier's working capital requirements amounting to US$2.4 million as of December 31, 2021 by Gibraltar Business Capital at a Prime Rate +2.5%, or 6% currently. This financing would be more flexible and also more than 1.5 times larger than the current lines with a cap of US$6 million to finance the growth of the two US entities.

These two projects are concurrent and are at the same stage: "Letter of Intent" accepted, audits and file compilation in progress, approvals expected mid-June. Due to the short deadline set by Banc of California, an extension was requested for an additional quarter supported by propositions that have already been accepted. The response to this request is currently pending.

These financing projects would first of all make it possible to ensure the continuity of operations, but more importantly to achieve the Group's goal of modernizing its US entities, based along the lines of the same model initiated in Bollène in France. This modernization would be carried out without recourse to equity financing, as the current level of the share price is considered unfavorable and too dilutive.

1.5 Outlook

Good momentum for order intake at the end of 2021, driven in large part by the Defense sector, has played solid foundations for growth in 2022.
While the geopolitical situation in Europe is expected to have a positive effect, this is not yet reflected in terms of order intake. Defense contractors in both Europe and the U.S. have indicated, without clearly announcing their orders, that they are expecting their respective businesses to be strong in the second half.
In addition, the Group's cash position will be strengthened by the Cambridge plant's refinancing (in progress in H1 2022).

Egide SA expects revenue growth to accelerate with the addition of new customers in the thermal imaging market and new orders for the next generation of high-speed communication devices. A number of major new projects awarded in 2021 will go live in 2022, boosting revenues from Israel and China.
Egide USA's backlog for its HTCC ceramics business rose to nearly $1 million, with the addition of two new customers. A multi-year, multi-million US Dollar agreement with its largest customer in the power sector has translated into orders. Significant growth is also expected in the thermal battery market. A new sales team in the United States has been focusing on developing new opportunities for Santier involving heat dissipation materials and machining capabilities with orders received in the first quarter of 2022 appearing to confirm their success.

2. Information on internal control and risk management procedures

2.1 General principles of the risk management system

Risk management aims to provide comprehensive system that covers all activities, processes and assets of the company. It is organized as a dynamic system, defined and implemented on this basis under Management's responsibility. It includes a set of tools, practices, procedures and actions that enables executives to keep the risks to an acceptable level for the company.

Risk represents the possibility of an event occurring that could affect the company's personnel, assets, environment, objectives or reputation. The objectives of risk management are as follows:

- Create and preserve the company’s value, assets and reputation
- Secure decision-making and the company’s processes to attain its objectives
- Promote the consistency of the company’s actions with its values (credibility)
- Bring the company’s employees together behind a shared vision of the main risks

Within Egide, the risk management system is based on:

- An organizational framework: the executive committee formed by the Chief Executive Officer and line managers.
- A management process: risk mapping, with one or more risks (along with its causes and consequences) identified in each sector. Each risk is then assessed according to its impact on objectives and on the value of the Group and according to the monitoring, in light of measures already adopted.
- Ongoing controls: with the executive committee having direct responsibility for risk management, the different meetings in which it regularly participates provide opportunities for evaluating, anticipating and drawing appropriate conclusions about the possible effects of risks having occurred.

Specific attention is devoted to the issue of financial risk management. Points to be watched cover mainly accounting and management systems, IT services, legal issues and in particular the communication of accounting and financial information.

The first priorities seek to ensure the accuracy of the accounts, the absence of fraud or misappropriation and also the correct measurement of production costs to prevent the risk of negative sales margins. With all of the above managed through automated means, particular attention is paid to the data processing, backup and computer systems. With respect to legal affairs, legislative developments are monitored to ensure that any new legal provisions are applied, namely through legal watch (meetings, publications, etc.); the company consults with its legal counsel when required.

In the area of accounting and financial reporting, particular attention is paid to any items (financial or otherwise) released to the public. Accounting and financial information is first sent to executive management and the Board of Directors as well as to third parties (shareholders, bankers, investors, employees, customers, suppliers, etc.). For each recipient, the frequency and amount of information provided is different.

Egide SA's executive committee and the managers of each subsidiary receive every month a report on sales, order intake, the order book, headcount and the cash position by entity and for the Group.

The managers of the units also receive every month a P&L report enabling them to compare actual performances with the budget. In the event of a significant variances, additional controls are performed to identify either a material error (accounting recognition problem or omission) or a problem related to the company (for example, poor production output may result in higher than planned material usage).

The chief executive officer provides the chairman of the board of directors, through PowerPoint slides, a report on all Group indicators presenting key items relating to order intake, invoicing, medium-term cash flow forecasts, headcount, statements of profit or loss, and all comments required to understand these indicators. Information is generally distributed through electronic mail but also may be provided to directors in the form of presentations at working meetings, if necessary.

<u>Financial communications</u>:
With respect to communications, the finance Department is responsible for compliance with disclosure obligations as a listed company traded on a regulated market. Only the chief executive officer or the chief financial officer are authorized to proceed with such disclosures. Since January 1, 2019, the company has been reporting its revenue on a half yearly basis. The finance Department also publishes the consolidated interim financial statements for the period ending June 30 as well as the separate annual and consolidated financial statements. These accounts are produced by the finance department and executive management, reviewed by the audit committee and approved by the Board of Directors. Interim financial statements for the six-month period are subject to a limited review and the annual financial statements to an audit. These controls are performed on the separate statutory accounts of the parent company and each subsidiary and, then on the consolidated financial statements of the Group and on that basis, reports are produced by the company's statutory auditors. All information referred to above is included in a Universal Registration Document (URD) also submitted to the statutory auditors and filed each year with the French financial market authority (*Autorité des Marchés Financiers* or AMF).

In compliance with the European Transparency Directive, regulated information is distributed electronically and to that purpose, the company uses a professional service for its dissemination as defined by the AMF. Information is also available from the company' website while hard copy documents may be obtained from the company's registered office or administrative headquarters.

For fiscal 2021, European companies listed on a regulated market are required to publish their annual financial report in the European Single Electronic Format (ESEF). This deadline initially applicable to annual financial statements for periods commencing on or after January 1, 2020 was extended to January 1, 2021 for those issuers who so choose. Egide has opted accordingly to publish its accounts in this format for the first time this year.

2.2 <u>Coordination of risk management and internal control systems</u>

Risk management and internal control procedures contribute in a complementary manner in the effective management of company operations.

As it has been presented, the risk management system seeks to identify and analyze the main risks to which the company is exposed. Managing this process calls for the implementation of controls which are part of the internal control system.

The internal control system in turn is supported by the risk management system for identifying and handling the main risks.

2.3 General principles of internal control

Internal control is a system implemented by the Group for the purpose of ensuring:

- Compliance with the laws and regulations of each of the entities comprising the Group
- Implementation of the instructions and directions given by executive management or the executive board;
- Proper functioning of the company's internal processes of the Group entities, especially those relating to the protection of its assets;
- The reliability of financial information.

And, more generally, contributing to the effective management of its activities and operations and the efficient use of resources.

By contributing to preventing and controlling the risks of not meeting objectives set by executive management, the internal control system has a key role in the conduct and management of different activities. However, no system of internal control can provide an absolute guarantee that the Company's objectives will be achieved.

By addressing requirements imposed by standards ISO 9001:2015 (Egide SA) or AS 9100 (Egide USA and Santier), Egide Group is equipped with a set of procedures to ensure the effective operation of the quality system in place contained in its Quality Manuals. This system covers all production activities of the Group (commercial services, sourcing, production, shipping). Management undertakes to apply the quality policy set forth in this guideline. Quantified objectives are set each year by executive management and communicated to all personnel and action plans are monitored using process indicators and management tools. These actions are coordinated by the quality departments, analyzed in executive committee meetings or management reviews at each of the sites.

The main metrics monitored are the rate of customer returns, hourly delivery rates, yields, productivity, the quantity of supplies used in relation to the estimates, procurement lead time and effective relations between Egide and the relevant stakeholders (customers, suppliers, employees and other third parties).

Executive management is responsible for all resources made available contributing to the quality of the service.

For each of the sites, to ensure compliance with procedures in effect, resources are adopted to monitor and analyze processes (indicators linked to processes) and products (control plans and management tools). An internal audit system is defined and managed by the quality manager with the approval of the quality department and executive management. These audits, performed by different qualified personnel of the company, make it possible to verify the relevance and suitability of the quality management system in relation to the company's objectives. Information on the preparation, conduct of the audit and the results is produced by the audit manager. The quality manager who plans and monitors timetables for execution, verifies the audit report and ensures its distribution.

At Egide SA, management reviews once a year the quality management system to ensure it remains relevant, adequate and effective. In the Egide USA and Santier subsidiaries, a partial review is performed every six months and every quarter respectively. The management reviews are prepared by the quality departments responsible for establishing an agenda and convening all company managers. These reviews are based primarily from internal quality reports, client ratings, customer rating results, customer satisfaction surveys, audits by customers or outside entities and prior management reviews.

These reviews allow the company to measure the efficacy of the quality management systems, redefine the corresponding objectives and, if necessary, make adjustments in the quality strategy. A report is produced on each review under the responsibility of the quality management. Decisions made in this context provide the basis for action plans (corrective or preventive) and contribute to the continuing improvement of Group entities.

2.4 Parties involved in risk management and internal control procedures

The accounting and finance Department complies with statute and accounting standards applicable in each country (France and the United States). It also applies its own rules for operations and control, as in contrast to other departments of the company (purchasing, sales, engineering department, production, etc.), it is not yet fully integrated in the procedures implemented in connection with ISO 9001 or AS 9100 and described in the Quality Manuals (only an "accounting and finance process" exists).

Egide SA parent company : management of the finance department is assured by the chief administrative and financial officer who oversees the chief accountant. The preparation of the consolidated financial statements and their compliance with IFRS are assured by an accounting firm in Avignon. Financial reporting and information systems are also under the finance department's responsibility, which reports directly to executive management. An accounting manual describes accounting procedures for the most important transactions. Resources exist for monitoring regulatory developments, making it possible to identify and anticipate changes in the company's regulatory environment.

Egide USA Inc. subsidiary: the company has its own accounting and finance organization. Management is assured by the site manager. In the department, a financial controller and an assistant are in charge of day-to-day accounting, issuance of financial statements, and management control and reporting to their management and to the parent company. Egide SA's finance department provides support and ensures that the subsidiary applies the Group's policy.

Santier Inc. subsidiary: the company has its own accounting and financial structure managed by a local controller. Internally, assisted by a salaried accountant, the controller is in charge of day-to-day accounting, issuing financial statements, management control and reporting to its management, parent company and banks. Egide SA's finance department provides support and ensures that the subsidiary applies Group policy.

Egide USA LLC subsidiary: this structure is the holding company that directly owns the Group's two US subsidiaries (Egide USA Inc. and Santier Inc.). Its sole shareholder is Egide SA. The accounting of this company is directly assured by Egide SA's accounting department, though given the absence of activity, there are very few transactions to record. The company moreover does not have a bank account.

Overall, the subsidiaries apply Group accounting standards which are defined by the parent company, while respecting all obligations of their countries. Information for monthly reporting to the parent company is first checked directly by each subsidiary, with a subsequent review performed, as required, by Egide SA’s finance department.

The main controls which are non-exhaustive, are performed by the finance departments using namely the following procedures:

- Procedures for reconciliation between the main accounting system and subledger management systems,
- Procedures for monitoring and managing accounts receivable (receivables aging, reminders, monitoring settlements, monitoring factoring companies, etc.),
- Procedures for the approval of significant purchases and investments as well as the payment of trade payables,
- Procedures for physical inventory monitoring and valuations,
- Procedures for monitoring and managing Group cash (producing cash positions, bank reconciliations, signing authorities, etc.),
- Procedures for the access, backup and security of information systems, managed internally or through IT services companies.
- In view of the significant increase in the number of fraud attempts, special attention has been paid to changing bank details used for payments of any kind.

Information systems managers and subcontractors with network infrastructure expertise (one in France and one in the United States) also ensure that each company is able to meet its obligations with respect to the secure storage of information, data and data processing.
In the United States, in response to increasingly frequent customer requests, the task of securing systems and procedures was assigned to a specialized firm within the framework of the NIST (National Institute of Standards and Technology) program.

2.5 4.2.5 Parties involved in risk management and internal control procedures

Risk management and internal control procedures concern both corporate governance bodies (executive management, Board of Directors, audit committee) and all employees of Group companies (risk manager, internal audit, human resources).

2.5.1 Executive management

Executive management ensures that accounting and financial information produced by the finance department is reliable and provides a true and fair view of the company's earnings and financial situation in a timely manner. To this end, executive management ensures that the system addresses the following points:

- The organization structure and scope of responsibility of the accounting and financial reporting functions
- The incentive and compensation agreements within the accounting and financial reporting functions are compatible with internal control objectives
- The formalization and dissemination of accounting rules and procedures
- Record keeping requirements for information, data and processing routines used to prepare accounting records and financial statements
- Periodic review of the suitability of the systems cited above and the resources made available to the accounting and financial reporting functions (human resources, data processing tools,)
- Procedures for monitoring regulatory developments so that the company can adapt to changes in its environment.

In connection with preparing interim and annual financial statements, executive management ensures that all transactions are recorded in accordance with applicable accounting standards. For this purpose, it describes and explains the main options applied to produce the accounts and the estimates requiring management judgments. It notes, as applicable, and informs the audit committee of changes in key accounting policies. Finally, with the finance department, it establishes the financial statements and the financial communications strategy (indicators presented, financial press release timetable).

2.5.2 The board of directors

For the preparation and control of accounting and financial information and its communication, the Board is informed by the audit committee of any major aspects that are likely to jeopardize business continuity. It checks with said committee that the monitoring and control systems are capable of ensuring that the financial information published by the company is reliable and provides a fair view of the company’s and the group’s earnings and financial situations.

In the performance of these controls, the Board is furthermore regularly informed through its Chairman, of key events relating to the company' business operations and its cash position. It is also informed of major investment, divestment or financing projects and approves their completion.

The Board of Directors approves the annual financial statements and examines the interim financial statements. For this purpose, it must obtain any information from executive management and audit manager it deems necessary (information about cut-off options, changes in accounting methods and explanations about earnings components) and obtains confirmation from the statutory auditors that they had access to all information needed to perform their duties and assurances that the auditors have made enough progress on their work at the cut-off date to be able to present all their material observations.

2.5.3 Audit committee

The audit committee is comprised of three independent directors of the company (all members except the Chairman and CEO). It meets on a regular basis to review the risk map and the draft interim and annual financial statements A report is drawn up for each meeting which is then presented to the Board of Directors.

2.5.4 Risk manager

At Egide, this function is performed by executive management assisted in this role by the executive committee.

2.5.5 Internal audit

At Egide, this function is performed by executive management assisted in this role by the executive committee.

2.5.6 Human resources

The Group relies on its internal organization, management system and quality monitoring required to maintain its ISO 9001 and AS 9100 certifications, as well as its procedures for preparing accounting and financial information to identify as best as possible the main risks associated with the company's business. These standards and procedures incorporate the breakdown of objectives for personnel of each entity, whereby the latter possesses the information required to establish and operate the internal control system.

2.6 Role of the statutory auditors

In the performance of their engagement, the statutory auditors acquire an understanding and rely on internal audit work, to obtain a better understanding and formulate an opinion on the appropriateness of this work in complete independence.

In its role as responsible for producing financial statements and implementing internal controls for accounting and finance, executive management shares information with the auditors, and ensures that the auditors have access to all information needed to produce financial statements and is informed of the auditors' conclusions on their work that are presented to the audit committee. For all Group companies, these same auditing firms have been selected to audit the accounts, using their local offices for the US entities.

2.7 Analysis of key risks

2.7.1 Market risks (foreign exchange, interest rate, equity, credit)

2.7.1.1 Liquidity risk

As Egide currently has sufficient liquid resources to settle its debts on maturity, the company is consequently able to meet its current liabilities with its current assets. This situation could be compromised in the United States should PMB bank, now Banc of California, decide to not renew its credit lines beyond June 30, 2022. As discussed in note 1.4 on subsequent events, a refinancing project using the Cambridge building and its contents as collateral is being negotiated with Business World Capital while similar projects are also being explored should this latter solution be rejected. In addition, credit lines for Egide USA and Santier are currently being negotiated with Gibraltar Business Capital.
These two projects are not yet firm and definitive and if not confirmed, the continuity of the US operations could be called into question.

2.7.1.2 Exchange rate risk

In 2021, exports accounted for 78% of Egide's revenue (excluding France), including 50% to North America where sales are invoiced in US dollars. Concerning the 19% of sales to non-European countries, amounts are invoiced in either euros or US dollars. In the period, Egide SA invoiced sales of US$0.9 million (exchange value in euros of €0.8 million), Egide USA Inc. US$12.2 million (€10.3 million) and Santier Inc. US9.5 million (€8.0 million). In 2020, the US dollar/euro exchange rate (averaging 1.1835 for the year compared to 1.1413 in 2020) had a negative impact on Group sales of 2.3%.

Inflows from sales in US dollars received directly by Egide SA (US$0.9 million in 2021) were used to purchase components from US suppliers (US$1.9 million in 2021). As billings in US dollars decreased significantly, the factoring contract in US dollars was barely used, it was necessary to purchase $1 million over the year to pay suppliers. Because foreign exchange risks remain relatively low no currency hedges were implemented.

For the US subsidiaries, all purchases and sales are in US dollars. At the end of the reporting period, the Group's foreign exchange risk is accordingly limited to the result for the period of Egide USA LLC, Egide USA Inc. and Santier Inc. converted into euros for consolidation as well as their US dollar denominated cash balances.

2.7.1.3 Interest rate risk

Given the marginal potential impact of interest rate fluctuations on the statement of comprehensive income linked to the nature of interest rates, the Group has not adopted specific measures for monitoring and managing interest rate risks. These rates according to the type of financing described in note 2.6 of the consolidated financial statements are as follows :

- Egide SA:
    - Two factoring agreements were recently signed with a new factor providing for a financing commission of the 3 months Euribor rate + 1.3%.
    - A standalone bond with a fixed coupon rate of 7% has been fully reimbursed since October 2021.
    - A "Sofired -PME" loan from BPI with a fixed rate of interest of 3.85%
    - Three French government-backed Covid-19 relief loans from Crédit du Nord, Banque Populaire and LCL with an interest rate of 0.73%.

- At Egide USA Inc.: financing lines including a revolving credit facility, an equipment financing loan and a real estate loan obtained from Pacific Mercantile Bank, now Banc of California, subject to the prime lending rate published by the Wall Street Journal plus 1.50 points (with a floor rate of 5.50%) for the revolving credit facility and 1.75 points (with a floor rate of 5.75%) for the equipment financing loan and real estate loan..

- At Santier Inc.: financing lines including a revolving credit facility, two equipment financing loans and two term loans obtained from Pacific Mercantile Bank subject to the prime lending rate published by the Wall Street Journal plus 1.50 points (floor rate of 6%) for the revolving credit facility and 4.75 points (floor rate of 7.5%).

2.7.1.4 Equity risks

As the company does not directly hold shares or treasury shares (other than those of its subsidiary), it is not subject to equity risks.

2.7.2 Legal risks

2.7.2.1 Intellectual property

The trademarks used by Egide are registered in France and internationally. As applicable, the company uses the patents to which it has title and files patents when necessary. Licenses used by the company and subsidiaries are considered as assets and as such are not subject to fees.

2.7.2.2 Special regulations

Egide's activities depend on legal, regulatory, or administrative authorizations, as well as approval procedures. All measures are taken to update work authorizations for all production sites, including those of the subsidiaries, in concert with the relevant organizations.

2.7.2.3 Insurance

Egide SA and its subsidiaries Egide USA and Santier possess all necessary insurance coverage for risks related to their manufacturing activities, in compliance with local requirements applicable in their countries. Cover exists for the following risks:

In millions	**Contractual limits of liability**		
	Egide SA	**Egide USA**	**Santier**
Industrial risks	€40 million	US$15 million	US$12 million
Civil liability	€10 million	US$8 million	US$5 million
Business travel	€5 million	US$1 million	US$1 million
Personal vehicle coverage for business use	Unlimited	US$1 million	US$1 million
Auto	Unlimited	US$1 million	US$1 million
Goods in transit	€0.15 million	N/A	N/A
D&O liability	€5 million	€5 million	€5 million
Environmental civil liability	€5 million	US$5 million	US$5 million
Employer's liability	Not renewed	US$0.5 million	US$1 million
Cyber fraud	€1 million	US$1 million	US$1 million

2.7.2.4 Employee-related litigation

In France, 4 departures are currently in litigation before the Labor Court. Favorable decisions were granted for two in the lower court but were appealed; one case was lost in the lower court and the company has appealed, and one is still pending judgment. A provision was recorded for these risks in the amount of €235,000 at December 31, 2021;

2.7.2.5 Risks related to dependence on third parties

In the niche sector in which Egide operates, there inevitably exist customers and suppliers that are more important than others which, without imposing a condition of dependency on the company, put it at risk by ups and downs associated with their respective activities.

in 2021, the largest customer accounted for 16% and the second largest 12% of consolidated sales compared to respectively 16% and 10% in 2020. The ten largest customers of the Group accounted for 54% of sales in 2021 compared to 51% in 2020. This gives rise to the risk of a significant impact on the entity concerned when one of them reduces its activity (as was the case with Egide SA's largest customer in the infrared sector in 2018 for example). To limit this risk, the goal of the sales department is to expand the customer portfolio as well as the number of sectors addressed.

In 2021, 28 suppliers accounted for 80% of the Group's technical purchases (out of a total of 136 active suppliers > €1,000). The Group's top supplier represented 8.87% of purchases, the top 5, 38.6% and the top 10, 57.7%.

In 2020, 26 suppliers accounted for 80% of the Group's technical purchases (out of a total of 154 active suppliers). The Group's top supplier represented 8.45% of purchases, the top 5, 36.4% and the top 10, 56.6%.

The number of suppliers is in consequence being reduced with the goal of developing partnership relationships with suppliers while avoiding the risk of being dependent on a limited number of suppliers.

2.7.2.6 Political, economic, and tax risks associated with exports sales

With the war in the Ukraine that began this year, this risk has acquired a new dimension. It should accordingly be noted at the outset that the Group has no real commercial activity with Russia or Ukraine and that any supply chain disruptions remain very marginal.

France accounted for 22% of Egide sales, Europe 8% and North America (USA and Canada) 50% The remaining 20% is divided between Israel (9%), China (5%), India (1.5%), Turkey, Thailand, South Korea.
In these countries, customers are often subsidiaries of European or US customers, well-established or publicly traded local companies which limits the Group's potential risks. In the event of uncertainties about a new customer, a down payment or advance is requested in order to minimize the risk of non-payment.

ITAR (International Trade in Arms Regulations) provisions apply to any company working with US customers on certain specific products destined for military use. When a product is classified ITAR Restricted, the intellectual property of said product (design, manufacturing process or usage) is prohibited from leaving the US territory under any circumstances, including electronically (through email) without the owner's authorization. On that basis, the product must be manufactured in the US by a local company. This company may be owned by a foreign company (as in the case of Egide USA or Santier, whose sole shareholder is indirectly Egide SA in France) since no employee of Egide SA has access to the characteristics of the ITAR product. If this rule is infringed, the US site may lose is ITAR license which would prevent it from having access to the US military market. The US State Department nevertheless granted a right within the framework of a Technical Assistance Agreement to all Egide SA employees possessing a European passport to circulate freely at Egide USA and Santier production sites, and to work on ITAR products with local teams. The restrictions governing the exporting of technical data and/or products outside of the Unites States territory however remain in force.

Concerning political risks: these do not concern only so-called “at risk” countries but also those increasingly impacted by the trade war between China and the United States bringing with it the risk of embargoes, increased custom tariffs which may ultimately impact Egide Group’s European customers.
For that reason, significant efforts are in progress at the level of Egide’s renewed sales teams to diversify the activities of the different sites in new strategic markets and geographical regions

insufficiently explored to date in order to complete its solid existing customer base. This diversification represents a source of sustainable growth.

2.7.3 Industrial and environmental risks

2.7.3.1 Industrial risks

The fire at the Cambridge electroplating workshop in the US in 2020 highlighted the significance of this risk for the company. The use of hazardous products (hydrogen, chemicals) in connection with operations increases the potential consequences of an explosion or fire if not rapidly brought under control, although in the case of Cambridge, fortunately no explosions were reported. The Cambridge building is now fully protected with a sprinkler system. The Bollène facility in France is not so equipped and, with the support the insurers, and detection and protection solutions are being explored.

With respect to industrial accidents, no serious incidents have been recorded to date in France or the United States. The only incidents recorded to date have concerned limited and superficial burns. The use of nickel, a metal widely used in the company, sometimes causes skin allergy reactions and could necessitate dismissal on grounds of incapacity resulting from this allergy.

2.7.3.2 Environmental risks

Egide has integrated and environmental component into it strategy. A preliminary analysis of energy consumption and waste management to be completed in 2021 will provide the basis for a set of actions to be implemented in 2022 These first initiatives represent the first steps of an ambitious 5-year plan to be announced in 2022 and provide for specific investments. This plan will contribute to improving the Group's industrial performance with respect to COP21 environmental goals, and reduce costs by optimizing energy consumption.

With the exception of those governing anti-pollution measures, Egide is not subject to any specific regulations. The manufacturing process entails the use of hazardous products such as hydrogen and aurocyanide. These products are stored and used according to the standards in force and are under constant surveillance. The sites are also regularly inspected.

Prior to the acquisition of Electronic Packaging Products (renamed Egide USA Inc.) in 2000, Egide performed an environmental audit that did not identify any risk. This was also the case when performing the due diligence for the acquisition of the operating assets and liabilities which led to the creation of the subsidiary Santier Inc. in California in February 2017.

All production equipment used within the Egide Group comply with applicable safety and environmental standards. The Group regularly conducts regulatory verifications using certified entities (verification of fire protection equipment, electrical installations, wastewater disposal systems, etc.).

The Group is also in compliance with European Community Regulation on chemicals and their safe use concerning the Registration, Evaluation, Authorization and Restriction of Chemical substances (EC Directive 1907/2006 of December 18, 2006) or REACH. This regulation also encourages the use of alternative methods in valuating dangers related to substances in order to reduce the number of tests on animals.

2.7.3.3 Pandemic-related risks

The group never identified the risk of pandemic and COVID-19 took the company by surprise as it did for the rest of the world. Overall, the company has come through these episodes relatively unscathed for a number of reasons

- The group's markets and customers, while not representing absolutely essential activities, are nevertheless considered as priorities and have not been significantly impacted. The status is better formalized in the United States by means of the DO-DX rating which imposes an obligation of performance as a government supplier.
- The manufacturing facilities are adapted to the requirements of social distancing, even though modifications have been required in the organization of working hours to reduce the number of employees present at the site at the same time.
- Few suppliers have reduced their activity and the strategy of multi-supplier sourcing has ensured the continuity of operations.
- Finally, the group's facilities are not located in high density population areas. Even Santier which is in San Diego, California is located outside of the city.

The pandemic risk this appears to be limited for Egide. The corollary risk could have involved an economic backlash, but Governments acted rapidly by adopting strong measures to boost the economy. It is not impossible that the threat also creates opportunities.

2.7.4 Technological risks

2.7.4.1 Launch of substitution products

Requirements in terms of hermeticity and heat dissipation are inherent to the very existence of integrated electronic systems or complex chips extremely sensitive to the thermal or atmospheric environment. Hybrid circuits used in the defense and space industries as well as lasers for broadband telecommunications need to be hermetically sealed so that they will work reliably without risk of breakdown. The same applies to immersed or buried optoelectronic circuits since the cost of changing a defective component is prohibitive when compared with the price of the equipment. The demand for high quality also applies to products sought after by civilian sector industries such as aeronautics or healthcare or, more generally, safety.

However, in the event hermeticity is no longer required, other solutions may be used. With the integration of Santier Inc., a company specialized in the manufacture of dissipative materials and whose business provides a complementary fit with packages, the Group can now address the needs of the electronics industry in the area of components with heat dissipation capacity that do not require hermeticity.

2.7.4.2 Lower prices and inflation

Given the high inflation exacerbated by the global pandemic and the war in Ukraine, this risk takes on a new significance and is now more about "pricing power", i.e. the ability to impose one's price on the customer.

It should first be noted that the Group's business cycle is based on obtaining quotations before receiving orders from customers. This means that the Group can request quotations from its own suppliers and confirm quantities and supply prices as the customer order is confirmed.

Certain Egide products address applications positioned in "top-of-the-line" segments (long-distance optical telecommunications, aeronautics and space industries, defense and security). While this significantly reduces the impact of price declines, it does not eliminate the risk in the case of high production volumes. When reducing production costs is not enough to reach the target price while maintaining a satisfactory margin, there is a risk of not being able to process the customer order. Concerning other products involving simpler technologies, with companies in Asia often better positioned in terms of price, Egide has decided not to compete with them indiscriminately.

Whenever possible, it seeks suppliers combining low-cost and reliability for selected components used in the manufacture of its hermetic packages, which limits the effects of price declines on margins, and makes it possible to propose satisfactory prices to the customer in relation to the competition and the market price. In addition, continuing efforts to improve productivity and yields are deployed at each site, so as to anticipate price decreases which may be requested, while maintaining margins. This in particular is planned in connection with the modernization of the Bollène plant.

2.7.5 Other risks

2.7.5.1 New market entrants

The know-how needed to develop and produce hermetic packages or specific dissipative components remains difficult to acquire and must be preceded by a long and costly qualification process. It is then necessary to be able to achieve constant production performances in terms of output and quality in order to meet both technical but also commercial and economic requirements. These constraints constitute barriers to entry for new competitors seeking to develop into Egide's markets. Nevertheless, the phenomenon of declining prices mentioned above facilitates the market penetration of second-tier competitors for high-volume products using a technology not necessarily requiring the same high level of expertise comparable to that of Egide.

2.7.5.2 Risks associated with the volatility of high-tech markets

The company is positioned in high-tech market segments in all the sectors it addresses. None of these markets are exempt from risks of a sudden upward or downward cyclical swing as in 2001 in the telecommunications sector, 2020 for aeronautics and 2010 for space. Currently, it would appear that the trend of relocating production to the West is gaining momentum, in response to the recognition of the strategic dependence of many markets on Asia. The Group hopes to benefit from this trend, while remaining cautious and clear-sighted and seeking to diversify as much as possible.

2.7.5.3 Political risks associated with geographical locations

The Group's operating units in France and the United States are not subject to any particular geographical risks, with the exception of the Santier Inc. site in San Diego, California, which is located in an area subject to earthquakes. The French production site's location a few kilometers from a nuclear power plant does not pose any particular problems.

2.7.5.4 Risks associated with share price volatility

Any event concerning the company, its competitors, the market in general and one or all of the sectors in which it operates may have a positive or negative effect on the company's share price. Similarly, the company's share may present certain liquidity risks, with average trading volume in 2021 of 62,812 shares per day (or 0.6% of the capital) compared to 48,980 in 2020.

2.7.5.5 Risks related to adverse weather conditions

The French and US production sites are not located in regions subject to the occurrence of extreme weather phenomena.

The impact of particularly sudden and dangerous climatic events (such as floods or hurricanes) may, however, be significant if the Group's clients located in geographical regions are exposed to these risks. Fortunately, such occurrences are rare though remain fully outside the company's control.

2.7.5.6 Risks associated with the external growth strategy

The company remains attentive to potential external growth opportunities while fully understanding that securing financing in advance is a prerequisite for successful completion. Should this condition be met or should the group have the resources to meet these conditions, and if the conclusions of the acquisition audits are positive, the Group must integrate the risk associated with the target company's inclusion within the group both in terms of management and financing of the future activity. Evaluating this risk is one of the factors the Board of Directors takes into account when considering to approve a future acquisition candidate.

2.7.6 Risks related to climate change

To date, the Group has not identified any financial manifest risks related to climate change However, new regulations requiring the creation of a CSR Committee within the Board of Directors, the entry into force of French legal provisions (*loi Vigilance sanitaire)* linked to the health crisis and measures related to the green taxonomy are in the process of being implemented.
Initially, the Group focused primarily on adopting energy efficiency measures.

2.7.7 Risk of computer fraud: cyber crime

The Group identified the importance of taking measures to protect against computer attacks. An expert audit was commissioned in the United States to identify the tools and procedures to be introduced. In France, specific training was provided to staff in charge of these issues.
Finally, a specific insurance policy has been put in place to cover this risk.

2.7.8 Limitations of risk management and internal control

No matter how well-conceived and rigorously applied risk management and internal control systems are, they cannot provide an absolute guarantee that the company’s objectives will be reached. The probability of reaching these goals depends on more than just the company’s will. Every system and process has its limitations. These limitations stem from many factors, such as uncertainty about the outside world, the use of sound judgment or problems that may arise from technical and human failures or from ordinary errors.

Risk management choices are made by weighing the opportunities against the cost of risk management measures, with due consideration of their potential effects on the occurrence and/or consequences of the risk in order to avoid taking needlessly expensive actions.

3. Research and development

Egide is continuing to ramp up its strategy of innovation-based diversification and differentiation. The strengthening of technical teams in 2021 will continue in 2022. Efforts to develop new technological bricks for differentiation are focused on three areas.
- The development of the titanium sealants to expand the portfolio and support new applications in the markets of natural resources exploration, as well as titanium connectors for the defense and aerospace industries.
- The miniaturization of HTCC technologies to serve rapidly growing markets such as optronic packages for long-distance transmission over fiber, or laser imaging, detection, and ranging.
- And finally, new developments to drive innovations in the field of heat dissipation and support growth in applications for new SiC and GaN semiconductors.

Some of these projects are financed by the European Commission, regional funds or by the French Defense Procurement Agency (DGA) as part of the Rapid (*régime d'appui à l'innovation duale*) project. These projects are generally funded for their full amounts or in some cases, 75%. Projects that do not receive financing (internal development) are paid for in full by Egide. R&D expenditures are not capitalized by the company and recorded as assets.

Expenses incurred that are taken into account to calculate the research tax credit are presented below:

	2019	**2020**	**2021**
R&D expenditures	€1,003,000	€587,000	€588,000
% of consolidated sales	3.16%	1.96%	1.80%
Headcount (person equivalents)	11.8	5.9	5.6

There are no significant intangible items controlled by the Group, including those not recorded under assets. The company does not capitalize research and development expenditures as such expenses do not meet the accounting criteria for recognition as assets.

The trademarks used by Egide are protected at the international level. The company uses the patents to which it has title and files patents when necessary. Licenses that may be used by the company and subsidiaries are considered as assets and as such are not subject to fees.

Recognized in its business sector, Egide SA is certified ISO 14001:2015. Egide USA and Santier have both been certified AS9100:D and ISO 9001:2015 since September 2018. These 3 certifications have been renewed until 2024.

The issuer's likely future development and research and development activities.

Continuing developments using new additive manufacturing technologies will also be a significant focus for innovation, both for the purpose of scaling up processes whose feasibility has been demonstrated in previous studies and for exploring new technologies that are rapidly emerging in this field. The support of external experts will be solicited to accelerate the work in this area.
As part of the automation projects initiated by Egide in France, manufacturing processes will have to be adapted and different product designs developed based on new requirements;

4. Statutory disclosures on the trade payables aging balance (Egide SA)

As required by French law (article D441-6 1° and 2° of the French commercial code), information on Egide SA's non-Group trade payables and receivables for 2021 is provided below:

	Article D. 441 I. - 1° du Code de commerce : Factures **reçues** non réglées à la date de clôture de l'exercice dont le terme est échu						Article D. 441 I. - 2° du Code de commerce : Factures **émises** non réglées à la date de clôture de l'exercice dont le terme est échu					
	0 jour (indicatif)	1 à 30 jours	31 à 60 jours	61 à 90 jours	91 jours et plus	Total (1 jour et plus)	0 jour (indicatif)	1 à 30 jours	31 à 60 jours	61 à 90 jours	91 jours et plus	Total (1 jour et plus)
(A) Tranche de retard de paiement												
Nombres de factures concernées	445					41	6					38
Montant total des factures concernées TTC	1 188 222 €	28 688 €	6 483 €	3 138 €	7 200 €	45 509 €	191 324 €	355 105 €	223 951 €	81 277 €	22 283 €	682 617 €
Pourcentage du montant total des achats de l'exercice TTC	12.2%	0.3%	0.1%	0.0%	0.1%	0.5%						
Pourcentage du chiffre d'affaires de l'exercice TTC							1.2%	2.3%	1.4%	0.5%	0.1%	4.3%
(B) Factures exclues du (A) relatives à des dettes et créances litigieuses ou non comptabilisées												
Nombre de factures exclues	Néant											
Montant total des factures exclues (préciser HT ou TTC)												
(C) Délais de paiement de référence utilisés (contractuel ou délai légal - article L. 441-6 ou article L. 443-1 du Code de commerce)												
Délais de paiement utilisés pour le calcul des retards de paiement	- Délais contractuels : 30 jours fin de mois ou 30 jours fin de mois le 15						- Délais contractuels : 30 jours nets à 30 jours fin de mois le 15					

5. Corporate governance and statutory information

5.1 Corporate governance code

In accordance with the provisions of article L225-37 of the French commercial code, on April 9, 2010, the Board of Directors adopted the Middlenext Corporate Governance Code for mid- and small caps as a guideline for the preparation of this report. A new version of this code entitled the "Corporate Governance Code" was published in September 2021. Three new recommendations are currently being analyzed and the whole document is being used as a reference.

The Middlenext corporate governance code is available for consultation from the following link:
https://www.middlenext.com/spip.php?article1021

5.2 Board of Directors

On the date of this report, the board of directors of Egide SA had four members including three of French nationality and Mr. Collins, a US national:

Name	**Office**	**Beginning of term**	**End of term**
Mr. James F. Collins	Director Chair of the Board Chief Executive Officer	09/11/2014 06/16/2016 09/11/2014	06/30/2025 06/30/2025 06/30/2025
Mr. Jean-Louis Malinge	Director	07/07/2014	06/30/2024
Ms. Véronique Laurent- Lasson	Director	06/16/2016	06/30/2024
Mr. Michel Faure	Director	06/16/2016	06/30/2024

There is no Board member elected by employees or a non-voting observer (*censeur*) serving on the Board

Véronique Laurent-Lasson, Jean-Louis Malinge and Michel Faure are considered to be independent directors as defined by the Middlenext corporate governance code, as they meet the criteria summarized in the following table:

Independence criteria	**V. Laurent-Lasson**	**J-L. Malinge**	**J. F. Collins**	**M. Faure**
Existence of a financial, contractual or family relationship?	No	No	No	No
Employee or corporate executive officer?	No	No	Yes	No
Customer, supplier or banker of the company?	No	No	No	No
Lead shareholder?	No	No	No	No
Auditor of the company?	No	No	No	No
Independent director?	**Yes**	**Yes**	**No**	**Yes**

Each director has a status of shareholder, holding at least one share of the Company in accordance article 14 of its bylaws.

5.3 Board powers and practices (articles 16 and 17 of the bylaws)

The Board of Directors shall determine the business strategy of the company and ensure its implementation. To this purpose, it appoints the Chief Executive Officer who is tasked with managing the company in line with these strategic priorities. Since March 25, 2014 and effective from April 2, 2014, the functions of the chairman of the Board of Directors and the chief executive officer within the company were separated. On June 16, 2016, it was decided by the board of directors to combine again these two functions. Subject to the powers expressly granted to shareholders' meetings and within the limits of the company's corporate purpose, the board of directors may address any matter relating to the efficient operation of the company and settles through its proceedings all items of business relating thereto. It ensures the quality of the information provided to shareholders and the market through financial statements, reports or publications of the company.

The Board rules of procedure and directors' charter were drawn up for the first time on April 9, 2010 to define the Board's operating procedures and can be consulted at the company's website. These provisions comply with recommendation R9 of the Middlenext code. Board of Directors' meetings, called by its Chairman, are held as often as required. The latter ensures that documents, technical files and information relating to agenda items are made available to the Board Members by email, within a reasonable time, and in compliance with recommendation R6 of the Middlenext code. Moreover, each Board Member may obtain from executive management any document he or she considers useful. The Board of Directors examines and makes decisions regarding important items of business, particularly those relating to strategic interests.

As provided in provisions of Article L823-20 paragraph 4 of the French commercial code and the recommendation of the Middlenext code, it was decided that the Board of Directors would serve as the audit committee to allow all independent directors contribute to monitoring the preparation of financial information and the efficacy of internal control procedures, and taking into account the responsibility of Board members. In exercising his executive functions, when the audit committee is convened, the chief executive officer, a non-independent director, abstains from participating. In such cases, the meeting is chaired by an independent director possessing financial and accounting expertise in view of his or her previous work experience. However, the chief executive officer may be invited to attend part of the meeting depending on the nature of the subject and details, and information he or she may be able to provide to enhance the discussions. Audit Committee meetings are held independently of the meetings of the Board of Directors and subject of separate minutes. The Committee reports on its mission to each Board meeting.
The Audit Committee reviews all agreements (both regulated and ordinary agreements) between any of the companies of the Group and the Chief Executive Officer, the Deputy Chief Executive Officer and examines any of their relations, in accordance with Article 225-37-4 of the French Commercial Code of 10/6/2019. This procedure was adopted by the Board of Directors on April 24, 2020.

The company also believes that its structure and size associated with the reduced size of the Board of Directors do not require the adoption of a Compensation Committee and a Nominating Committee, as all Board members contribute collectively for all important points pertaining to the management of the company. Finally, the creation of a CSR Committee in accordance with Recommendation R8 is in progress, but requires the recruitment of a person possessing the necessary competencies to advise the committee.

If it considers necessary, the Board of Directors may task one of its members with special ad hoc missions for which compensation is provided on a case-by-case basis falling under the scope of regulated agreements.

In general, the Board of Directors meets whenever necessary in accordance with the company's interest, at the offices of its attorneys or, since the pandemic, by videoconferencing, while attempting to maintain a rhythm of four meetings per year. The Social and Economic Committee (*Comité Social et Economique*) members systematically attend Board meetings (physical presence or through videoconferencing) as do statutory auditors when their presence is required by law. Meeting agendas are set by the chairman. Decisions are generally made on a unanimous basis, except for those cases provided for by statute that require the chairman or chief executive officer to abstain. Meeting minutes are taken and systematically provided to the Board Members, upon approval, at the following meeting. The record of attendance meeting as well as all meeting reports are available at the registered office. In fiscal 2021 the Board of Directors met three times compared with five times in 2020. The attendance rate in 2021 was 100 % ,as in 2020. The Audit Committee met four times in 2021, as in 2020.

Between formal board meetings, when the company developments so warrant, directors are also kept informed on a regular basis of any event and information that may have an effect on the company's obligations and its financial and cash positions.

In exchange for their participation in Board meetings, the 3 non-employee directors receive fixed annual compensation of €10,000, set by the General Meeting of June 19, 2020, until further notice.

No particular item that might have an impact in the case of a public offer other than those set out in this report is to be mentioned (provisions of Article L. 22-10-11 of the French commercial code).

5.4 Executive management

On the date of this report, the executive management of Egide SA was as follows:

Name	**Office**	**Beginning of term**	**End of term**
Mr. James F. Collins	Chief Executive Officer	09/11/2014	06/30/2025
Mr. Eric Delmas	Deputy Chief Executive Officer	04/16/2019	05/07/2022

Mr. Eric Delmas resigned from his office and his salaried position effective May 7, 2022. He was a salaried employee of the company since February 2018 and also exercised the function of plant manager reporting to the chief executive officer. His position as a member of the executive management has not been replaced.

Limitations on powers of the chief executive officer (directeur général) and deputy chief executive officer (directeur général délégué) (article 18, paragraph 3 of the Company's bylaws)

Egide SA's Board of Directors ruled on the organization of executive management and decided that it would be exercised by a person other than the Chairman of the Board. At the end of the ordinary general meeting held on June 16, 2016, the board decided that these two functions would be once again merged into one function.

No specific limitation was imposed on the powers of the Chief Executive Officer who exercises said powers in compliance with the legal provisions in force (Article L. 225-56 of the French). On that basis, Egide's Chief Executive Officer is vested with the widest powers to act in all circumstances in the name of the company. He exercises these powers within the limits of the company's corporate purpose, and subject to the powers reserved by law to shareholders meetings and to the Board of Directors. He is not limited with respect to the amount of commitments that may be incurred in connection with the company's day-to-day management. By way of exception, the amount for sureties, endorsements and guarantees that may be granted without prior authorization by the Board shall be subject to a limit of €200,000 (Board meeting of September 27, 2018), to be renewed yearly by the Board.

On April 16, 2019, it was also decided that the powers of the deputy chief executive officer (Eric Delmas) would be exercised in accordance with applicable legal provisions, whereby it is specified that beyond the following limits, approval must be obtained from the chief executive officer:

- Signatures for any commitments for amounts exceeding €150,000 excluding tax,
- The recruitment of any employee assigned to areas reporting directly to the Deputy CEO who is also the Santier site manager.
- Modifying the salaries of employees reporting directly to the Bollène site manager (production, engineering, marketing, procurement and R&D),
- Selecting or changing the Company's advisers (auditors, legal, tax, communications advisors, etc.).

5.5 List of offices and directorships:

Information on offices currently held or exercised in the last five years by company officers of the company is disclosed below.

Abbreviations have the following meanings: SB = supervisory board, BD = board of directors, PR = permanent representative, Yes = the office was in progress at December 31, 2021, No = the office is no longer exercised at December 31, 2021.

- James F. Collins

Company	Address	Office	2021
Egide	Bollène (84)	Director and Chair-CEO	Yes
Egide USA LLC	Wilmington, DE (USA)	Director and Chair	Yes
Egide USA Inc.	Cambridge, MD (USA)	Director and Chair	Yes
Santier Inc.	San Diego, CA (USA)	Director and Chair	Yes

- Jean-Louis Malinge

Company	Address	Office	2021
Egide	Bollène (84)	Director	Yes
ARCH Ventures Partners	Chicago, IL (USA)	Venture Partner	No
Yadais SARL	Paris (75)	Managing Partner	No
Poet Technologies	San José, CA (USA)	Director	Yes
CaiLabs	Rennes (35)	Director	Yes
Aeponyx	Montreal (Canada)	Director	Yes

- Mr. Michel Faure

Company	Address	Office	2021
Egide	Bollène (84)	Director	Yes
Sogefip	Paris (75)	Chair	Yes
SCI Ambercelles	Paris (75)	Co-Manager	Yes
SCI Anne-Cecile	Paris (75)	Co-Manager	Yes
SCI La Lézardière	Paris (75)	Co-Manager	Yes
ACCO Semi Conductors Inc.	Sunnyvale, CA (USA)	Board Observer	No
X-Création	Palaiseau (91)	Chair	Yes
Digital District Group	Paris (75)	Executive Board member	Yes
SOMOS Semiconductor	Marly-le-Roi (78)	Chair	Yes

- Ms. Véronique Laurent-Lasson

Company	Address	Office	2021
Egide	Bollène (84)	Director	Yes
Miliboo	Annecy (74)	Director	YES
Sponsor Finance	Paris (75)	Chair	Yes

- Mr. Eric Delmas

Company	Address	Office	2021
Egide	Bollène (84)	Deputy Chief Executive Officer	Yes

No director has been convicted for fraud within the last five years or been subject to restrictions prohibiting him or her from managing a company.

5.6 Compensation of the company officers

The total net compensation and benefits in kind paid during fiscal 2021 by Egide SA to each corporate officer are disclosed in the following table (amounts in euros):

Officers	Net salary	Benefits in-kind	Attendances' fees	Duties	Total 2021	Total 2020
James F. Collins	80,937		-	-	80,937	64,000
J-L. Malinge	-	-	7,000	-	7,000	7,000
V. Laurent-Lasson	-	-	7,000	-	7,000	7,000
Michel Faure	-	-	7,000	-	7,000	7,000
Eric Delmas	139,748	2,614	-	-	142,362	134,267
Total	**220,685**	**2,614**	**21,000**	**-**	**244,299**	**222,767**

The board of directors sets and modifies annual compensation paid to the Chair of the board of directors and the Chief Executive Officer (corporate officers without employment contracts with Egide SA). Until December 31, 2013, the chief executive officer received only fixed compensation.

Since January 1, 2014, compensation of the Chief Executive Officer includes variable compensation for up to 60% of the fixed salary, subject to achieving performance indicators (annually set revenue and EBITDA targets).

As a US national, the Chair-CEO is not covered by French social security benefits. He also benefits from a company car in the United States (his country of residence).

Mr. James F. Collins' is total compensation is paid exclusively by Egide USA, which recharges one third of this amount to Egide SA and one third to Santier; The amount mentioned in the above table corresponds to the one third charged to Egide SA as the group's chief executive officer. For information, annual gross compensation paid to Mr. Collins by Egide USA in 2021 amounted to US$275,000, as in 2020.

The deputy chief executive officer, also holder of an employment contract associated with his role as manager of the Bollène plant predating his appointment as officer, is not paid compensation for his function as deputy chief executive officer. His compensation under his employment contract is set by the chief executive officer. He has the use of a company car. His contract provides for a bonus of up to 30% of his annual salary, subject to achieving a Group EBITDA target (50%) and Egide SA's results (50%).

No specific supplemental retirement plan has been implemented nor have any provisions whatsoever been adopted for severance benefits for the benefit of executive officers. The chairman-chief executive officer does not receive attendance fees for his position as an officer of Egide SA nor for any offices held in any other Group companies. These provisions also apply to the deputy chief executive officer.

With regard to stock options, given that the exercise and definitive grant of stock options to the senior executives are carried out under the same conditions as for the other employees, the exercise and allotment of share options are not contingent on criteria linked to future performances. However, in accordance with the provisions of Law No. 2006-1770 of December 30, 2006, the board of directors decided on March 5, 2009 that, in the case of grant of stock options to the CEO, a minimum of 20% of shares resulting from the exercise of options is to be retained in registered form until the CEO ceases to hold office. By extension, these provisions will also apply to the deputy chief executive officer. On the date of this document, the chair-chief executive officer held 100,000 stock options (awarded on June 30, 2020) or 0.97 % of the share capital and the deputy chief executive officer 70,000 stock options (awarded on June 30, 2020 and March 22, 2021), or 0.68% of the share capital.

Since 2020, the Directors' compensation has been fixed and on an individual basis. The General Meeting of June 19 set gross annual compensation for each director at €10,000.

No compensation or benefits of any kind other than those mentioned above have been paid to corporate officers of Egide SA for fiscal 2021 by controlled companies within the meaning of article L.225-102-1 of the French commercial code.

Company officers are covered for liability by a D&O policy underwritten by Liberty Specialty Markets. This policy provides maximum coverage of €5 million, with a US$100,000 deductible in the United States per claim and an annual net premium of €10,000 excluding tax.

5.7 Wage ratios

In accordance with the provisions of L. 225-37-3 of the French commercial code, the following table presents the pay ratios for the executive officers in relation to the average and median compensation of employees over a period of 5 years.
Compensation takes into account gross compensation paid in France both for the executive officers and for the average and median compensation of employees.

Ratio/Moyenne	2021	2020	2019	2018	2017
Jim Collins	2.7	2.0	2.4	3.2	10.1
Eric Delmas	5.5	5.4	4.9	4.6	-
Philippe Lussiez	-	-	3.3	2.8	3.5
Moyenne des salaires hors dirigeants en k€	32.0	31.1	32.9	30.4	27.0
Ratio/Médiane	2021	2020	2019	2018	2017
Jim Collins	4.0	2.9	3.7	4.6	13.6
Eric Delmas	8.1	7.7	7.6	6.6	
Philippe Lussiez	-	-	5.0	4.0	4.8

In accordance with the recommendations of the Middlenext corporate governance code, the following table presents the pay ratios for executive officers in relation to the annual minimum wage over a period of 5 years.

Ratio/Smic	2021	2020	2019	2018	2017
Jim Collins	4.8	3.5	4.5	5.6	16.4
Eric Delmas	9.7	9.3	9.2	8.1	
Philippe Lussiez			6.2	4.9	5.8

*adjusted for past years because the amounts used for the French minimum wage used were not uniform

5.8 Information on holdings in the capital

At December 31, 2021, the share capital amounted to €5,173,434 divided into 10,346 shares with a nominal value of €0.50 per share. The breakdown of share capital and voting rights is presented below:

Balance at December 31, 2021	**Number of shares**	**Percentage of capital**	**Number of voting rights**	**Percentage of voting rights**
James F. Collins (Chairman-CEO)	185,687	1.8%	185,687	1.8%
Free float (bearer securities)	10,081,970	97.4%	10,081,970	96.7%
Free float (registered securities)	79,211	0.8%	158,347	1.5%
Total free float	10,161,181	98.2%	10,240,317	98.2%
TOTAL	10,346,868		10,426,004	

This table has been produced based on information provided by CM-CIC Market Solutions, charged with ensuring the security management services for Egide's registered shares maintained in a custody-only account (*nominatif pur*). The theoretical number of voting rights equals actual voting rights as there are no shares having been deprived of voting rights.
In compliance with article 27 of the company's articles of association, double voting rights are granted to fully paid-up shares registered in the same name for at least two years (annual general meeting of January 29, 1999). This right is conferred upon all bonus shares granted to a shareholder in respect of previously existing shares. It may be canceled by a decision of the extraordinary general meeting after ratification by the special meeting of the beneficiary shareholders (article L225-99 of the French commercial code).

On December 31, 2021, there were 79,211 shares in registered form of which 79,136 carried double voting rights.

In accordance with the provisions of article L233-13 of the French commercial code and in light of the information and notifications received in application of articles L233-7 and L233-12 of said code, the following table presents the identity of shareholders possessing more than 5 %, 10 %, 15 %, 20 %, 25 %, 30 %, 33.33 %, 50 %, 66.66 %, 90 % and 95 % of the share capital or voting rights at December 31, 2021:

	More than 5 %		More than 10%		More than 15%		More than 25%	
	of the capital	of voting rights	of the capital	of voting rights	of the capital	of voting rights	of the capital	of voting rights
Vatel Capital [1]	X	X	X	X				
Sigma Gestion [2]								

[1] AMF notice of June 11, 2020 (notification of crossing ownership thresholds pursuant to the capital increase) Since then, on March 11, 2022, Vatel notified the AMF that it had crossed below the 5% threshold.
[2] AMF notice of April 28, 2021 (crossing below the ownership threshold)
As far as the company is aware, there are no public shareholders holding more than 5% of the capital other than those disclosed in the table above.

No shareholder holds more than 20% or more than 30% of the capital or voting rights. No special measures have been taken by the company outside the legal provisions applying to the holding of shares. Furthermore, as far as the Company is aware, there are no agreements the performance of which could, at some future date, lead to a change in its control.

5.9 Participation in shareholders meetings

Procedures for participating in general meetings are set forth in article 25 of the company's bylaws : "Any shareholder may attend meetings in person or by proxy regardless of the number of shares owned, subject to proof of identity and status as a shareholder of record in the register maintained for that purpose by the company no later than the second business day preceding the date of the Shareholders' Meeting at midnight, Paris time."

Any shareholder may vote by mail using a form completed and sent to the Company under the conditions provided for by law and regulations and that must be received by the Company no later than two days before the meeting date to be taken into account. "

The board of directors attaches considerable importance to promoting dialogue between shareholders and managers and ensuring that the general meeting is materially accessible to all. Before the meeting is held, the directors discuss the draft resolutions to be submitted to a vote and establishes, as applicable, a dialogue with major shareholders who so wish. At the end of the meeting, the board considers the results of the votes when preparing the draft resolutions to be submitted to the next meeting, and in this process compiles with recommendation R12 of the Middlenext code.

5.10 Employee stock ownership

No share is jointly held by employees within the meaning of article L225-102 of the French commercial code.

5.11 Information on stock options

Information on stock option plans on December 31, 2021 is provided in the board of directors' special report.

6. Information on the manner that the company's takes into account the environmental impacts of its business and its social commitments in favor of sustainable development

Order No. 2017-1162 of July 12, 2017 and Decree No. 2012-557 replacing the social and environmental information required under article L225-102-1 of the French commercial code in effect until July 22, 2017 by a non-financial statement to be included in the management report of certain large companies whose shares are admitted or not to trading on a regulated market. Egide was not subject to this new regulation because the threshold of 500 permanent employees was not met. However, the Group has decided to continue to publish indicators it considers relevant in relation to its activity. The consolidation scope includes Egide SA and its American subsidiaries, Egide USA and Santier.

6.1 Information on the employment-related impact of Group operations

a) Employment

Total workforce (all contracts combined)
At December 31, 2020 and 2021, total salaried employees of the Group, including the chairman-chief executive officer, broke down as follows (by gender and geographic region):

	At 31 December 2020			At 31 December 2021		
	Men	Women	Total	Men	Women	Total
Egide SA (France – Trappes)	2	2	4	2	2	4
Egide SA (France – Bollène)	35	83	118	41	90	131
Egide USA (USA - Cambridge)	27	43	70	36	49	85
Santier (USA – San Diego)	43	18	61	46	14	60
Total	**107**	**146**	**253**	**125**	**155**	**280**

By age bracket, the headcount presented above breaks down as follows:

	At 31 December 2020			At 31 December 2021			
	18-35	36-55	56-70	18-35	36-55	56-70	>70
Egide SA (France – Trappes)	0	4	0	0	4	0	0
Egide SA (France – Bollène)	20	73	25	26	74	31	0
Egide USA (USA - Cambridge)	18	26	26	22	19	40	4
Santier (USA – San Diego)	13	30	18	13	28	19	0
Total	**51**	**133**	**69**	**61**	**125**	**90**	**4**

We note the appearance of a new age bracket for persons over 70 in the USA, highlighting the tight labor market. On the other hand, we are also seeing an increase in the number of younger workers.

The breakdown of headcount presented above by contract type is as follows:

	At December 31, 2020			At December 31, 2021			
	Permanent contract	Fixed-term contracts	Apprenticeship contracts	Permanent contract	Fixed-term contracts	Apprenticeship contracts	of which Part-Time
Egide SA (France – Trappes)	4	0	0	4	0	0	0
Egide SA (France – Bollène)	117	1	0	9	0	0	18
Egide USA (USA - Cambridge)	70	0	0	85	0	0	7
Santier (USA – San Diego)	61	0	0	60	0	0	1
Total	**252**	**1**	**0**	**158**	**0**	**0**	**26**

These headcount figures do not take into account long-term sick leave who continue to be counted though do not receive remuneration.

In 2021, Egide employed 26 part-time employees (18 at Bollène, 7 in Cambridge and 1 in San Diego). In 2020, Egide employed 25 part-time employees (20 at Bollène, 7 in Cambridge and 0 in San Diego). Part-time employment is usually at the request of employees and concerns all personnel categories (engineers, technicians, equipment operators, men and women)

Average seniority is 13.4 years at Egide SA, 12.0 years at Egide USA and 6.6 years at Santier (it being specified that for Santier, the first recruitment date was October 16, 2012, TMS' date of creation, before it was taken over by Egide SA in February 2017).

Recruitments, departures and dismissals

For 2020 and 2021, Group information on recruitment is provided below:

Changes in headcount	Fiscal 2020			Fiscal 2021		
	Permanent contract	Fixed-term contracts	Apprenticeship contracts	Permanent contract	Fixed-term contracts	Apprenticeship contracts
Egide SA (France – Trappes)	0	0	0	1	0	0
Egide SA (France – Bollène)	6	10	0	7	9	0
Egide USA (USA - Cambridge)	10	0	0	19	32	0
Santier (USA – San Diego)	11	0	0	10	8	0
Total	**26**	**10**	**0**	**37**	**49**	**0**

In 2020, there was selected use of fixed-term contracts, particularly at the end of the first half of the year to make up for the disruption caused by the lockdowns.

In 2021, activity has been irregular with some surges in activity that required in some cases significant increases in staffing levels. In the US, the distinction between fixed-term and permanent contracts does not really exist. For that reason, the fixed-term column was used to indicate new employees leaving company after an inconclusive first few weeks.

In 2020 and 2021, departures reported by the Group were as follows:

Departures excluding dismissals	Fiscal 2020			Fiscal 2021		
	Permanent contract	Fixed-term contracts	Apprenticeship contracts	Permanent contract	Fixed-term contracts	Apprenticeship contracts
Egide SA (France – Trappes)	1	0	0	1	0	0
Egide SA (France – Bollène)	8	13	1	9	6	0
Egide USA (USA - Cambridge)	14	0	0	4	32	0
Santier (USA – San Diego)	12	0	0	17	0	0
Total	**35**	**13**	**1**	**31**	**38**	**0**

In 2020, the departure of employees at Egide SA concerned 3 voluntary severance agreements, 2 resignations, 2 retirements, 1 death, the expiration of 13 fixed-term contracts and 1 apprenticeship contract. At Egide USA, 14 employees resigned. At Santier, 8 employees resigned, 3 retired and 1 on long-term sick leave.

In 2021, the departure of employees at Egide SA resulted from 1 voluntary severance agreement, 4 resignations, 4 retirements and 6 fixed-term contracts. At Egide USA, 4 employees resigned. At Santier, 17 employees resigned.

in 2020 and 2021, the dismissal of employees by the Group broke down as follows

Layoffs	Fiscal 2020			Fiscal 2021		
	Permanent contract	Fixed-term contracts	Other	Permanent contract	Fixed-term contracts	Other
Egide SA (France – Trappes)	1	0	0	0	0	0
Egide SA (France – Bollène)	2	0	0	1	0	0
Egide USA (USA - Cambridge)	6	0	0	7	0	0
Santier (USA – San Diego)	7	0	0	3	0	0
Total	**16**	**0**	**0**	**12**	**0**	**0**

In 2020, there were 3 dismissals for personal reasons at Egide SA, 6 at Egide USA and at Santier, 2 for economic reasons and 5 for insufficient results.

In 2021, 1 employee was terminated for misconduct at Egide SA, 7 were for reasons of performance at Egide USA and Santier, 1 after refusing relocation and 2 were for insufficient performance.

Compensation information and trends, social charges

All employees of Egide SA received monthly compensation on a 12 or 13 month basis. Egide USA and Santier employees are paid every two weeks. No employees of the Group are paid based on output.

Gross payroll and employer's social security contributions paid in 2020 and 2021 by Group companies break down as follows:

	Fiscal 2020		Fiscal 2021	
	Gross	Social charges	Gross	Social charges
Egide SA (France)	€4,298,751	€1,661,491	€4,344,884	€1,668,176
Egide USA (USA)	$3,388 482	$748,447	$3,994,314	$685,519
Santier (USA)	$3,519,794	$1,091,566	$3,792,549	$1,101,076

In 2020, 1.7% of the payroll of Egide SA was allocated on the basis of merit in accordance with the salary agreement signed by the company and trade union representatives. Salary increases at Egide USA are awarded on an individual basis. No salary increases were granted at Santier in 2020 though a catch-up pay increase was granted in 2020.

In 2021, 1.2% of the payroll of Egide SA was allocated on the basis of merit in accordance with the salary agreement signed by the company and trade union representatives. At Egide USA and Santier, in response to strong pressure on wages the company granted on an individual basis a 3% increases at the beginning of the year and additional individual increases at year-end, particularly for the lowest salaries, in order to keep up with the competition.

<u>Incentive, statutory profit-sharing and employee savings plans</u>

An incentive compensation agreement was concluded on June 27, 2019 between Egide SA and the company's union delegates. This agreement was concluded for a three-year period running from January 1, 2019 to December 31, 2021. This incentive compensation is calculated annually from pretax current operating profit. This amount is allocated equally to all employees of the company with at least three months of seniority and prorated according to the number of hours worked during the year concerned. Given the negative tax result, it was not possible to provide employees with profit-sharing bonuses. However, in light of the significant improvement in results, the Board of Directors decided to grant and approved an additional profit-sharing bonus of €25,000 for 2021, which for many years had been zero.

Furthermore, all personnel of Egide SA are qualified for statutory profit-sharing determined according to the calculation base provided for by law. In light of the results, no statutory profit-sharing payments were made for 2020 and 2021. Since January 1, 2019, a company employee savings plan (PEE) / group pension saving scheme (PERCO) was established and made available to employees.

At Egide SA, Egide USA and Santier, a bonus system exists for key executives. This plan provides for the payment of variable compensation assessed on annual salary if EBITDA for the period exceeds the budget target. In 2020, in the USA, based on the results, a provision was recorded for bonuses in the amount of €135,000 for Egide USA and Santier management. In 2021, Egide USA has set aside €27,000 in bonuses for management, Santier zero and Egide SA €121,000 including expenses, "rounding" the calculations to reward the team for putting an end to 10 years of disappointing results.

b) Work organization

In France, the workweek is five days for 38 1/2 hours. Non-management personnel on an hours per day basis work in reference to a 35 hour workweek to which are added two bonus hours (paid 125%)

with an hour and a half break. Non-management personnel on an hourly shift basis work 35 hours per week, to which are added 3 1/2 hours for breaks. Hours for management personnel are annualized.

In the United States, the workweek at Egide USA is 40 hours over 4 days (Monday to Thursday). Non-management personnel benefit from a daily break of one hour (30 minutes for lunch and two 15 minute breaks)) Hours for management personnel are annualized. At Santier, the work week of 40 hours over 5 days (Monday through Friday) was aligned with that of the Cambridge site in 2020. Non-management personnel benefits from a daily break of one hour (30 minutes for lunch and two 15 minute breaks) Hours for management personnel are annualized.

Overtime

In 2020 and 2021 overtime payments broke down as follows:

Heures sup	Exercice 2020	Exercice 2021
Egide SA (France – Trappes)	561	503
Egide SA (France – Bollène)	9 888	10 909
Egide USA (Etats-Unis)	6 493	5 567
Santier (Etats-Unis)	7 849	12 795
Total (heures)	**24 791**	**29 774**

For information, an overtime hour represents time worked exceeding the 35 hour workweek in France and the 40 hour workweek in the United States. The major share of overtime at Egide SA is linked to two bonus hours included for work weeks of between 35 and 37 hours.

Absenteeism

In 2020 and 2021 hours of absenteeism broke down as follows:

Absences	Exercice 2020	Exercice 2021
Egide SA (France – Trappes)	327	67
Egide SA (France – Bollène)	27 976	23 310
Egide USA (Etats-Unis)	1 005	1347
Santier (Etats-Unis)	4 896	4 206
Total (heures)	**34 204**	**28 930**

These absences were mainly due to sick leave (short and long-term) and maternity leaves. 5 employees were on long-term sick leave in 2020 and 8 in 2021 (representing respectively totals of 10,400 and 9,282 hours per year) before being removed from the headcount.

Use of temporary personnel

In fiscal 2021, Egide SA employed temporary employees for 451 hours representing a total cost of €12,151 and incurred €7,176 excluding VAT for site security, equivalent to 0.44% of its annual payroll, i.e., four times more than in fiscal 2020.

Santier in fiscal 2021 had recourse to 357 hours for temporary employees representing US$8,882, compared to zero in 2020.
Egide USA in fiscal 2021 had recourse to 6,587 hours for temporary employees at a cost of US$133,843, whereas 2020 was very strong in the 1st half followed by a slowdown in the 2nd half for a total of 13,576 hours of temporary employees at a cost of US$227,783.

c) Labor relations

Labor relations and collective bargaining agreements

In France, Social and Economic Committee elections were organized in 2018. Only a single Social and Economic Committee covering the two sites (Bollène and Trappes) was appointed for a four-year term. There is no Works Council in the United States.

Excluding formal relations with the works council and labor organizations where they exist, Egide Group promotes direct dialogue between supervising line management and their staff. On that basis, in accordance with needs and current issues, meetings are organized with all or part of the personnel without this being required by a specific structure.

A collective bargaining agreement between Egide SA and its employees relating to an employee profit-sharing was signed. Concerning the intergenerational hiring agreement the company refers to the agreement of the metallurgy industry. Reflecting its proactive approach, the company maintained its meetings with employees over 55 years of age (*Plan Emploi des Salariés Agés* – PESA).

At Egide SA, two French labor unions (Tricastin SPEA (CFDT) and Force Ouvrière) each have a representative at the Bollène site. There are no labor unions at Egide USA and Santier.

Territorial impact of its activity in terms of employment and general development

Egide SA has established contacts with local offices of the French employment agency. The human resources department also participates in job forums organized by local authorities. The US subsidiaries work with similar organizations where they exist and give preference to local recruitment. The human resources department also contacts engineering schools to present the potential opportunities available within Group companies.

Relations with social partners

Egide SA maintains contacts with organizations promoting social integration (AGEFIPH or *Association pour la Gestion du Fonds d'Insertion Professionnel des Handicapés*) or sheltered work opportunities (ESAT or *Etablissements et Services d'Aide par le Travail*). In addition, in connection with the French apprenticeship tax, the company pays a contribution to training establishments.

Similar partners having dealings with the subsidiaries do not exist in the United States.

Foreign subsidiaries and their impact on regional development

Egide has two subsidiaries in the United States, one on the West Coast, and the other on the East Coast, each with local employees.

Public service initiatives

With respect to public service initiatives, Egide SA offers employees meal voucher contributions as well as a contribution to a mutual insurance and personal protection plans. In 2021, €112,584 were allocated by the company for meal vouchers (€100,766 in 2020), €56,316 as a partial contribution for the mutual insurance/personal protection plan (€56,977 in 2020) and 85,437 as a partial contribution for the personal protection insurance plan (€52,567 in 2020). Furthermore, the company allocates a budget to the Social and Economic Committee amounting to 52, 044 for 2021 (€57,808 in 2020) or 1.2% of payroll (of which 0.2% was allocated to the operating budget). This budget is redistributed to employees in the form of gift vouchers, etc.

At Egide USA, partial payment for mutual and personal protection insurance represented a cost to the company of US$280,129 in 2021 (US$237,767 in 2020). At Santier, insurance payments assumed by the company in 2020 amounted to US$154,518 (US219,745 in 2020).

Egide USA set up a 401(k) retirement plan for its employees whereby the company covers the total amount of contributions for the first 3% of pay and one half of additional contribution amounts up to 2% of pay (or a maximum contribution by Egide USA of 4%). In 2021, the company's contribution represented US$95,256 compared to US$73,272 in 2020.

Santier also contributes to the retirement plan of its employees (US$401,000) and on that basis incurred an expense of US$130,419 in 2021 (US$123,277 in 2020).

d) Health and safety

Health and safety conditions

The Health, Safety and Working Conditions Committee of Egide SA met three times at Bollène in 2021 (three times in 2020). Despite the absence of a mandatory system of this nature in the United States, both Egide USA and Santier have a similar committee at each of their sites which verify on a quarterly basis a certain number of occupational safety and health indicators.

In 2021, the French company reported 6 work-related accidents, including 3 resulting in sick leave, all without severity, and 3 without sick leave (compared to 9 in 2020, included 3 with sick leave and 6 without), representing a frequency rate[1] of 8.99 (13.79 in 2020) and a severity rate[2] of 0.14 (0.36 in 2020). For information, no commuting accidents were reported by Egide SA in 2021 (as in 2020). On the other hand, an occupational illness originating before 2000 was recognized for an employee of Egide SA who retired in 2008 and died in 2021.

The US subsidiary Egide USA reported 3 occupational accidents in 2021, all minor (3 falls) (5 in 2020). Santier reported 2 occupational injuries in 2021 (cut and abrasion) and 1 in 2020.

Rates and contributions for occupational accidents:

Site	2020 rates	2020 contribution	2021 rates	2021 contribution
Trappes (FR)	0.71%	€2,872	0.75%	€2,716
Bollène (FR)	2.62%	€100,668	1.82%	€72,302
Cambridge, MD (USA)	N/A	-	N/A	-

[1] Frequency rate: number of accidents x 1,000,000 / hours worked
[2]Severity rate: number of lost time days x 1,000 / hours worked

San Diego, CA (USA)	N/A	-	N/A	-

Egide uses CMR products (carcinogens, mutagens and reprotoxins) in connection with its industrial operations. In France, a Works Committee meets on a quarterly basis to ensure the safe usage of such products and their replacement by non-CMR products. The list of products used and actions taken by this committee are reviewed by the executive committee at its meetings.

In connection with the French law on social dialogue and employment ("Rebsamen Law") of August 17, 2015, Egide SA examined the 10 criteria and concluded that none of them applied to the company (as below the legal thresholds).

e) Training

Training policy

At Egide SA, the different departments communicate their training needs at the beginning of each year. The human resources manager then transmits the requests to the director of human resources who in turn presents a summary at the executive committee meeting. In accord with employee representatives bodies, discussions on the training plan are included in meetings organized for French annual statutory wage negotiations.

To take into account the economic uncertainties, the trend is to limit whenever possible, the inclusion of external expenditures in the training plan, develop to the extent possible internal training solutions, giving preference to group training over individual training and in consequence, strongly encourage use by employees who so wish, on fixed-term or permanent contracts, of their personal training benefits account ("*Compte Personnel de Formation*").

No obligations exists with respect to training in the Group's foreign subsidiaries. However, individual requests that may arise are reviewed and handled by local management according to the same principles that apply to Egide SA.

Training hours

Total training hours (internal and external) in 2021 amounted to 1,514 for Egide SA (877 in 2020) and 210 for Egide USA (210 in 2020) and 219 at Santier (compared to 268 in 2020). In 2021, total expenditures for outside training for Egide SA amounted to €38,490 (€22,505 in 2020), for Egide USA US$6,590 (US$2,700 in 2020) and for Santier approximately US$10,850 (US$225 in 2020).

f) Equal opportunity and non-discrimination

Gender equality in the workplace between men and women

At Egide SA a gender equality agreement was signed on July 4, 2018 for a period of four years.
In addition, in accordance with the obligations adopted in France, Egide SA's gender equality index declaration demonstrates that it is not possible to calculate the salary gap index due to an insufficient number of employees in certain categories. The remaining criteria show a ratio of 45 out of 60.

Employment and integration of handicapped workers

In 2021, Egide SA employed 14 with non-motor disabilities at the Bollène site as in 2020 corresponding to 13.77 units in the former classification system and exceeded the number required by the company under the Law of February 11, 2005. No disabilities were the result of an accident occurring in relation to the company's activities.
Following French legal reforms introduced in 2018, Egide SA must employ 6% for a calculated headcount of 126.1 employees, or 7 positions for persons with disabilities, whereas the actual calculated headcount is 13.77.
No similar regulation exists for the Group's US subsidiaries which moreover do not employ any disabled workers.

Information on measures to combat discrimination and promote diversity

Egide SA presents each year to the works committee and the employee delegates a report indicating several measures taken by the company to combat discrimination and promote diversity; At the Group level, no discrimination exists with respect to training, professional promotion, working conditions and actual remuneration levels.

g) Compliance with the core conventions of the International Labor Organization (ILO)

Egide, a French company, and its US subsidiaries, respect as a matter of principle the international labor conventions.

6.2 Information on the environmental impact of operations

a) General environmental policy

Compliance by the company with environmental provisions

The activity of Egide SA is subject to a requirement for an operating authorization issued by the regional authorities ("*Préfecture*") of Vaucluse. The company is accordingly subject to inspections by a number of regulatory agencies (DREAL, the Water Agency, CARSAT and the APAVE for waste analysis). Egide USA also requires an authorization to operate which is issued by the Maryland Department of the Environment (MDE) and the city of Cambridge in Maryland. It is subject to inspections by MDE and the Environmental Protection Agency. Quarterly waste analysis reports are transmitted to the Department of Works of the city of Cambridge. Santier operates on the basis of a City of San Diego Business License and a County of San Diego Environmental Health Permit.

Internal departments responsible for environmental issues

Executive management, the plant management (Bollene, Cambridge and San Diego) and the Quality Control and Environment department, in consultation with the Health, Safety and Working Conditions Committee for France or the ad hoc committees for the United States, are directly responsible for monitoring environmental impacts of the company's operations. The Group consults, if necessary, with relevant external organizations in the matter.

Environmental certification initiatives

Although without environmental certification, the Group's three entities comply with applicable standards in force in the United States and adhere to the provisions of their ISO 9001 certification to maintain their efforts in favor of the environment.

Employee training and information initiatives

At Egide SA, training initiatives address environmental issues and are an integral part of the annual training program negotiated with employee representative bodies. This training is provided by the quality and environment manager. Such training is also provided every year at Egide USA and Santier.

Environmental objectives for subsidiaries

Prior to the acquisition of Egide USA at the end of 2000, an environmental audit was performed at Egide's initiative which confirmed that the US subsidiary was in compliance with US laws and regulations. A similar approach was initiated in early 2017 before the creation of Santier to ensure that the new US unit was in full compliance with California regulations. Since then, Egide has ensured that its subsidiaries remain in compliance with applicable current and future standards.

As a general rule, Egide ensures that each Group company applies the environmental regulations in force in their respective countries.

b) Circular economy (pollution, waste management and food wastage)

Discharges in the air, water and ground causing serious environmental impacts

Egide SA, Egide USA and Santier have surface treatment equipment, composed primarily of a manual and semi-automatic plating chains as well as different types of chemical baths. All this equipment is constructed on holding tanks, linked to storage tanks, to prevent any risk of soil pollution in case of accidental overflow or spillage.

Measures for prevention, recycling and eliminating waste

The waste and by-products generated by Egide Group's production units originated mainly from surface treatment activities. When possible, liquid waste is recycled though generally, this waste is removed then disposed of by specialized waste management companies.

In addition, collection measures are in place for certain recoverable waste. Accordingly, at Egide SA special containers are available to staff to sort glass, plastics, paper and cardboard, wooden pallets, metals, batteries and other WEEE (Waste Electrical and Electronic Equipment) for the purposes of reuse or recycling. At Egide USA, containers intended for recycling aluminum cans, plastic bottles and paper are installed in the company's premises. No specific measure has been adopted at Santier.
As none Group's units have canteens at their premises, they have no direct way at their level to combat food waste.

Noise and odor pollution

Egide SA’s activities are carried out in closed spaces and do not result in environmental olfactory pollution.

Air compressors (compressed air supply system) and air cooling towers (kiln cooling) represent the only sources of external noise disturbances. Noise remains however within the limits imposed by regulations in force and does not create any significant disturbances in light of the environment where the Group companies are located (rural area with agricultural fields and industrial buildings for Egide SA, urban commercial and traffic area for Egide USA and an industrial zone for Santier).

c) Sustainable use of resources

<u>Water, raw materials and energy consumption</u>

2021		Bollène		Cambridge		San Diego	
Fluide	Mesure	Quantité	K€	Quantité	K$	Quantité	K$
Electricité	MWh	2 943	234	3 776	313	2 183	405
Gaz	MWh	1 433	52	2 701	86	254	9
Eau	m^3	3 731	9			1 447	4
Hydrogène	m^3	13 031	25	20 759	25	Non utilisé	
Azote	tonne	842	83	1 631	170	Générateur	

2020		Bollène		Cambridge		San Diego	
Fluid	Measure	Quantity	€000s	Quantity	US$ 000s	Quantity	US$ 000s
Electricity	MWh	2,929	223	3,394	284	2,242	478
Gas	MWh	1,178	45	2,405	89	154	5
Water	m^3	6,545	11			1,555	7
Hydrogen	m^3	13,729	23	14,136	47	Unused	
Nitrogen	ton	783	65	1,683	168	Generator	

Water consumption for Group operating activities are mainly for cooling the ovens and supplying the electroplating lines. In the interest of the preservation of natural resources, Egide SA, Egide USA and Santier have put into place a closed loop cooling system for the ovens with the installation of cooling towers. Egide USA has in addition equipment operating on an open loop basis hence with considerably higher water consumption. In the same spirit, surface treatment installations have switched from the current rinsing system to a “recycling” system whereby rinsing baths are chemically filtered/purified to be reused several times instead of resulting in water loss. Certain operations at Egide USA nevertheless continue to use the open-loop system. Santier has a closed loop cooling system for the ovens.

The Group uses high temperature brazing and high temperature sintering furnaces which use significant amounts of energy. These furnaces also consume gas (nitrogen or hydrogen) obtained through regular deliveries of specialized suppliers.

Finally, to test the hermetic sealing of its products, the group uses helium, also provided in bottles from special suppliers.

The Group also ensures that suppliers comply with international agreements governing the use of conflict minerals.

Soil use

No Group companies use resources originating directly from the soil. The industrial facilities cover an area of 5,700 m² in Bollène, 1,300 m² in Trappes and 5,000 m² in Cambridge, MD and 2,400 m² in San Diego, CA. In 2020 and 2021, none of the sites were expanded.

d) Climate change

Adapting to the consequences of climate change

No specific measure has been identified for the purpose of adapting Group sites to climate change.

As part of the modernization projects for the Bollene plant, introduction of measures for improving the environment are currently being formalized. These measures will focus on improving its carbon footprint, reducing energy and natural resource consumption, and reducing waste. The implementation of this plan will contribute to meeting the requirements of the 2015 Paris / COP21 Agreement and the July 2021 Climate Law on the reduction of 80% of GHG emissions by 2050 compared to 2015.

Group entities use significant amounts of electricity to operate their equipment. For information, in France 71% of electricity is produced from nuclear energy (i.e. no greenhouse gas emissions).

e) Protection of biodiversity

Measures taken to limit environmental damage

Egide SA operates in an industrial zone bordered by a waste collection facility, agricultural fields, a drainage canal parallel to the Rhône and the Tricastin nuclear power plant. Egide USA is located in a commercial urban area off a road with heavy traffic. Santier is located in a business zone off a road with heavy traffic and near an inter-city motorway. The environment of each Group company thus limits adverse impacts on the biological balance, natural habitats, and protected animal or vegetable species. Regarding effluent discharges, Egide SA and Santier have decided to store their effluents in tanks built specifically for this purpose which are evacuated and processed on a regular basis by specialized companies. Egide USA neutralizes pollutants for treatment before discharging its effluents into the municipal networks (after prior pH control).

Furthermore, a number of measures have been identified and implemented (paper and cardboard recycling, phasing out of the use of flo-pak, waste separation, etc.).

Lastly, as part of the modernization projects for the Bollène plant, measures are being formalized to save energy and reduce water consumption.

6.3 Information relating to social commitments in favor of sustainable development

a) Territorial, economic and social impact of the Company's activity

Employment and regional development

Each Group company gives preference to the local labor force for the recruitment of new staff. Also, regional infrastructure resources are used when available.

Impacts on resident or local populations

The French site is located in an industrial area surrounded by agricultural fields while the US sites are located in a commercial area off the main road in a town environment or in a business zone. By their location, the impact of Group entities on local residents or populations is very limited.

b) Relations with persons or organizations interested by the activity of the company

Conditions of dialogue

All persons interested in the activity of the company may freely contact the different Group units. The relevant contact information is available from Egide website.

Corporate partnerships or sponsorship initiatives

No corporate partnerships or sponsorship initiatives have been implemented by Group companies

c) Outsourcing and suppliers

An ethics clause is included in the charter sent by Egide SA to all suppliers (also available at the website) and acceptance by suppliers of a purchase order constitutes acceptance of the provisions of this clause. With most of the suppliers with whom Egide works being from Europe or the United States, the company is overall not subject to a risk of noncompliance by the latter with ILO conventions. With respect to suppliers, particularly in Asia where application of ILO conventions can sometimes be challenged, the existence of the Egide purchasing charter helps ensure that these conventions are better applied. In addition, Egide suppliers are regularly audited by the Group's quality department in order to, in particular, ensure compliance with the purchasing charter.

Egide moreover specifically prohibits using suppliers having recourse to child labor or forced labor. By objecting in order from Egide, the supplier unconditionally undertakes to comply and ensure compliance by its own suppliers of this clause.

d) Fair practices

Actions taken to prevent corruption and tax evasion

The company relies on procedures in place at each unit to prevent all risks of corruption and tax evasion. Otherwise, no specific measures addressing the subject have been adopted.

Consumer health and safety measures

The company has an exclusively B2B customer base and none of the products sold by the Group are destined for the consumer segment.

With regards to health, Egide applies the laws and regulations in force in each country (REACH and RoHS regulations for example).

e) Other actions undertaken in favor of human rights

No specific measures in this area have been formalized within the Group's companies.

7. Subsidiaries and associates

At the end of 2021, the company held one wholly-owned subsidiary:

- Egide USA LLC, incorporated in and governed by the laws of the United States law (Delaware) created on November 8, 2000.

Egide USA LLC does not have any industrial activity itself and owns

- 100% of the shares of Egide USA Inc., a company incorporated in the United States on December 29, 2000 and which operates in the state of Maryland
- 100% of the shares of Santier Inc., a company incorporated in the United States on February 28, 2017 and which operates in the State of California

None of these companies are publicly traded.

8. Other disclosures

8.1 Information on the Company's share and its market

The shares of Egide have been listed on the regulated market of Euronext Paris – Compartment C (FR0000072373) since July 11, 1999.

Because daily trading volume in euros of the above share on Euronext Paris is less than €100,000, the shares are not eligible for the Long-only Deferred Settlement Service.

8.2 Liquidity agreement

No market making agreement has been entered into

8.3 Share price and trading volume information

Based on the number of 10,346,686 shares making up the capital at December 31, 2021 and a closing price on December 31, 2021 of €1.43, the market capitalization was €14.79 million.

The monthly breakdown of average daily trading volume in 2021 is presented in the table below (source: Euronext Paris):

Month	**Trading volume**	**Month**	**Trading volume**
January	123,881	July	42,716
February	54,498	August	21,061
March	97,119	September	33,715
April	118,820	October	16,867
May	61,491	November	35,271
June	99,946	December	54,901

The high and low price in 2021 (source: Euronext Paris):

	High	**Low**
During the trading session	€1.69	€0.95
Closing price	€1.62	€0.96

8.4 Disclosures on disallowed deductions

A portion of the lease payments for passenger vehicles is considered non-deductible by the French General Tax Code. In 2021, this amount represented €11,810.

8.5 Disclosures on dividends

In compliance with the disclosure requirement provided for by article 243 *bis* of the French general tax code, we remind you that there have been no dividend distributions for the last three financial periods.

8.6 Disclosures on loans granted by the company

No loans have been granted by the company to micro-enterprises, SMEs or intermediate-sized enterprises (ETI) with which it has economic relations (article L. 511-6, 3 *bis* of the French monetary and financial code).

8.7 Use of delegations of authority

In fiscal 2021, the Board of Directors used the delegation of authority granted to it by the 20th resolution of the General Meeting of June 19, 2020, on March 22, 2021 and September 29, 2021, to distribute 120,000 stock options, at a price of €1.01 for 40,000 options, €1.05 for 20,000 options and €1.32 for 60,000 options

9. AGM date

9.1 Approval of the separate parent company and consolidated financial statements

in accordance with provisions of article L225-100 of the French commercial code, we hereby ask you to approve the separate parent company and the consolidated financial statements presented to you.

9.2 Regulated agreements

There were no regulated agreements in 2021;

9.3 Net income appropriation

We propose that the net profit for the year of €303,842.85 be allocated as follows:

- Allocation to "Retained earnings/Accumulated deficit for the full amount.

9.4 Approval of the compensation of corporate officers

In accordance with provisions of article L. 225-37-2 of the French commercial code, we submit for your approval compensation paid to the chief executive officer as a corporate officer for fiscal 2021 and whose principles and criteria had been approved by the seventh resolution of the general meeting of June 18, 2021. For information, because the deputy chief executive receives compensation solely on the basis of his employment contract, and not for his functions as corporate officer, he is not included in the following table.

Gross compensation	**Amount paid/granted**	**Amount submitted for approval**
Fixed portion	$275,000	$275,000
Variable compensation	$82,500	$0
Exceptional compensation	$0	$0
Benefits in-kind	$12,638	$12,638
Duties	0	0
Other	0	0

The Chief Executive Officer holds 100,000 stock options at an exercise price of €0.86 each. The fair value of these options in the consolidated financial statements at December 31, 2021 was €15,709.

The deputy chief executive officer who did not receive compensation for his functions as officer holds 70,000 stock options at an exercise price of €0.86 for 50,000 of these options and €1.01 for 20,000 options. The fair value of these options in the consolidated financial statements at December 31, 2021 was €9,526.

9.5 Approval of the system for the compensation of company officers

In accordance with the provisions of article L225-37-2 of the French commercial code, we have prevented for your approval principles and criteria applied to determine the compensation of the compensation of the Chairman and Chief Executive Officer for the fiscal 2022:

Compensation	**Chair-Chief Executive Officer**
Fixed portion	Defined by the board of directors according to the structure of the company

Compensation	Chair-Chief Executive Officer
	(size, international dimension, market capitalization), comparables of the sector and equivalent companies in the United States.
Variable compensation	Defined annually and corresponding to a percentage of the fixed salary according to two criteria linked to the Group's sales and operating result (cumulative maximum: 60%)
Exceptional compensation	Decided by the board of directors annually according to qualitative(s) criteria(s), and not automatic in nature
Benefits in-kind	Defined by the board of directors, considering that the chairman-chief executive officer is a US citizen and tax resident for six months of the year;
Stocks options	Granted without conditions of performance according to the same procedures for all beneficiaries included among employees of the company and its subsidiaries, subject to requirement to hold at least 20% of the shares for the duration of the term of office.
Duties	No specific missions as they fall within the scope of the functions exercised
Other	No benefits such as Golden Hellos, Golden Parachutes or retirement severance payments (excluding those required by law)

9.6 Renewal of RSM's appointment as statutory auditor

We propose that the appointment of RSM be renewed for a term of 6 years, bearing in mind that this is the last time this term may be renewed and that we will be required to change the joint auditor in 2 years.

9.7 Authorization to increase the capital (delegations of authority)

A summary of the delegations of authority to increase the capital granted by the general meeting to the board of directors on December 31, 2021 is presented in a table attached to this document.

As one of the delegations of authority will expire in fiscal 2022, whereas our next meeting will not be held until mid-2023, we accordingly ask you to renew said delegation in order to:

- Increase the share capital by issuing equity securities or debt securities giving access to equity securities, with cancellation of preferential subscription rights for a maximum of 20% of the capital.

This report constitutes a summary of the company's situation required by article R225-81 paragraph 3 of the French commercial code.

May 02, 2022

Board of Directors

Five-year financial summary (in €)

CLOSING DATE Length of fiscal year	12/31/2021 12 months	12/31/2020 12 months	12/31/2019 12 months	12/31/2018 12 months	12/31/2017 12 months
SHARE CAPITAL AT YEAR-END					
Share capital	5,173,434	5,173,434	20,693,736	15,800,732	15,800,732
Number of shares:					
- - common shares	10,346,868	10,346,868	10,346,868	7,900,366	7,900,366
- - preferred shares					
Maximum number of future shares to be created:					
- by conversion of bonds					
- by exercise of subscription rights	1,034,687	1,034,687	1,034,687	790,036	790,036
OPERATIONS AND RESULTS					
Sales ex-VAT	14,479,285	13,706,500	12,484,628	15,128,277	15,725,480
Earnings before taxes, employee profit-sharing, depreciation, amortization and provisions	472,343	(719,083)	(2,587,122)	(607,151)	(1,294,626)
Income taxes	(153,833)	(143,642)	(272,758)	(267,573)	(251,182)
Employee profit-sharing					
Allowances for depreciation and impairment	322,333	182,484	152,413	1,386,382	502,556
Net income/(loss)	303,843	(757,925)	(2,467,777)	(1,725,960)	(1,546,000)
Distributed profit (Allocated loss)					
EARNINGS PER SHARE					
Earnings after tax, employee profit-sharing, and before depreciation, amortization and provisions	0.06	(0.06)	(0.22)	(0.04)	(0.13)
Earnings after tax, employee profit-sharing, depreciation, amortization and provisions	0.03	(0.07)	(0.24)	(0.22)	(0.20)
PERSONNEL					
Average number of employees	132	135	138	157	174
Payroll	4,344,884	4,298,751	5,096,855	4,951,081	5,044,640
Social charges and benefits paid					
(social security, social welfare payments, etc.)	1,668,176	1,661,491	2,045,722	1,961,125	1,870,696

Authorizations for capital increases granted by the general meeting to the board of directors
At December 31, 2021

	Shareholders' Meeting date	Expiry date of the authorization	Authorized amount (nominal value)	Use of authorizations in prior periods	Authorizations used in the period	Residual amount on the date this summary was produced
Authorization to increase the capital maintaining preemptive subscription rights	06/18/2021	08/17/2023	Shares €1,500,000 Debt securities €1,500,000	No	No	Shares €1,500,000 Debt securities €1,500,000
Authorization to increase the number of securities to be issued in the event of a capital increase with preemptive subscription rights	06/18/2021	08/17/2023	15% of the initial amount of the increase	No	No	-
Authorization for a capital increase to the benefit of employees with cancellation of preemptive subscription rights	06/18/2021	08/17/2023	Maximum 1 % of the capital	No	No	Shares €51,734
Authorization to increase the capital with cancellation of preemptive subscription rights	06/18/2021	12/17/2022	20% of the capital	No	No	Shares €517,343
Authorization to issue stock options to subscribe for shares	06/19/2020	08/18/2023	10% of the capital	No	Yes	3.18% of the capital

Securities holdings

Information of marketable securities presented in the balance sheet of Egide SA as of December 31, 2021 is presented below:

Amounts in euros	**Quantity**	**Net value**
Fixed securities Egide USA LLC shares	- -	9,000, 000
Subtotal – fixed securities		**9,000, 000**
Marketable securities -	-	0
Subtotal – marketable securities		**0**
Total – net carrying value		**9,000, 000**

Collateral, pledges and guarantees given by the company

Commitments given:

In favor of affiliated companies:

Egide USA LLC has provided a guarantee to H.G. Fenton Development Company, owner of the building leased by Santier Inc. as of January 1, 2018 for lease payments owed in the amount of US$1,882,000 (or €1,662,000) at December 31, 2021.

In favor of financial institutions:

- None

For the benefit of miscellaneous third parties:

- None

Commitments received

- No bank guarantees were issued to the benefit of Egide.

Reciprocal commitments

- In connection with the factoring arrangement set up in April 2006, Egide SA took out a credit insurance policy designating the factors as beneficiaries for insurance payments to be made in the event of default by the company's customers. Obligations for claims payments by the insurance company are limited with respect to the company to maximum payments equal to €1 million.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Period from January 1 to December 31, 2021

(€ thousands)

Translation disclaimer: This document is a free translation for information purposes of the French language version of the consolidated financial statements for the twelve-month period ended 31 December 2021 produced for the convenience of English speaking readers. In the event of any ambiguity or conflict between statements or other items contained herein and the original French version, the relevant statement or item of the French version shall prevail. While all possible care has been taken to ensure that this translation is an accurate representation of the original French document, in all matters of information, views or opinions expressed therein, only the original language version of the document in French is legally binding. As such, this translation may not be relied upon to sustain any legal claim, nor be used as the basis of any legal opinion and Egide SA expressly disclaims all liability for any inaccuracy herein.

EGIDE SA – Sactar Site – 84500 BOLLENE France

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (€ thousands)	Notes	Net value at 12/31/2021	Net value at 12/31/2020
Intangible assets		626	996
Property, plant and equipment		9,104	5,494
Right-of-use assets	2.1	1,971	2,276
Other financial assets	2.1	457	459
Other non-current assets		691	783
Non-current assets		**12,849**	**10,008**
Inventories	2.2	7,367	8,085
Trade and other receivables	2.3	4,868	5,032
Cash and cash equivalents		1,592	1,403
Other current assets		1,627	3,225
Others current assets		**15,454**	**17,744**
TOTAL ASSETS		**28,303**	**27,752**

EQUITY AND LIABILITIES (€ thousands)	Notes	Values at 12/31/2021	Values at 12/31/2020
Paid-in capital	3.1	5,174	5,174
Additional paid-in capital		417	417
Legal reserve		356	356
Consolidated reserves		8,319	7,391
Net income/(loss)		201	985
Other equity		- 2,892	- 3,732
Shareholders’ equity		**11,574**	**10,591**
Provisions	2.5	868	808
Borrowings and financial liabilities	2.6	1,522	2,936
Non-current lease liabilities	2.6	1,749	2,058
Other non-current liabilities		568	-
Non-current liabilities		**4,707**	**5,803**
Provisions	2.5	-	-
Borrowings and financial liabilities	2. 6	6,161	3,641
Current lease liabilities	2.6	498	466
Trade and other payables		5,360	7,248
Other non-current liabilities		3	3
Current liabilities		**12,022**	**11,358**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**28,303**	**27,752**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (€ thousands)	Notes	12/31/2021	12/31/2020
Revenue	2.8	32,503	29,973
Raw materials and consumables	2.2	-13,302	-11,700
Change in finished goods and work in progress	2.2	461	-821
Staff costs		-13,890	-13,638
External charges		-6,497	-2,318
Taxes other than on income	2.7	-323	-307
Amortization, depreciation and impairment of fixed assets	2.1	-1,850	-1,584
Allowances and reversals of impairment & provisions	2.5	379	33
Other operating income	2.9	206	198
Other operating expenses	2.9	-228	-188
Current operating profit/(loss)		**-2,541**	**-351**
Other operating income	2.9	4,169	12,418
Other operating expenses	2.9	-808	-10,096
Operating profit / (loss)		**819**	**1,971**
Income from cash and cash equivalents			
Gross borrowing costs	2.1	-420	-592
Net interest expense		**-420**	**-592**
Other financial income	2.1	11	128
Other financial expenses		-18	-98
Net financial income (expense)		**-427**	**-561**
Income before tax		**392**	**1,410**
Income tax		-191	-424
Net income/(loss)		**201**	**985**
Attributable to the equity holders of the parent		201	985
Earnings per share (in €)		0.02	0.10
Diluted earnings per share (in €)		0.02	0.10

STATEMENT OF COMPREHENSIVE INCOME (€ thousands)	Notes	12/31/2021	12/31/2020
Net income/(loss)		201	985
Items able to be recycled in profit or loss:			
- translation losses and gains from financial statements of subsidiaries presented in foreign currencies		744	- 828
Items unable to be recycled in profit or loss:			
- IFRS 2 share-based expenses related to stock option plans		68	42
- actuarial gains and losses linked to defined benefit obligations	2.5	28	- 20
Other comprehensive income		**840**	**-806**
Comprehensive income		**1,041**	**179**
Attributable to the equity holders of the parent		1,041	179

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(€ thousands)	Number of shares	Capital	Additional paid-in capital	Legal and consolidated reserves	Net income/(loss)	Other equity	Shareholders' equity
Balance at 12/31/2019	**10,346,868**	**20,694**	**417**	-4,989	-2,815	-2,926	**10,381**
Comprehensive income 2020					985	-806	179
Changes in parent company equity		-15,520		15,520			-
Earnings appropriation for fiscal 2019				-2,815	2,815		-
Other changes				3			3
Correct opening amount/accounting method change for retirement severance benefits				28			28
Balance at 12/31/2020	**10,346,868**	**5,174**	**417**	**7,747**	**985**	**-3,732**	**10,591**
2021 net income/(loss)					201		201
Other comprehensive income 2021						840	840
Comprehensive income 2021	**-**	**-**	**-**	**-**	**201**	**840**	**1,041**
Changes in parent company equity				-			-
Capital increase expenses							-
Earnings appropriation for fiscal 2020				985	-985		-
Stock options							-
Other changes				-59			-59
Balance at 12/31/2021	**10,346,868**	**5,174**	**417**	**8,674**	**201**	**-2,892**	**11,574**

There are no non-controlling interests in Egide Group.

STATEMENT OF CASH FLOWS (€ thousands)	Notes	12/31/2021	12/31/2020
Cash flow		**-1,204**	**2,482**
Net income of consolidated operations		201	985
Adjustments to non-cash income and expenses to net cash provided by operating activities			
Amortization, depreciation and provisions		835	1,922
Depreciation of right-of-use assets		473	501
Capital gains from the sale of intangible and tangible assets		-6	493
Recognition of Egide USA deferred tax assets		146	424
Egide USA fire insurance claim payments	(1)	-2,993	-2,022
Interest on lease liabilities		140	179
Change in operating working capital requirements	(2)	**729**	**-795**
(increase) / decrease in inventories		1,080	-1,053
(increase) / decrease in trade receivables		311	778
(increase) / decrease in other receivables		1,675	-2,087
(increase) / decrease in trade payables		-1,693	1,058
(increase) / decrease in tax and employee-related liabilities		-450	621
(increase) / decrease in other payables		-194	-111
Net cash from (used in) operating activities		**-474**	**1,688**
Acquisition of property, plant and equipment and intangible assets	2.1.	-3,525	-2,857
Inflows from the disposal of fixed assets		88	
Investment grants		568	
Egide USA fire insurance claim payments	(1)	2,993	2,022
Net cash provided by (used in) investing activities		**123**	**-835**
Capital increase		-	-
Change in other equity		-	-
Conditional advance		-	-
New bank borrowings	2.6	3,665	727
Other borrowings		-	-
Repayment of bond loans		-271	-212
Repayment of bank borrowings		-2,071	-1,079
Repayment of other borrowings		- 120	-
Repayment of lease liabilities and related financial expenses		-626	-692
Factoring liabilities		-360	575
Lease liabilities		-	-
Other changes in cash flows resulting from financing activities		273	-167
Net cash flows provided by (used in) financing activities		**491**	**-847**
Effect of changes in exchange rates		50	-62
Change in cash and cash equivalents		**190**	**-56**
Closing cash and cash equivalents		1,592	1,403
Opening cash and cash equivalents		1,403	1,458
Change in cash and cash equivalents		190	-56

Cash consists exclusively of bank account balances.

(1) Insurance claims payments to finance rebuilding the Egide USA plant were reclassified as a non-operating cash flow item.

(2) Inflows originating from the forgiveness of Paycheck Protection Program (PPP) loans amounting to €688,000 were included under cash flows from operating activities.

Notes on pages 8 to 32 are an integral part of the consolidated financial statements.

NOTES

Preliminary remarks

Egide designs, manufactures, and sells hermetic packages (passive electronic components) for the protection and interconnection of electronic systems as well as metallic components and thermal management materials.

These notes are an integral part of the consolidated financial statements established on December 31, 2021 with a statement of financial position showing total assets of €28,303,000, and a statement of comprehensive income presented by nature showing a net profit of €201,000, adopted by the Board of Directors on May 2, 2022.

The information given below is expressed in thousands of euros, unless stated otherwise.
The financial period ends on December 31 and covers a twelve-month period from January 1, 2021 to December 31, 2021.

1.1 Basis of consolidation
In compliance with EC regulation No. 1606/2002 of July 19, 2002, Egide Group (see section 1.4) presents its consolidated financial statements for the period ended December 31, 2021in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB and adopted by the European Union at December 31, 2017. Standards applied include IFRS and IAS (International Accounting Standards), and their interpretations applicable at December 31, 2021. For the purpose of simplification, these standards and their interpretations are jointly referred to as "IFRS standards" or "IFRS. Information on these standards website: https://www.ifrs.org/issued-standards/

The accounting standards, interpretations and policies applied by the Group in the consolidated financial statements for the year ended December 31, 2021 are the same as those used for the year ended December 31, 2020, with the exception of certain standards, interpretations or amendments to standards that became mandatory for periods beginning on or after January 1, 2021. These standards do not have a material impact on the Group's consolidated financial statements.

Standard, interpretation	Subject	IASB issue date	EU adoption date
Amendments to IFRS 16,	Leases: COVID-19-related rent concessions.	05/28/2020	06/01/2020
Amendments to IFRS 16, IFRS 4, IFRS 7, IFRS 9 and IAS 39	Interest Rate Benchmark Reform – Phase 2	08/27/2020	01/01/2021
IFRS annual improvements	2018-2020 cycle.	05/14/2020	06/28/2021

Note: for the year ended December 31, 2021, the Group applied the IFRS IC decision issued in May 2021 on attributing benefit to periods when calculating the provision for employee benefits under IAS 19. The impacts of the IAS 19 decision were recognized in the consolidated financial statements for the year ended December 31, 2021, with retrospective effect on the 2020 consolidated financial statements (see note 2.5).

Texts published by IASB at December 31, 2021 but not in effect or applicable in the European Union are as follows:

Standard, interpretation	Subject	IASB issue date
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	05/07/2021
IFRS 17	Insurance contracts	05/18/2017
Amendment to IFRS 17	Modification of IFRS 17	06/25/2020
Amendments to IAS 1,	Presentation of financial statements: classification of liabilities as current and non-current.	07/28/2020
Amendments to IAS 8,	Changes in accounting policies, accounting estimates and corrections of errors,	02/12/2021
Amendments to IAS 16,	Property, plant and equipment: proceeds before intended use.	06/28/2021
Amendments to IAS 37,	Provisions, contingent liabilities and contingent assets: onerous contracts — cost of fulfilling a contract	06/28/2021

Group operations are not affected by seasonality factors.

1.2. Critical accounting estimates and judgments

The Group makes estimates and applies assumptions with regard to future activity. The resulting accounting estimates will by definition, rarely be identical to actual results.

The critical accounting estimates and assumptions that could result in a material adjustment to the carrying amount of assets and liabilities during subsequent periods concerned mainly impairment tests the Group may perform on intangible and intangible assets. Specifically, recoverable amounts of cash generating units are determined from calculations for value in use which call for use of estimates.

Within the context of a global health crisis caused by the Covid-19 pandemic, the impact on the Group was relatively limited and for that reason it did not consider it necessary to adopt alarmist assumptions that could have altered the estimates.

1.3. Financial risk management

1.3.1. Exchange rate risk

In 2021, exports accounted for 78% of Egide's revenue (excluding France), including 50% to North America where sales are invoiced in US dollars. Concerning the 19% of sales to non-European countries, amounts are invoiced in either euros or US dollars. In the period, Egide SA invoiced US$0.9 million (equivalent value in euros o €0.8 million), Egide USA Inc. US$12.2 million (€10.3 million) and Santier Inc. US$9.5 million (€8.0 million). In 2021, the US dollar's exchange rate against the euro (based on an average of 1.1835 for the year, compared with 1.1413 in 2020) had a negative currency effect of 2.3% on Group sales.

Inflows from sales in US dollars received directly by Egide SA ((US$0.9 million in 2021) were used to purchase components from US suppliers (US$1.9 million in 2021). As billings in US dollars decreased significantly, the factoring contract in US dollars was barely used, it was necessary to purchase $1 million over the year to pay suppliers. Because foreign exchange risks remain relatively low no currency hedges were implemented.

For the US subsidiaries, all purchases and sales are in US dollars. At the end of the reporting period, the Group's foreign exchange risk is accordingly limited to the result for the period of Egide USA LLC, Egide USA Inc. and Santier Inc. converted into euros for consolidation as well as their US dollar denominated cash balances.

1.3.2. Interest rate risk

Given the marginal potential impact of interest rate fluctuations on the statement of comprehensive income linked to the nature of interest rates, the Group has not adopted specific measures for monitoring and managing interest rate risks. These rates according to the type of financing and described in note 2.6 are as follows:

- Egide SA:
  - Two factoring agreements for which the corresponding monthly financing commission applied by the factors to amounts financed is based on the Euribor average 3 month rate at the end of the prior month subject to a 1.60% minimum.
  - A standalone bond with a fixed coupon rate of 7%, reimbursed in full in October 2021..
  - A "Sofired -PME" loan from BPI with a fixed rate of interest of 3.85%
  - Three French government-backed Covid-19 relief loans from Crédit du Nord, Banque Populaire and LCL with an interest rate of 0.73%.
- At Egide USA Inc.: Financing lines including a revolving credit facility, an equipment financing loan and a real estate loan obtained from Pacific Mercantile Bank, now Banc of California, subject to the prime lending rate published by the Wall Street Journal plus 1.50 points (with a floor rate of 5.50%) for the revolving credit facility and 1.75 points (with a floor rate of 5.75%) for the equipment financing loan and real estate loan.

- At Santier Inc.: financing lines including a revolving credit facility, two equipment financing loan and two term loans obtained from Pacific Mercantile Bank subject to the prime lending rate published by the Wall Street Journal plus 1.50 points (floor rate of 6%) for the revolving credit facility and 1 point (floor rate of 5.50%) for the equipment financing loan and real term loans.

1.3.3. Going concern principle and liquidity

The accounts produced for fiscal year ended December 31, 2021 was based on the assumption that the company would continue as a going concern.
This assumption was called into question this year, in particular because the US subsidiaries did not respect the covenants of their financing in the second half of 2021. As a result, a deadline was given of June 30, 2022 to replace the current bank (Pacific Mercantile Bank) along with the corresponding bank facilities (revolving credit facility and long-term financing). In this context, various options have been developed by the management to ensure the continuity of operations, including the proposed restructuring of the U.S. debt discussed below. It should be noted that the different milestones contractually included in this project, the last of which will not be completed before mid-June 2022, could, in the event of an unfavorable outcome, call into question the company's status as a going concern. At the date of preparation of the consolidated financial statements, the restructuring project was in progress and management had no knowledge of any factors that might call into question its successful completion.

The restructuring of the US debt, which was made possible by the pledge of the Cambridge building, is described in detail in chapter 1.6. Post-closing events. Budgets and monthly cash flow forecasts until June 2023 have been validated on the basis of this project.

At the Group level, these elements were deemed satisfactory by the Board of Directors on May 2, 2022, even though particular attention should be paid to the timing of operations, and making it possible to maintain the going concern assumption in preparing the annual financial statements.

1.4. Consolidated companies and basis of consolidation

The following companies were consolidated by Egide Group at December 31, 2021:

Company	Place of registration or incorporation	Ownership interest (%)	Consolidation method	Date of first consolidation
Egide SA	Bollène (Vaucluse) (France)	100%	Parent company	NA
Egide USA LLC	Wilmington – Delaware (USA)	100%	Full consolidation	11/08/2000
Egide USA Inc.	Cambridge – Maryland (USA)	100%	Full consolidation	12/29/2000
Santier Inc.	San Diego – California (USA)	100%	Full consolidation	02/28/2017

Subsidiaries over which exclusive control is exercised are fully consolidated. The notion of control is taken to mean the power to define and manage the financial and operational strategies of a company so as to benefit from its activities. Control is presumed to exist in those companies in which the Group directly or indirectly holds majority voting rights therein.

Consolidated companies close their annual financial statements on December 31 with a financial period of 12 months.
Financial statements are presented in euros, the functional currency of Egide SA and the currency for the presentation of the Group accounts.

The financial statements of Egide USA Inc. and Santier Inc. are translated according to the closing rate method, whereby the statement of financial position (balance sheet) is converted into euros based on the exchange rate prevailing at the end of the reporting period. The comprehensive income statement and the cash flow statement are translated at the average exchange rate for the period. Translation differences are recorded directly in equity under the heading "other equity".

The financial statements of Egide USA LLC are translated according to the historical rate method whereby the statement of financial position is translated according to historical rates, except for monetary items which are translated at the closing exchange rate. The comprehensive income statement and the cash flow statement are translated at the average exchange rate for the period. Translation differences are recorded directly in equity under the heading "other equity".

Income and expenses from intercompany transactions are eliminated in the balance sheet when preparing the consolidated financial statements.

1.5. Annual operating highlights

There were no major developments in 2021. In contrast, 2021 continued to be impacted by significant developments of 2020.
The fire in early July 2020 at Egide USA's electroplating facility in Cambridge was by far the most significant event, with several consequences:

- While the reconstruction of the surface treatment workshop was delayed and production did not fully resume until June 2021, subcontractors were used to maintain deliveries and preserve the customer base. This subcontracting proved to be particularly expensive, representing €2.8 million for the year (93% in the first half). This additional cost was only partially offset by coverage for operating losses in the amount of €0.5 million.
- New electroplating line equipment represented €2.8 million of new fixed assets financed by insurance payments and as such, representing exceptional profit.
- Finally, it was once again possible to benefit from a US government relief Covid-19 PPP (Paycheck Protection Plan) aid in the amount of €0.7 million.

More generally, and not only for Egide USA, it may be noted that while Covid did not have a major direct effect, it did complicate the sales process, resulting in delayed order intake, resulting in a slower start for business in 2022 though which will be made up in the second quarter.

Finally, the levels of earnings by company led to a reassessment of indicators of impairment resulting in the following measures:
- A €0.29 million goodwill impairment charge for Santier;
- Activation of a portion of the US deferred tax asset in the amount of €0.34 million;
- Reversal of the remaining balance of impairment charges on fixed assets of Egide SA originating in 2018 in the amount of €0.50 million;
- Activation of portion of Egide SA's loss carry forward in the amount of €0.20 million.

With regard to financing, Egide SA succeeded in obtaining 2 new French government-backed Covid-19 relief loans (PGE) for a total of €750,000 and the 2020 Research Tax Credit financing in the amount of €115,000.

1.6. Subsequent events

The Group's activities are not directly impacted by the war in Ukraine, either in terms of sales or purchases. While it is likely that the recovery of global military budgets will have a positive impact, but there are no signs of such developments to date.
In contrast, inflation, particularly for energy, of which the Group is a major consumer, has an immediate impact. However, the Group's business model is based on pricing proposals from customers, which are backed up by pricing proposals from suppliers. When the customer confirms the order, the purchase price is also confirmed. The impacts are therefore limited to energy, consumables and labor, which for the time being remain supportable.

The major event of the beginning of the year concerns the financing of US operations. The US bank PMB, after merging with the Banc of California and a breach of covenants, announced its intention to cease providing additional financing after June 30, 2022. At the current time, the measures adopted in response are in the process of being audited (due diligence). These include notably:
- refinancing of the Cambridge building and the assets it contains for US$6 million by World Business Capital. The proposal was submitted by WBC and accepted by Egide. The audit and the file compilation phase are currently in progress and should be completed by mid-June 2022. The terms of this financing are based on a principal of US$6 million, repayable in 20 years, bearing interest of 6.91%. The first application of these funds is for the repayment of the current long-term loans (US$2.5 million).
- Refinancing the revolving credit facilities used to finance Egide USA and Santier's working capital requirements (US$2.4 million as of December 31, 2021) by Gibraltar Business Capital at a Prime Rate +2.5%, or 6% currently. This financing would be more flexible and also more than 1.5 times larger than the current lines with a cap of US$6 million to finance the growth of the two US entities.

These two projects are concurrent and are at the same stage: "Letter of Intent" accepted, audits and file compilation in progress, approvals expected mid-June. The bank has been asked for an extension of the original deadline by a one quarter with the accepted financing offers provided in support of this request. We have not yet received a response from the Banc of California.

These financing projects would first of all make it possible to ensure the continuity of operations, but more importantly to achieve the Group's goal of modernizing its US entities, based along the lines of the same model initiated in Bollène in France. This modernization would be carried out without recourse to equity financing, as the current level of the share price is considered unfavorable and too dilutive.

2.1. Fixed assets

- Assets owned by the Group

In light of the "customized" nature of products marketed by Egide, research and development expenditures concern mainly products developed in partnership with customers. These costs recognized under expenses are then incorporated into the costs of prototypes which are invoiced to customers. In consequence, no research and development expenditures are capitalized and accounted for as assets.

Intangible assets include items originating from the acquisition of Santier Inc.: a trademark in the amount of US$0.25 million, and customer relationships and technology valued at US$0.50 million each. Goodwill in the amount of $0.34 million was fully amortized in fiscal 2021. At December 31, 2021, intangible assets had a net value of €626,000.

Finite life assets are amortized on a straight-line basis over the expected useful life for generating economic benefits for the Group.
Amortization periods applied are as follows:

	Straight-line
Santier Inc. trademark	15 yrs.
Santier Inc. customer relationships and technologies	10 yrs.
Licenses	5 to 10 yrs.
Software	3 to 5 years
Patents	12 yrs.
Buildings	25 yrs.
Buildings fixtures and fittings	10 yrs.
Plant, machinery and equipment	3 to 10 years
Office equipment and furniture, other fixtures and fittings	3 to 10 years

As no residual values are retained at the end of these useful lives, a corresponding deduction is not made from the depreciation base.

- Leased assets accounted for in accordance with IFRS 16

The Group identifies the property covered by the lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration.
Leases with initial terms of less than 12 months or concerning individual values less than €5,000 are excluded from the application of IFRS 16. The lease payments from these contracts continue to be recorded in the income statement.

At the lease commencement date, the Group shall measure the right-of-use asset at cost which includes:

- the amount of the initial measurement of the lease liabilities representing the discounted value of these payments not yet paid;
- any payments made less incentives received on or before the commencement date of the lease;
- any initial direct costs incurred by the lessee;

For the amortization of right-of-use assets, the Group applies the provisions with respect to amortization provided for under IAS 16 Property, plant and equipment.
The amortization period for assets leased corresponds to the term of the lease.

- Impairment of intangible and tangible assets

In accordance with IAS 36, an impairment test is performed whenever there exists an internal or external indicator of a loss in value. An impairment loss is recognized if the recoverable value of the asset concerned is lower than the net carrying value. This impairment loss is deducted from depreciable accounting base over the asset's remaining useful life

Before impairment tests, cash generating units (CGU) are first of the five. A CGU is a group of homogeneous assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

For Egide Group, the following CGU have been defined:

- Egide SA
- Egide USA Inc.
- Santier Inc.

In effect, these profit centers reflect the smallest identifiable groups of assets generating cash flows able to be defined by the Group. The Group accordingly measures discounted future cash flow that will be generated by each CGU. Value in use is determined by comparing the present value of cash flows (cash flow, capital expenditures, WCR level and financing) to the net carrying value of the corresponding intangible and tangible assets of the corresponding CGU. An impairment loss is recognized if value in use falls below the net carrying value, except if this asset or group of assets have a specific market value which is higher than the carrying value.

Intangible and tangible assets break down as follows:

Gross amounts	Intangible assets	Land and buildings	Plant and machinery	Other tangible fixed assets	Work in progress, prepayments	Total
At 01/01/2020	**2,172**	**4,791**	**17,941**	**2,370**	**452**	**27,726**
Reclassification			**- 1,759**	**1,759**		
Increase	38	1,056	573	183	1,015	2,866
Disposal		- 476	- 1,981	- 245	- 3	- 2,704
Translation adjustments	- 113	- 336	- 231	- 216	- 324	- 1,221
Other changes						-
At 12/31/2020	**2,097**	**5,035**	**14,544**	**3,851**	**1,141**	**26,667**
Transfer			989		- 987	2
Increase	21	460	2,564	139	418	3,603
Disposal		-	- 82	-	-	- 82
Translation adjustments	102	345	541	199	42	1,228
Other changes	-	184	- 214	11	-	- 19
At 12/31/2021	**2,220**	**6,023**	**18,343**	**4,200**	**613**	**31,399**

Amortization, depreciation and impairment	Intangible assets	Land and buildings	Plant and machinery	Other tangible fixed assets	Work in progress, prepayments	Total
At 01/01/2020	**1,013**	**821**	**14,447**	**1,868**	**112**	**18,261**
Reclassification			- 821	821		-
Disposal	93	430	615	391		1,530
Allowances for depreciation		- 171	- 1,873	- 164		- 2,208
Reversal of provision for impairment		286	713	0		999
Translation adjustments			- 100	- 46		- 145
Other changes	- 37	- 68	- 305	- 126		- 535
At 12/31/2020	**1,069**	**1,298**	**12,677**	**2,745**	**112**	**17,901**
Transfer		27	103	- 150		- 21
Allowances for depr. and amort.	483	445	712	239		1,878
Disposal		-	-	-		-
Allowances for depreciation						-
Reversals of depreciation			- 363	- 283		- 646
Translation adjustments	42	77	277	191		587
At 12/31/2021	**1,594**	**1,846**	**13,405**	**2,743**	**112**	**19,700**

In net values	Intangible assets	Land and buildings	Plant and machinery	Other tangible fixed assets	Work in progress, prepayments	Total
At 01/01/2020	**1,159**	**3,970**	**3,494**	**502**	**340**	**9,465**
Reclassification	-	-	-938	938	-	-
Increases / disposals	-55	340	-755	-208	1,015	337
Increases	-	-305	-108	-81	-3	-496
Decrease	-	-	100	46	-	145
Translation adjustments	-76	-269	74	-90	-324	-685
Other changes						
At 12/31/2020	**1,028**	**3,736**	**1,867**	**1,106**	**1,029**	**8,765**
Transfer	**-**	**-27**	886	**150**	-987	**23**
Increase	-462	15	1,853	-100	418	1,724
Disposal	-	-	-82	-	-	-82
Reversals	-	-	363	283	-	646
Translation adjustments	60	268	264	8	42	641
Other changes	-	184	-214	11	-	-19
At 12/31/2021	**626**	**4,177**	**4,938**	**1,458**	**501**	**11,700**
Of which ROU assets	*0*	*1,748*	*221*	*0*		1,969
Of which intangible assets	*626*					*626*
Of which property, plant and equipment		*2,429*	*4,716*	*1,458*	*501*	*9,104*

Other financial assets amount to €457,000 including €418,000 of guarantee deposits for EGIDE SA property rentals.

Breakdown of intangible assets:

ASSETS in euros	**Gross value at 12/31/2021**	**Amortization, depreciation and impairment**	**Net value at 12/31/2021**	**Net value at 12/31/2020**
Intangible assets	**1,969**	**-1,343**	**926**	**996**
Santier intangible assets	1,416	-820	596	966
Concessions, patents, licenses	401	-371	30	30
Goodwill	152	-152	0	0

The group's capital expenditures for year 2021 amounted to €3,603,000, including €460,000 for Egide SA and €3,143,000 for Cambridge, financed mainly by the insurance payments related to the fire.

Impairment tests:

As of December 31, 2021, the Group's three CGUs (Egide SA, Egide USA and Santier) showed indications of impairment resulting from the fragile nature of their results.

Impairment tests were conducted in consequence to compare the net carrying value of each asset to their present value at December 31, 2021. After testing the sensitivity of the calculations by adjusting the rates by

+ or - 0.5% and changing the assumptions for results, the main assumptions for the calculations were as follows:

- Discount rate: 14.5%;
- Perpetuity growth rate: 1.5%;
- US tax rate: 21%

These test resulted in:

- recognition of an impairment of unallocated Santier goodwill in the amount of €292,000,
- maintaining the €1 million impairment charge on Egide USA's fixed assets recognized in 2020 without any additional impairment charge,
- the reversal of the residual impairment of €501,000 on Egide SA's fixed assets recognized in 2018 for €936,000. (the difference has been written back each year to offset depreciation).

Finally, concerning the deferred tax assets retained by Egide LLC (head of the US tax group) for €0.75 million, an impairment test carried out on the basis of the earnings forecasts of the two US subsidiaries led to the conclusion that the period of use of the balance of deferred tax assets was too long, and an immediate charge of €338,000 was been recognized in consequence.
At the same time, as Egide SA's results are showing signs of a sustainable recovery, while the French tax loss carry-forward exceeds €57 million, it was judged necessary to activate the tax generated by an amount equivalent to 2 to 3 years of forecasted profits, and tax income of €200,000 was recorded in consequence.

These entries resulting from the application of IFRS have a net positive impact of €71,000 and are intended mainly to reflect the improved situation of the French parent company and the difficulties of the US subsidiaries.

Breakdown of right-of-use assets:

Droits d'utilisation	Immobilisations incorporelles	Terrains et constructions	Matériel industriel	Autres immobilisations	En cours, acomptes	Total
BRUT						
Au 01/01/2021	**267**	**4 177**	**436**	**127**		**5 006**
Augmentation	-	-	84	-		84
Ecart conversion	-	132	- 30	- 8		94
Au 31/12/2021	**267**	**4 309**	**490**	**119**	-	**5 184**
AMORTISSEMENT						
Au 01/01/2021	**235**	**2 143**	**227**	**127**		**2 733**
Augmentation	32	370	71	-		473
Ecart conversion	-	47	- 30	- 8		9
Au 31/12/2021	**267**	**2 561**	**269**	**119**	-	**3 215**
Valeurs nettes	**0**	**1 748**	**221**	**0**	-	**1 969**

At December 31, 2021, the increased amortization of right-of-use assets concerns Egide SA for €288,000, Santier Inc. for €175,000 and Egide USA Inc. for €10,000.

2.2. Inventory and work in progress

Inventories materials, consumables and trade goods are recognized at their acquisition cost (plus shipping costs) according to the weighted average cost method. Work in progress, finished goods and semi-finished goods are measured at production cost which includes direct manufacturing costs and factory overheads relating to references recognized as correct at the end of the manufacturing process. The costs of manufacturing scrap are expensed in the period. When costs are higher than the selling price, after deducting selling costs for products, a charge for depreciation is recorded for the difference.

A depreciation charge is recognized for raw materials and semi-finished goods based on their age and expectations for their use. For components, a depreciation of 5% is calculated on completion of the order of the customer for whom the components have been supplied. This depreciation is 75% in the second year and 100% in the third year based on the historical rate of depreciation. For information, inventories for raw material include components and basic raw materials (minerals). Items in this latter category by nature are subject to different depreciation rules based on factors relating to stock use, transformation into components or resale of an existing market. Finished products for which a sales order does not exist, are fully written down in the first year.

Changes in inventory and work in progress and allowances and reversals thereof relating to this inventory are presented in the Group statement of comprehensive income, according to their nature, under "Raw materials and supplies" or "Changes in finished goods and work in progress".

Changes in the inventories and work in progress break down as follows:

Gross value	Raw materials & other supplies	Goods and services in progress	Finished goods	Trade goods	**Total**
At 12/31/2020	**8,098**	**1,508**	**1,082**	**41**	**10,728**
Increase		570	1,004	16	1,590
Decrease	(1,400)	(580)		(8)	(1,988)
Translation adjustments	369	70	54	3	495
At 12/31/2021	**7,066**	**1,567**	**2,140**	**52**	**10,825**

Impairment	Raw materials & other supplies	Goods and services in progress	Finished goods	Trade goods	**Total**
At 12/31/2020	**2,237**	**0**	**403**	**3**	**2,643**
Increase	(149)		(7)		(156)
Decrease	289		549	(0)	838
Translation adjustments	118		11		128
At 12/31/2021	**2,495**	**0**	**955**	**3**	**3,454**

2.3. Trade and other receivables

On initial recognition, receivables are recognized at fair value, and those having maturities of less than one year are discounted as applicable. For subsequent recognition, they are measured at amortized cost using the effective interest method.

Impairment charges are recorded for receivables are subject, as applicable, to collection risks, amounting to the estimated value of the risk.
Receivables in foreign currency are measured at the closing exchange rate on this date. The corresponding translation differences result in the recognition of unrealized foreign exchange losses or gains under profit or loss.

The two balance sheet line items "Trade and other receivables" and "Other current assets" have been reclassified as follows:

Line items	Balance at 12/31/2021	Balance at 12/31/2020
Accounts receivable	**4,868**	**5,033**
Advances and prepayments on orders	3	7
Employee and related receivables	-	-
VAT receivables	161	94
Sundry tax receivables (RTC)	580	415
EGIDE USA fire claim payment	535	2,057
Repayment of the SANTIER deposit guarantee	-	287
Sundry debtors	38	47
Prepaid expenses	311	316
Other current assets	**1,627**	**3,224**
Total	**6,495**	**8,257**

Research Tax Credits for 2019 to 2021do not benefit from the Community SME regime and are repayable within 3 years, which explains the increase in the government tax receivable which was otherwise financed.
In 2021, the Research Tax Credit amounting to €167,000 was included in the income statement under "Other operating income".
All R&D expenditures were fully expensed in the income statement (valued at €587,000 in 2021 and €588,000 in 2020).

The aged trial balance for trade and other receivables is presented below:

Trade and other receivables	Total	Not due	Past due 0 to 30 days	Past due 31 to 60 days	Past due 61 to 90 days	Past due more than 91 days
Balance at 12/31/2021	**4,868**	3,431	927	349	110	51
Balance at 12/31/2020	**5,033**	4,084	620	107	47	174

The balance at 12/31/2021 includes receivables denominated in US dollars amounting to US$2,438,000 or €2,152,000 compared to US$2,317,000 or €1,898,000 one year earlier.

Changes in depreciation amounts:

€000s	At 12/31/2021	Increases	Reversals	At 12/31/2020
Impairment of receivables	-43	-11	30	-62

2.4. Shareholders' equity

The number of shares remains at 10,346,868 with a par value of €0.50, i.e. a share capital of €5,173,434 since the capital reduction in 2020 that reduced the retained earnings to zero and created a special reserve of €5,311,006. Retained earnings have recorded a profit since 2020.

2.5. Provisions

Change in provisions

€000s	At 12/31/2021	Increases	Reversals	At 12/31/2020
Provisions	**-868**	**-127**	**95**	**-836**
Provisions for seniority and long-service benefits	-112	-1		-111
Provisions for retirement severance benefits	-396		95	-491
Provision for restructuring costs and labor disputes	-235			-235
Provisions for expenses	-126	-126		-

Allowances and reversals provision for impairment

€000s	Increases	Reversals	Net
Impairment of assets	**-364**	**831**	**467**
Impairment of property, plant and equipment	-	646	646
Impairment of inventory	-353	154	-199
Impairment of receivables	-11	31	20

Allowances and reversals of provisions

€000s	Increases	Reversals	Net
Provisions	**-127**	**95**	**-32**
Provision for employee benefits	-1	95	94
Provision for restructuring costs	-	-	-
Provisions for expenses	-126	-	-126

Provisions for employee benefits

At Egide SA retirement severance benefits are accrued for in the consolidated financial statements in the form of a provision calculated in accordance with IAS 19 as are long-service and special seniority benefits. These commitments result from the collective bargaining agreement that apply to each establishment and calculated using the projected benefit method prorated on seniority.

These provisions apply to foreign subsidiaries which are not subject to requirements to pay additional employment severance benefits or benefits based on seniority in the company.

The total impact from updating the calculation taking into account the seniority, changes in personnel, etc. was included in profit or loss. Actuarial gains and losses are recognized in "Other equity".

For these calculations, the following assumptions are used:
- retirement age: 65 for managers and 62 for non-managers;
- average salary escalation rate: 1.7%;
- life expectancy: based on the INSEE 2014-2016 actuarial table;
- probability of presence determined according to internal statistics specific to each establishment;

- Long-term discount rate: 0.98% (Markit Iboxx Eur corporates AA 10+).
- In accordance with recommendation No. 2013-02, updated by the French National Accounting Board (ANC) in November 2021, expenses are no longer amortized on a straight-line basis, but over their entire useful lives.

This change of method resulted in a decrease in the provision of €28,632 charged directly to consolidated reserves, as a correction to the opening balance sheet. The change in the discount rate from 0.34% to 0.98% was charged to other equity.

These represent non-current provisions, breaking down as follows:

	Provisions for employee benefits
At 12/31/2019	**600**
Increase	59
Reversal of provisions used in the period	- 9
Reversal of unused provisions	- 48
At 12/31/2020	**602**
Increase	1
Reversal of provisions used in the period	
Reversal of unused provisions	- 95
At 12/31/2021	**508**

2.6. Receivables and payables

On initial recognition, payables are recognized at fair value, and those having maturities of less than one year are discounted as applicable. For subsequent recognition, they are measured at amortized cost using the effective interest method.
Payables in foreign currency are measured at the closing exchange rate on this date. The corresponding translation differences result in the recognition of unrealized foreign exchange losses or gains under profit or loss.

In accordance with IFRS 16, lease liabilities were recognized in the balance sheet in conjunction with the recognition of a right-of-use asset resulting from leases. These liabilities are spread over the leases' term. IFRS 16 defines a lease as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration".

A €600,000 "Sofired -PME" loan was obtained by Egide SA in December 2015 from Bpifrance, from which €30,000 were retained as cash collateral until full repayment of this loan. Furthermore, with a seven year term, it benefited from a two-year grace period for the repayment of capital.

In 2006, Egide SA set up two factoring agreements for domestic and export trade receivable accounts. The corresponding monthly financing commission applied by the factors to amounts financed is based on the Euribor average 3 month rate at the end of the prior month subject to a 1.50% minimum. These factoring agreements are not deconsolidated because Egide SA remains exposed to the risk of late payment and default of debtors. These contracts were terminated effective December 31, 2021 and were replaced by an equivalent contract with BPCE factor.

As of December 31, 2021, the amount of receivables assigned amounted to €1,861,000, of which €1,659,000 financed were not deconsolidated and are therefore shown as a loan at the closing date in accordance with IFRS 7.

In accordance with IFRS 16, pursuant to the conclusion of finance leases by Egide SA, the corresponding assets were capitalized with a reverse entry of €1,749,000 under non-current lease liabilities and €478,000 under current liabilities.

Egide USA Inc. obtained a credit facility from Pacific Mercantile Bank in September 2018 comprised of:

- a revolving credit facility with a maximum amount of US$2 million based on the value of accounts receivable and inventory,
- a Capex facility for a maximum amount of US$1.5 million.
- a real estate loan in the amount of US$1.5 million based on the value of the property complex represented by the plant of Cambridge MD.

This credit facility is subject to two covenants, a “fixed charges coverage ratio” and minimum net assets of US$2,750,000 as from December 31, 2021. While these covenants were met on December 31, 2021, the expiration date of the agreements is June 30, 2022, and the U.S. bank (which merged into Bank of California) indicated that it did not wish to maintain its financing beyond that date. The loans were in consequence reclassified as short-term debt.

Santier Inc. obtained a credit facility from Pacific Mercantile Bank in May 2017. For a total maximum amount of US$5,499,000, it breaks down as follows:

- US$2.5 million based on the value of outstanding accounts receivable and inventory (revolving credit)
- US$1 million received in the form of a loan repayable over a period of 60 months starting on June 1, 2017
- US$1 million received in April 2019 (repayable over a period of 60 months starting on May 2019)
- An equipment financing loan for US$716,000 in 2018 (repayable over a period of 60 months starting on April 2019)
- US$500,000 available to finance the acquisition of other manufacturing equipment (repayable over a period of 48 months the opening of the credit line),

The US$1 million term loan of April 2019 was guaranteed by a US$500,000 cash pledge to be recovered quarterly according to the repayment of the loan principal and a financing limit of €500,000 dollars on the revolving credit facility. This loan, with an outstanding balance due of US$666,000 as of December 31, 2020 and with a US$35,000 guarantee, was prepaid in January 2021.

The term loan and the equipment financing loan are subject to a fixed charges coverage ratio covenant, calculated at the end of each calendar quarter (ratio of EBITDA to interest, the principal and expenses relating to all debt paid in the period + investments not financed by the loan + dividends and assistance recognized and/or paid in the period, between 1.25 and 1.00). At December 31, 2021, this covenant had not been met, and the bank had indicated that it did not wish to maintain its financing beyond June 30, 2022. The loans were in consequence reclassified as short-term debt.

In France, in May 2020, Egide SA obtained a €400,000 French-government guaranteed loan from Crédit du Nord for which the terms were subsequently defined. This included an additional one year grace period followed a repayment period of four years. Two other French government backed COVID-19 relief loans (PGE) were obtained: €500,000 from Banque Populaire in January 2021 and €250,000 from LCL in December 2021.

Changes in financial liabilities for which the carrying value represents a reasonable approximation of their value is as follows:

		Cash flow (1)		Impact of non-cash items		
	At 12/31/2021	Inflows	Outflows	Currency effects	Other	**At 12/31/2020**
Egide SA	**4,370**	**870**	**(1,060)**	**-**	**84**	**4,477**
Bond debt	-	-	(271)	-	-	271
Sofired PME Défense loan	180	-	(120)	-	-	300
BPI canvassing insurance loan	49	-	-	-	-	49
BPI Research Tax Credit financing loan	322	115	-	-	-	207
Factoring debt	1,659	-	(360)	-	-	2,019
Finance lease liabilities	-	-	-	-	-	-
Lease liabilities	1,010	6	(310)	-	84	1,231
French government-backed loan*	1,150	750	-	-	-	400
Santier Inc.	**2,745**	**1,153**	**(1,172)**	**199**	**-**	**2,565**
Borrowings	-	-	(873)	95	-	778
Equipment loan	382	-	(135)	11	-	506
Revolving loan	1,148	1,148	-	-	-	-
US government PPP loan**	-	-	-	-	-	-
Lease liabilities	1,215	5	(164)	93	-	1,281
Egide USA Inc.	**2,814**	**1,641**	**(1,073)**	**186**	**-**	**2,060**
Real estate loan	1,232	-	(64)	119	-	1,178
Equipment loan	607	-	(330)	67	-	870
Revolving loan	974	974	-	-	-	-
US government PPP loan	-	668	(668)	-	-	-
Lease liabilities	1	-	(11)	0	-	12
Total	**9,929**	**3,665**	**(3,306)**	**385**	**84**	**9,102**

(1) these cash flows may be compared with those of the Cash flow statement – Net cash flows provided by (used in) financing activities

** A French government backed COVID-19 relief loan (PGE);*

*** PPP: the Paycheck Protection Program US government COVID-19 relief aid established under the CARES Act*

2.6.1. <u>Breakdown by maturity:</u>

December 31, 2021

Line items	**Balance at 12/31/2021**	Due in less than 1 year	Due in more than one year	*of which 1 to 5 years*	*of which after 5 years*
Bond debt - Egide SA	-	-	-	-	-
Total other bond debt	**-**	**-**	**-**	**-**	**-**
French government-backed loan - Egide SA	1,150	58	1,092	*1,092*	-
Loan - Santier Inc.	-	-	-	-	-
Equipment loan - Santier Inc.	382	382	-	-	-
US PPP loan - Santier Inc.	-	-	-	-	-
Building loan - Egide USA Inc.	1,232	1,232	-	-	-
Equipment loan - Egide USA Inc.	607	607	-	-	-
Total borrowings from credit institutions	**3,372**	**2,280**	**1,092**	***1,092***	**-**
Sofired PME Défense loan - Egide SA	180	120	60	*60*	-
BPI canvassing insurance loan – Egide SA	49	-	49	*49*	-
BPI Research Tax Credit financing loan – Egide SA	322	-	322	*322*	-
Factoring debt – Egide SA	1,659	1,659	-	-	-
US government PPP loan	-	-			
Revolving loan - SANTIER	1,148	1,148	-	-	-
Revolving loan - Egide USA Inc.	974	974	-	-	-
Total misc.	**4,331**	**3,901**	**430**	***430***	**-**
Total borrowings and financial liabilities	**7,703**	**6,181**	**1,522**	***1,522***	**-**
Lease liabilities – Egide SA	1,010	302	709	*693*	*16*
Lease liabilities – Santier Inc.	1,215	175	1,040	*592*	*448*
Lease liabilities – Egide USA Inc.	1	1	0	*0*	-
Total lease liabilities	**2,226**	**478**	**1,749**	***1,284***	***464***
Advances and prepayments on orders	17	17	-	-	-
Trade payables and related accounts	3,571	3,571	-	-	-
Employee and related receivables	1,711	1,711	-	-	-
VAT receivables	19	19	-	-	-
Other tax payables	-	-	-	-	-
Sundry creditors	45	45	-	-	-
Payables for fixed assets	-	-	-	-	-
Total trade and other payables	**5,363**	**5,363**	**-**	**-**	**-**

December 31, 2020

Line items	**Balance at 12/31/2020**	Due in less than 1 year	Due in more than one year	*of which 1 to 5 years*	*of which after 5 years*
Bond debt - Egide SA	271	271	-	-	-
Total other bond debt	**271**	**271**	**-**	**-**	**-**
French government-backed loan - Egide SA	400	-	400	*400*	-
Loan - Santier Inc.	778	710	68	*68*	-
Equipment loan - Santier Inc.	506	220	286	*286*	-
US PPP loan - Santier Inc.	-	-	-	-	-
Building loan - Egide USA Inc.	1,178	20	1,158	*1,158*	-
Equipment loan - Egide USA Inc.	870	282	588	*588*	-
Total borrowings from credit institutions	**3,732**	**1,231**	**2,501**	***2,501***	**-**
Sofired PME Défense loan - Egide SA	300	120	180	*180*	-
BPI canvassing insurance loan – Egide SA	49	-	49	*49*	-
BPI Research Tax Credit financing loan – Egide SA	207	-	207	*207*	-
Factoring debt – Egide SA	2,019	2,019	-	-	-
Total misc.	**2,575**	**2,139**	**436**	***436***	**-**
Total borrowings and financial liabilities	**6,578**	**3,641**	**2,936**	***2,936***	**-**
Lease liabilities – Egide SA	1,231	301	930	*887*	*43*
Lease liabilities – Santier Inc.	1,281	154	1,127	*521*	*607*
Lease liabilities – Egide USA Inc.	12	11	1	*1*	-
Total lease liabilities	**2,524**	**466**	**2,058**	***1,409***	***650***
Advances and prepayments on orders	17	17	-	-	-
Trade payables and related accounts	5,071	5,071	-	-	-
Employee and related receivables	1,938	1,938	-	-	-
VAT receivables	40	40	-	-	-
Other tax payables	-	-	-	-	-
Sundry creditors	181	181	-	-	-
Payables for fixed assets	-	-	-	-	-
Total trade and other payables	**7,248**	**7,248**	**-**	**-**	**-**

2.7. Tax and tax credits

Reconciliation between the theoretical tax and actual tax recognized, in accordance with IAS 12:

	At 12/31/2021	At 12/31/2020
Consolidated net income	201	985
CVAE business contribution on added value	- 52	- 67
Corporate income tax	- 424	- 358
Income before tax	625	1,343
French tax rate	26.5%	28%
Theoretical tax	- 166	- 376
Theoretical tax income	-	-
Impact of unrecognized tax assets	- 148	-
Impact of US taxation	434	- 18
Impact of recognized loss carryforwards		-
Tax income in profit or loss	-	-

For information, deferred taxes at December 31, 2021 consist of tax losses carried forward indefinitely amounting to €58 310,000 for Egide SA and US$6,230,000 (or €5,500,000) for Egide USA LLC. carried forward indefinitely and available for the two US companies , Egide USA Inc. and Santier Inc.

Deferred tax corresponding to Egide SA's tax loss carryforwards has been capitalized in the amount of €200,000, i.e. the tax expense that will not be paid over the next 2 to 3 years based on forecasted results. It should be noted that the tax rate in France is 25% as of 2022.

In the United States, Egide USA Inc. loss carryforwards are used within the tax group comprised of Santier Inc., Egide USA Inc. and Egide LLC (head of the tax group). A deferred tax asset in the amount of US$1,364,000 was recorded when Santier was acquired in 2017, of which the remaining balance at 01/01/2021 was US$955,000. Based on the earnings prospects of the US group, the lifespan for this tax credit is expected to be too long and for that reason a US$400,000 charge was recognized in 2021.

Between France and the USA, the deferred tax asset amounts to €691,000 at the closing date

2.8. Segment information

- Revenue recognition

Products are shipped Ex-Works (EXW) according to Incoterm definition. Revenue is recognized upon the transfer of risks either when products are shipped or from availability for shipment ex-works. The delivery order and the invoice are issued on the date the products are actually removed.
Revenue includes revenues from the sale of products and trade goods as well as associated equipment costs. Amounts invoiced for engineering design contracts are recognized according to the proportional performance method and in consequence could not be recognized in 2021, unlike 2020 with €151,000.

- Segment information

In accordance with the Group's internal reporting methods, an operating sector is defined as a component of an entity engaged in ordinary activities generating income and expenses for which financial information is available.
On this basis, for the three segments, operating results regularly reviewed by the chief operating decision-maker of the entity are determined as follows: Egide SA, Egide USA Inc. and Santier Inc.
Accounting principles applied to information provided for the segments are the same as those used to prepare the consolidated financial statements.
In addition, the breakdown of revenue is subject to analysis according to the product applications at the customers and their countries.

Financial highlights for operating segments break down as follows:

	At 12/31/2021				
	Egide SA	**Egide USA Inc.**	**Santier Inc.**	**Consolidated**	**Total**
Revenue	14,192	10,307	8,004		**32,503**
Operating profit / (loss)*	611	1,463	(1,187)	(68)	**819**
	At 12/31/2020				
	Egide SA	**Egide USA Inc.**	**Santier Inc.**	**Consolidated**	**Total**
Revenue	13,412	8,139	8,422	0	**29,973**
Operating profit / (loss)*	(661)	2,390	241	0	**1,971**

*Operating profit / (loss) includes intra-group transactions and excludes the valuation of stock option costs. This amount was corrected in June 2021 in relation to the previous presentation, which corresponded to the contribution to consolidated results.

	At 12/31/2021				At 12/31/2020			
	Egide SA	**Egide USA Inc.**	**Santier Inc.**	**Total**	**Egide SA**	**Egide USA Inc.**	**Santier Inc.**	**Total**
Net fixed assets	2,113	6,377	3,211	**11,701**	1,522	3,420	3,824	**8,766**
Capital expenditures for the period	(86)	2,728	-	**2,642**	73	2,750	34	**2,857**
Non-current borrowings and financial liabilities	2,231	0	1,040	**3,271**	1,765	1,748	1,482	**4,995**
Current borrowings and financial liabilities	2,139	2,814	1,705	**6,659**	2,711	313	1,083	**4,107**

Revenue by technology application	**12/31/2021**	**12/31/2020**
Thermal imaging	11,221	9,433
Power packages	8,466	7,520
Optronics	4,443	4,303
High-frequency	4,277	4,965
Other including engineering studies	4,095	3,752
Total	**32,503**	**29,973**

Revenue by region	12/31/2021	12/31/2020
France	6,374	6,737
EEC excluding France	3,549	3,101
United States and Canada	16,382	14,599
Other countries	6,197	5,536
Total	**32,503**	**29,973**

Customers for which sales individually account for more than 10% of consolidated revenue represented 28% of this revenue at December 31, 2021 and 27% in 2020.
Revenue generated from the top 5 customers represents 41% of consolidated revenue for 2021 compared to 40% in 2020.

2.9. Other operating income and expenses

The breakdown for this item is as follows:

Line items	At 12/31/2021		At 12/31/2020	
	income	expenses	income	expenses
Software licenses		(169)		(154)
Attendances' fees		(30)		(35)
Allocation for furloughed hours			55	
Uncollectible receivable – Egide SA	11	(10)		
Research tax credit - Egide SA	154		144	
Other	41	(19)		
Other operating income and expenses:	**206**	**(228)**	**198**	**(189)**
Insurance claim benefits				
Severance payments		(133)		(81)
Refund of electricity taxes			169	
Reorganization costs		-	12	(12)
Forgiveness of PPP loan	668		1,440	
Inventory write-downs - Egide SA	-	-	1,026	(1,034)
Assets destroyed or written off*		(583)		(622)
Insurance claims payments for destroyed assets*	-		2,566	
Fire-related expenses*		-		(7,232)
Insurance claims payments for property damage*	3,386		7,198	
Impairment test - fixed assets impairment*		-		(1,069)
Disposals of fixed assets	116	(92)		
Other		(1)	5	(46)
Other operating income and expenses	**4,169**	**(808)**	**12,418**	**(10,096)**
Total	**4,375**	**(1,036)**	**12,616**	**(10,285)**

* *Income and expenses related to the Cambridge plant fire.*

2.10. Net financial income (expense)

Gross borrowing costs include interest expense on loans shown in the statement of financial position, financing commissions linked to factoring as well as interest on leases under IFRS 16. The €172,000 decrease compared to the previous fiscal year is mainly explained by the €34,000 decrease in interest on leases and €132,000 from the decrease in interest on loans after repaying loans with interest rates of 7% or more and drawing upon French government backed COVID-19 relief loans bearing interest of just over 1%.

Other financial income and expenses resulted from translation differences for 2021 and 2020. Translation gains from the previous year related mainly to EGIDE SA, while expenses were mainly incurred by EGIDE USA for both years, including discounted amounts for €18,000 in 2021.

Shareholders equity and earnings per share

3.1. Information on paid-in capital

3.1.1. Stock option plans

Authorized by the General Meeting of June 19, 2020 of Egide SA, on March 22 and September 29, 2022 the Board of Directors granted to one of the members of the executive management and selected personnel of the company and subsidiaries held directly or indirectly, options conferring a right to subscribe for shares to be issued through a capital increase or the purchase of existing shares of the company originating from shares bought back under the conditions provided by law. The total number of options granted and not yet exercised does not confer a right to subscribe to more than 10% of the shares making up the share capital.

On that basis, 120,000 options were granted and accepted. At the same time, 130,000 existing options lapsed or were forfeited.
Year-end stock option plan highlights are as follows:

Plan No.	Plan 8.1	Plan 10.1	Plan 10.2	Plan 10.3	Plan 10.4	Total
Options granted and not exercised	25,000	490,000	40,000	20,000	60,000	635,000
Subscription price	€2.57	€0.86	€1.01	€1.05	€1.32	

For information, the average price for the Egide SA share for fiscal 2021 was €1.28 and the closing price at December 31, 2021 is €1.43.

Stock options to purchase shares granted to employees are measured at their fair value on the grant date. Fair value measurement of options is determined using the Black & Scholes valuation model based on management assumptions (for options issued in the period : option life: 6 years; volatility: 16.6%; risk-free rate: -0.33%; no clause for early exercise and no dividend are expected). The resulting amount is recognized in with the statement of comprehensive income for the employees' vesting period with an equivalent increase in equity. Expenses recognized for options lapsing before being exercised are reversed in the comprehensive income statement for the period in which options lapsing due to the departure of employees before the end of the vesting period were recorded.

The company applies IFRS 2 "Share-based payments and equivalents" to equity instruments granted after November 7, 2002 and not yet vested by December 31, 2021. On this date, the fair value of the 920,618 stock purchase options, calculated using the most appropriate formula for the terms and regulations of each plan, recorded in equity is €335,000 and the weighted average subscription price is €1.44.

In accordance with IFRS 2, the Company recognizes the fair value of these awards as share-based compensation expense over the period in which the related services are received with a corresponding increase in equity. Share-based compensation is accounted for on a straight-line basis. The expense for share-based compensation is based on the amount of shares ultimately vested and reduced by the number of forfeitures expected. These expenses amounted to €68,000 and €42,000 for 2021 and 2020, respectively. The 2021 expense consists mainly of the straight-line amortization of the fair value of plan 10.1 issued in 2020 and plans 10.2 and 10.3 issued in early 2021 over the two-year vesting period. Plan 10.4 issued in September 2021 was still in the process of being subscribed at the closing date.

3.1.2. Capital increase authorizations

The combined extraordinary and ordinary general meeting of June 18, 2021 delegated the authority to the Board of Directors to issue, in amounts and at such times it chooses, in France or other countries, equity securities of the company and/or debt securities giving access to the company's capital, governed by articles L.228-91 *et seq*. of the French commercial code for a maximum nominal amount of €1.5 million per category of security, maintaining shareholders preferential subscription rights. It also authorized the Board of Directors to increase the number of securities to be issued up to 15% the initial issue amount, for the purpose of providing for an overallotment (greenshoe) option in accordance with market practices. These delegations of authority were valid for a term of 26 months from the date of this general meeting, i.e. until August 17, 2023.

On June 18, 2021, the shareholders also delegated to the board of directors the authority to issue equity shares of the company through an offering covered by article L411-2 II of the French monetary and financial code, for a maximum nominal amount of 20% of the company's share capital, canceling shareholders' preferential subscription rights. This delegation of authority, given for 18 months, will expire on December 17, 2022.

None of these delegations of authority have been used.

3.2. Earnings per share

Earnings per share, diluted or basic, take into account "Net income attributable to Group shareholders" as shown in the statement of comprehensive income.
Basic earnings per share are determined by dividing this result by the weighted average number of shares outstanding in the period. Share issuances resulting from cash capital increases are taken into account as from the date on which the funds are available. There is only one class of shares.
Diluted earnings per share are determined by adjusting the weighted average number of shares according to the maximum impact from converting dilutive instruments into ordinary shares, using the treasury stock method. Stock options are taken into account in calculating the theoretical number of additional shares only if the exercise price is lower than the listed share price on the calculation date.

The following table presents the numbers of shares used for the calculation:

Date for calculation purposes	Number of shares	At 12/31/2021		At 12/31/2020	
		Prorated presence	Weighted number	Prorated presence	Weighted number
12/31/1999	643,598	1	643,598	1	643,598
04/03/2000	400	1	400	1	400
07/05/2000	91,999	1	91,999	1	91,999
12/22/2000	245,332	1	245,332	1	245,332
12/31/2001	3,458	1	3,458	1	3,458
12/31/2003	1,428	1	1,428	1	1,428
12/31/2004	7,099	1	7,099	1	7,099
12/31/2005	4,942	1	4,942	1	4,942
08/21/2006	285,738	1	285,738	1	285,738
12/31/2006	1,837	1	1,837	1	1,837
12/31/2007	288	1	288	1	288
12/31/2008	3	1	3	1	3
12/31/2009	153	1	153	1	153
06/10/2011	25	1	25	1	25
02/17/2012	493,080	1	493,080	1	493,080
04/04/2012	5,417	1	5,417	1	5,417
06/30/2014	2,280,573	1	2,280,573	1	2,280,573
11/13/2015	406,536	1	406,536	1	406,536
02/24/2017	3,428,460	1	3,428,460	1	3,428,460
06/07/2019	2,446,502	1	2,446,502	1	2,446, 502
Ordinary shares			**10,346,868**		**10,346, 868**
Theoretical number of additional shares			-		-
Impact of dilutive instruments.			**10,346,868**		**10,346, 868**

Auditors' fees

	RSM				PricewaterhouseCoopers Audit			
	2021		2020		2021		2020	
- Group audit	152,218	100%	121,570	100%	91,980	100%	86,000	100%
- Non-audit services	0	0	0		0		0	
Total	**152,218**	**100%**	**121,570**	**100%**	**91,980**	**100%**	**86,000**	**100%**

No non-audit services (SACC) were required this year.

Related parties

4.1. Related party transactions

Egide SA's executive officers are the Chair-CEO and the Deputy CEO. There were three directors (excluding the Chairman) since the last Meeting, all of whom are independent.

Gross compensation paid to the chief executive officer and the deputy chief executive officer amounted to €272,000 in 2021 which included benefits in kind.
Attendance fees paid in 2021 to the three independent members of the Board of Directors represented a gross amount for fiscal 2021 of €60,000.

The directors of Egide SA have not received stock options.

Furthermore, directors are covered for liability by a D&O policy underwritten by Liberty. Coverage under this policy is for a maximum amount of €5 million with a deductible for the United States of US$100,000 for an annual premium of €10,000 excluding tax.

4.2. Breakdown of average headcount

	2021	2020
Executives and management staff	57	63
Supervisory staff and technicians,	28	28
Plant and office staff	183	180
Total	**268**	**270**

Commitments and other contractual obligations

5.1. Commitments related to company financing activities

5.1.1. Commitments given:

5.1.1.1. Commitments on behalf of affiliated companies

Egide USA LLC has provided a guarantee to H.G. Fenton Development Company, owner of the building leased by Santier Inc. as of January 1, 2018 for lease payments owed in the amount of US$1,882,000 (or €1,662,000) at December 31, 2021.

5.1.1.2. Commitments in favor of financial institutions

None.

Off-balance-sheet commitments are summarized below:

Line items (€ thousands)	**12/31/2021**	**12/31/2020**
Pledges		
Guarantees given	1,662	1,746
Total	**1,662**	**1,746**

5.1.2. Commitments received

No bank guarantees were issued to the benefit of Egide.

5.1.3. Reciprocal commitments

In connection with the factoring arrangement set up in April 2006, Egide SA is required to take out a credit insurance policy which changed in 2020, designating the factors as beneficiaries for insurance payments to be made in the event of default by the company's customers. Obligations for claims payments by the insurance company are limited with respect to the company to maximum payments equal to €1 million excluding tax.

ANNUAL FINANCIAL STATEMENTS

FISCAL 2021

(In euros)

A French corporation (*société anonyme*) with a share capital of 5 173 434 euros
Registered office: Sactar site – 84500 BOLLENE
Avignon Companies Register (RCS) No.: 338 070 352 (Siren)

Balance sheet - assets and liabilities (in euros)

ASSETS in euros	Gross value at 12/31/2021	Amortization, depreciation and impairment	Net value at 12/31/2021	Net value at 12/31/2020
Intangible assets	**564,871**	**540,947**	**23,924**	**30,249**
Start-up costs				
Research and development expenditures				
Concessions, patents, licenses	412,422	388,498	23,924	30,249
Goodwill	152,449	152,449	-	
Other intangible assets				
Property, plant and equipment	**10,699,456**	**9,479,219**	**1,220,236**	**421,194**
Land				
Buildings	19,326	1,230	18,096	
Plant, machinery and equipment	9,049,039	8,424,427	624,612	276,213
Other PPE	1,301,267	941,242	360,025	139,021
PPE under construction	188,107	112,321	75,786	5,960
Advances and prepayments	141,717		141,717	
Financial assets	**83,434,239**	**73,984,842**	**9,449,397**	**9,805,168**
Equity interests	82,984,842	73,984,842	9,000,000	9,355,547
Investment-related receivables				
Other financial assets	449,397		449,397	449,621
NON-CURRENT ASSETS	**94,698,566**	**84,005,008**	**10,693,557**	**10,256,611**
Inventory and work in progress	**4,344,036**	**1,490,492**	**2,853,544**	**2,775,359**
Raw materials, supplies	2,576,525	778,408	1,798,117	1,838,973
Work-in-progress: goods	489,072		489,072	602,364
Work-in-progress: services	110,000		110,000	16,000
Intermediate and finished goods	1,160,018	708,530	451,488	304,600
Trade goods	8,421	3,554	4,867	13,422
Receivables	**2,281,370**	**43,636**	**2,237,734**	**2,213,047**
Advances and installments paid on orders	3,098		3,098	7,362
Trade receivables and related accounts	917,576	43,636	873,940	1,207,156
Subscribed capital - called and unpaid			-	
Other receivables	1,360,696		1,360,696	998,529
Cash at bank and in hand	**946,527**		**946,527**	**711,979**
Cash at bank and in hand	946,527		946,527	711,979
Prepaid expenses	**242,889**		**242,889**	**277,984**
CURRENT ASSETS	**7,814,822**	**1,534,128**	**6,280,694**	**5,978,369**
Unrealized losses on foreign exchange			0	662
TOTAL	**102,513,388**	**85,539,136**	**16,974,251**	**16,235,642**

EQUITY & LIABILITIES in euros	Values at 12/31/2021	Values at 12/31/2020
Capital	5,173,434	5,173,434
Additional paid-in capital	99,975	99,975
Revaluation reserves		
Legal reserve	5,666,882	5,666,882
Statutory and contractual reserves		
Tax-based reserves		
Other reserves		
Retained earnings	-757,925	
Net income for the period	303,843	-757,925
Investment grants	568,000	
SHAREHOLDERS' EQUITY	**11,054,209**	**10,182,366**
Provisions for contingencies		662
Provisions for expenses	868,681	836,131
PROVISIONS	**868,681**	**836,793**
Borrowings and financial liabilities	**2,241,594**	**2,062,174**
Other bond debt		270,930
Bank borrowings	1,264,914	955,545
Miscellaneous loans and borrowings	976,680	835,699
Advances and down payments on orders in progress	**17,236**	**17,184**
Other payables	**2,792,531**	**3,092,470**
Trade payables and related accounts	1,467,315	1,517,601
Tax and employee-related liabilities	1,264,812	1,489,390
Payables to fixed asset suppliers		6,099
Other liabilities	60,404	79,380
Deferred income		
PAYABLES	**5,051,361**	**5,171,828**
Translation differences (liabilities)		44,655
TOTAL	**16,974,251**	**16,235,642**

Income statement (in euros) – 1st part

Line items	France	Export	12/31/2021	12/31/2020
Sale of goods	133,864	212,369	346,232	268,762
Sold production (goods)	6,146,028	7,627,915	13,773,942	12,730,391
Sold production (services)	94,045	265,066	359,111	707,347
NET REVENUE	**6,373,936**	**8,105,349**	**14,479,285**	**13,706,500**
Change in finished goods and in-progress inventory			432,809	-256,591
Grants			7,333	
Reversals of impairment & provisions - Expense reclassifications			895,754	192,960
Other income			22,543	5,468
Operating income			**15,837,724**	**13,648,337**
Purchase of trade goods			38,030	60,374
Changes in inventories of goods held for resale			8,314	-8,673
Purchase of raw materials & other supplies			4,698,293	4,756,400
Changes in inventory (raw materials & other supplies)			110,633	-129,168
Other purchases and external expenses			3,154,449	3,105,792
Taxes other than on income			254,333	263,314
Salaries and wages			4,393,736	4,321,544
Social security contributions			1,611,188	1,654,117
Allowances for amortization, depreciation & impairment of fixed assets			335,297	338,925
Allowances for impairment of current assets			400,438	66,945
Allowances for provisions			127,467	2,973
Other operating expenses			127,805	135,883
Operating expenses			**15,259,983**	**14,568,426**
OPERATING PROFIT			**577,741**	**-920,089**
Interest and similar income				
Reversals of impairment & provisions - Expense reclassifications			662	34,061
Foreign exchange gains			285	23,400
Financial income			**948**	**57,461**
Allowances for depreciation and reserves			355,547	662
Interest and related expenses			46,673	90,490
Foreign exchange losses				28,504
Financial expenses			**402,219**	**119,656**
NET FINANCIAL INCOME / (EXPENSE)			-401,272	**-62,195**
INCOME FROM ORDINARY ACTIVITIES BEFORE EXCEPTIONAL ITEMS AND TAX			**176,470**	**-982,284**

Income statement (in euros) – 2nd part

Line items	12/31/2021	12/31/2020
Exceptional income from non-capital transactions		168,689
Exceptional income on capital transactions	87,500	417
Other capital transactions		
Reversals of impairment & provisions - Expense reclassifications		1,038,598
Exceptional income	**87,500**	**1,207,704**
Exceptional expenses on non-capital transactions	7,460	1,126,987
Exceptional expenses on capital transactions	81,500	
Allowances for depreciation and reserves		-
Exceptional expenses	**88,960**	**1,126,987**
NET EXCEPTIONAL ITEMS	**-1,460**	**80,717**
Income tax	-153,833	-143,642
Employee profit-sharing	25,000	
TOTAL INCOME	**15,926,172**	**14,913,502**
TOTAL EXPENSES	**15,622,329**	**15,671,427**
NET INCOME (LOSS) FOR THE PERIOD	**303,843**	**-757,925**

NOTES

Preliminary remarks

These notes are an integral part of the annual financial statements established on December 31, 2021 showing total assets of €16,974,251 with a statement of comprehensive income presented in list form showing a loss of €303,843 adopted by the Board of Directors on April 26, 2022. These accounts have also been included in the consolidated financial statements of Egide SA as the parent company.

The financial period runs for twelve months from January 1 to December 31, 2021.

The information given below is expressed in euros or thousands of euros, unless otherwise indicated.

Annual operating highlights

The company's turnaround that began in the second half of 2020 maintained its momentum and resulted in a positive annual performance making it possible to start rewarding employees under the profit-sharing schemes.
The new ERP developed by Cegid, "PMI manufacturing" went live on September 1, 2021.

Accounting policies

The annual financial statements for the period ended December 31, 2021 were prepared in accordance with applicable accounting standards based on the principles of conservatism, fair presentation, consistency of presentation, the time period concept and the going concern principal.
The latter principal is assessed by means of a budget and monthly cash flow forecast up to June 2023 and these items were deemed satisfactory, in particular by the Audit Committee which met to address this issue on December 16, 2021, and confirmed by the last meeting of the Board of Directors of May 2, 2022 which adopted the financial statements.

The annual financial statements have been prepared and presented in accordance with French generally accepted accounting practices (L. 123-12 to L. 123-28 of the French commercial code, the decree of November 29, 1983 and ANC Regulation 2014-03 issued by the French accounting standards setter, and as updated by applicable additional regulations.

Account items are measured in accordance with the historical cost method which makes use of nominal costs as expressed in the current national currency.

Change in accounting method

In accordance with Recommendation n°2013-02 updated by the French National Accounting Board (ANC) in November 2021, a new method was adopted, for recognizing pension obligations.
This recommendation introduces an option for allocating benefits for defined benefit plans based on length of service, with a maximum capped amount, and a condition of presence when the employee reaches the age of retirement.

The application of this option resulted in a non-material impact of €33,000 on the provision at December 31, 2020 and €28,000 on the provision at December 31, 2021 (see details in chapter 7).

Market crises: health, inflation and war in Ukraine.

Overall, the impact of the global health crisis on Egide was marginal and in consequence does not require any special accounting measures.

Similarly, inflationary pressures have been kept under control and the business model is based the issue of quotes for each new order.

Finally, the war in Ukraine has no impact on current sales or purchase orders or accounts receivable. There remains the issue of inflation, particularly for energy cost. The resulting impact is approximately €300,000 per year, i. e. a 20% increase in the price of energy would represent an additional cost of €60,000. And while this is certainly significant, it does not a modification in our working practices.

Post-closing events

The war erupted in Ukraine just as this document was being drafted. Egide and the Group have no significant interests, commitments or contracts with Ukraine, Russia or even the former Soviet bloc.

The company's sustainability is not affected by inflation and rising energy prices. This is because its business model is based on pricing information request from customers followed by request for quotes by suppliers ensuring the optimal alignment of sales and purchasing processes.

The significant event of the period concerned the financing of the US operations. The bank PMB, after merging with the Banc of California and a breach of covenants, announced its intention to cease providing additional financing after June 30, 2022.
To date, arrangements for the refinancing of the U.S. debt are still in the due diligence phase and in consequence are not yet firm and definitive, the continuity of operations of the U.S. subsidiaries in consequence remains subject to confirmation of the following:

- Refinancing of the Cambridge building and the assets it contains for US$6 million by World Business Capital. The proposal was submitted by WBC and accepted by Egide. The audit and the file compilation phase are currently in progress and should be completed by mid-June 2022. The terms provide for a principal in the amount of $6 million repayable in 20 years at interest of 6.91%. The first application of these funds will be to repay long-term loans (US$2.5 million).
- Refinancing the revolving credit facilities used to finance Egide USA and Santier's working capital requirements amounting to US$2.4 million as of December 31, 2021 by Gibraltar Business Capital at a Prime Rate +2.5%, or 6% currently. This financing would be more flexible and also more than 1.5 times larger than the current lines with a cap of US$6 million to finance the growth of the two US entities.

These two projects are concurrent and are at the same stage: "Letter of Intent" accepted, audits and file compilation in progress, approvals expected mid-June. Due to the short deadline set by Banc of California, an extension was requested for an additional quarter supported by propositions that have already been accepted. The response to this request is currently pending.

These financing projects would first of all make it possible to ensure the continuity of operations of our US subsidiaries, but above all to achieve the Group's goal of modernizing these entities along the lines of the same model initiated in Bollène in France. This modernization would be carried out without recourse to equity financing, as the current level of the share price is considered unfavorable and too dilutive.

Additional balance sheet and income statement disclosures

1. Critical accounting estimates and judgments

The company makes estimates and applies assumptions with regard to future activity. The resulting accounting estimates will by definition, rarely be identical to actual results.

The critical accounting estimates and assumptions that could result in a material adjustment to the carrying amount of assets and liabilities during subsequent periods concern impairment tests the company may perform on intangible and tangible assets. In effect, in accordance with the accounting method defined in section 8, recoverable amounts are determined from calculations for value in use which call for use of estimates.

2. Share capital

Since the Combined General Meeting of June 19, 2020, the share capital is made up of 10,346,868 shares with a par value of €0.50 thus amounting to €5,173,434.

3. Additional paid-in capital

Additional paid-in capital remained unchanged in relation to the last capital increase of 2019 and amounts to €99,975.69.

4. Stock option plans

Authorized by the General Meeting of June 19, 2020 of Egide SA, on March 22 and September 29, 2021 the Board of Directors granted to one of the members of the executive management and selected personnel of the company and subsidiaries held directly or indirectly, options conferring a right to subscribe for shares to be issued through a capital increase or the purchase of existing shares of the company originating from shares bought back under the conditions provided by law. The total number of options granted and not yet exercised does not confer a right to subscribe to more than 10% of the shares making up the share capital.

On that basis, 120,000 options were granted and accepted. At the same time, 130,000 existing options lapsed or were forfeited.
Year-end stock option plan highlights are as follows:

Plan No.	**Plan 8.1**	**Plan 10.1**	**Plan 10.2**	**Plan 10.3**	**Plan 10.4**	**Total**
Options granted and not exercised	25,000	490,000	40,000	20,000	60,000	635, 00
Subscription price	€2.57	€0.86	€1.01	€1.05	€1.32	

For information, the average price for the Egide SA share for fiscal 2021 was €1.28 and the closing price at December 31, 2021 is €1.43.

5. Capital increase authorization

The combined extraordinary and ordinary general meeting of June 18, 2021 delegated the authority to the Board of Directors to issue, in amounts and at such times it chooses, in France or other countries, equity securities of the company and/or debt securities giving access to the company's capital, governed by articles L.228-91 *et seq*. of the French commercial code for a maximum nominal amount of €1.5 million per category of security, maintaining shareholders preferential subscription rights. It also authorized the Board of Directors to increase the number of securities to be issued up to 15% the initial issue amount, for the purpose of providing for an overallotment (greenshoe) option in accordance with market practices. These delegations of authority were valid for a term of 26 months from the date of this general meeting, i.e. until August 17, 2023.

On June 18, 2021, the shareholders also delegated to the board of directors the authority to issue equity shares of the company through an offering covered by article L411-2 II of the French monetary and financial code, for a maximum nominal amount of 20% of the company's share capital, canceling shareholders' preferential subscription rights. This delegation of authority, given for 18 months, will expire on December 17, 2022.

None of these delegations of authority have been used.

6. Statement of changes in shareholders' equity

In euros	12/31/2021	12/31/2020
Reported net income	303,843	-757,925
Per share basis	0.03	-0.07
Change in equity (excluding above income/loss)		
Per share basis		
Proposed dividend		
Per share basis		
Shareholders' equity at the end of the reporting period before appropriation	10,940,291	13,408,068
Impact on retained earnings of a change in accounting methods		
Appropriation of earnings of prior year decided by the AGM	-757,925	-2,467,777
Shareholders' equity at the beginning of the period	10,182,366	10,940,291
Changes during the fiscal year		
Changes in share capital:		
- 06/04/19: issuance of 2,446,502 shares at €1.05 per share		
- 06/04/2019: deduction of share issuance expenses		
Reported shareholders' equity before the AGM & excl. income (loss) for the period	10,182,366	10,940,291
Total changes in shareholders' equity in the period	303,843	-757,925

7. Provisions

Provision for restructuring and labor disputes: In 2019, the Trappes facility was transferred almost entirely to the Bollène site. At December 31, 2020, there remained a provision for restructuring and labor disputes of €235,000. In fiscal 2021, two labor disputes were settled in favor of the company, which could have led to the reversal of the provision. However as these judgments were appealed by the employees, the major share of this provision has been retained. In addition, in 2021, the company was convicted by the French Labor Court of Orange for a delay in releasing an employee who was retiring from obligations under his non-competition clause. The company has appealed this decision and has recorded a provision corresponding to the amount of the judgment. As the amounts resulting from these two judgments offset each other, the amount of the provision remained the same.

Provisions for retirement severance payments and similar benefits

Provisions are recorded for retirement severance, seniority and long service benefits calculated in accordance with French GAAP (Recommendation 2003-R.01 of the *Conseil National de la Comptabilité*). Retirement severance and seniority benefits defined are based on the terms of collective bargaining and company-level agreements applicable to each establishment. These amounts were calculated according to the projected benefit method prorated on length of service,

but a new recommendation No.°2013-02 introduced by the French National Accounting Board (ANC) in November 2021 requires that benefits be allocated only for the final years, conferring rights to the capital. This change in the method of recognition had a positive impact of €28,632 which is recorded in these annual financial statements.
Liabilities for long-service benefits are calculated in accordance with the statutory provisions.
The impact of recurrent discounting and normal changes in variables for calculating the provision (seniority, personnel changes, discount rate, etc.) is fully recognized in the income statement and this year had a positive impact of €27,531.

<u>Other provisions for contingencies and expenses</u>
Provisions for contingencies and expenses are recorded when on the balance sheet date there exists an obligation towards a third-party for which it is probable or certain that an outflow of resources embodying economic benefits will be required to settle the obligation and no equivalent benefit is expected to be received in return after this date.

The main assumptions used to calculate the provision for retirement severance benefits were as follows:
- Retirement age: 65 for managers and 62 for non-managers,
- Salary escalation rate: 1.7%,
- Life expectancy: based on the INSEE 2014-2016 actuarial table,
- Turnover rate: 6.60% for management employees 3.50% for non-management employees (constant %)
- The long-term financial discount rate was 0.98% compared to 0.34% in 2020 (Markit Iboxx EUR corporates AA 10+ rate).

Changes in the provisions break down as follows:

Line items(euros)	**12/31/2020**	**Increases**	**Reversals**	**12/31/2021**
Provisions for foreign exchange losses	662	0	662	0
Provisions for retirement severance payments and similar benefits	601,051	1,609	94,916	507,744
Provisions for reorganization costs and employee-related litigation	235,079			235,079
Provisions for expenses (redundancy costs)	0	125,858		125,858
Total	**836,792**	**127,467**	**95,578**	**868,681**
Operating allowances and reversals		1,609	94,916	
Financial allowances and reversals			662	
Exceptional allowances and reversals		125,858		

The provision for expenses corresponds to the unpaid notice period and the severance payment for an employee whose notice period was already in effect at December 31, 2021.

8. Depreciation schedule

Non-financial assets

In accordance with French GAAP (and notably the provisions of Regulation No. 2016-07 of the French accounting standards authority, *Autorité des Normes Comptables* or ANC), an impairment test is performed whenever there exists an internal or external indicator of a loss in value. On that basis, an impairment loss is recognized if the recoverable value of the asset concerned is lower than the net carrying value. This impairment loss is deducted from depreciable accounting base over the asset's remaining useful life

Before impairment tests, cash generating units (CGU) are first of the five. A CGU is a group of homogeneous assets that generates cash inflows largely independent of the cash inflows from other assets or groups of assets.

Egide accordingly measures discounted future cash flow that will be generated by each CGU.

Value in use is determined by comparing the present value of cash flows to the net carrying value of the corresponding intangible and tangible assets of the corresponding CGU. An impairment loss is recognized if value in use falls below the net carrying value.

Allowances and reversals of amounts for impairment of fixed assets are presented in the company's income statement under results from operations.

Financial assets

Impairment charges for equity interests are recorded, as applicable, to reflect their useful life for the company. The value is remeasured at the end of the reporting period which may result in the recognition of an impairment.

Inventory and work in progress

Depreciation charges are recognized for raw materials, semi-finished and finished goods and based on their age and expectations for their use and sale. A depreciation rate of 5% is applied as soon as the item is not reserved for a customer order, and increased to 50% to 100% in the second year at 100% in the third year. For information, inventories for raw material include components and basic raw materials (minerals). Items in this latter category by nature are subject to different depreciation rules based on factors relating to stock use, transformation into components or resale of an existing market.

Receivables

Impairment charges are recorded for receivables are subject, as applicable, to collection risks, amounting to the estimated value of the risk.

Line items (euros)	**12/31/2020**	**Increases**	**Reversals**	**12/31/2021**
Intangible assets	152,449			152,449
Property, plant and equipment	758,613		646,292	112,321
Financial assets	73,629,295	355,547		73,984,842
Inventory and work in progress	1,254,815	389,238	153,561	1,490,492
Receivables	32436	11,200		43,636
Total	**75,827,608**	**755,985**	**799,853**	**75,783,740**

In 2018, an impairment of €936,000 on fixed assets was recorded based on an indication of impairment resulting from the decline in business activity. The remaining balance of this provision for the year in the amount of €501,000 was reversed in response to the business recovery and forecasts.
On the other hand, 100% of the equity investments in the US holding company that owns Egide USA Inc. and Santier Inc. and valued at €356,000 have been written down.

9. Concessions, patents, licenses

Intangible assets are measured at acquisition cost on initial recognition, plus incidental expenses required to bring the asset into usable condition. Transfer duties, commissions and fees relating to acquisition of intangible assets are expensed in the period, in accordance with French GAAP (ANC regulation No. 2014-03).

In light of the "customized" nature of products marketed by Egide, research and development expenditures concerned mainly products developed in partnership with customers. These costs are then incorporated into the costs of prototypes which are invoiced to customers. In consequence, no research and development expenditures are capitalized in the balance sheet and accounted for as such under assets.

Finite life assets are amortized on a straight-line basis over the expected useful life for generating economic benefits for the company. Amortization is calculated according to the following rates:

	Straight-line
Licenses	10% to 20 %
Software	20 % to 33.33 %
Patents	8.33%

As no significant residual values were identified for the company's intangible assets, the amortization base does not take into account any residual values at the end of their period of use.

The amortization method, residual amounts and useful lives are reviewed at a minimum at the end of each reporting period, and may modify on a prospective basis the initial amortization schedule.

Changes in the other intangible assets break down as follows:

In euros	**Gross value at 12/31/2020**	**Acquisitions, creations, reclassifications**	**Disposals, reclassifications, decommissioning**	**Gross value at 12/31/2021**
Concessions, patents, licenses	391,122	21,300		412,422

Changes in the amortizations break down as follows:

In euros	Accumulated depreciation at 12/31/2020	Increases	Reversals and derecognition	Accumulated depreciation at 12/31/2021
Concessions, patents, licenses	360,873	27,625		388,498

Intangible assets concerned mainly software.

10. Goodwill

In euros	12/31/2020	12/31/2021
Bollène goodwill	152,449	152,449
Impairment	-152,449	-152,449
Net carrying value	0	0

This goodwill results from the acquisition in 1992 of the Bollène establishment, and notably the MCM-type ceramic packaging activity developed at the site. In compliance with French laws imposing legal production guaranteeing the continuity of the site, this asset is not subject to amortization.

This goodwill was fully written off in 2002 as the products concerned by the acquisition of this technology were no longer marketed.

11. Property, plant and equipment

The gross value of asset components is measured at acquisition cost on initial recognition as fixed assets, plus incidental expenses required to bring these assets into usable condition. Transfer duties, commissions and fees relating to acquisition of property, plant and equipment are expensed in the period, in accordance with the option available under French GAAP (ANC regulation No. 2014-03).
Expenditures are capitalized if is likely that the future economic benefits associated with this asset will flow to the company and its costs can be reliably measured. Other expenditures are expensed if they do not meet this definition.

Assets in progress represent assets not yet commissioned at the end of the reporting period.

When significant components of tangible assets are identified with different useful lives, these components are accounted for and depreciated separately according to their own useful lives. Expenditures relating to the replacement or renewal of a tangible asset component are recognized as a distinct asset and the replaced equipment is derecognized. Assets with significant components include ceramic kilns requiring the replacement of the equipment's heating system (approximately 20% of the asset's total value) every four years compared with a useful life for the entire asset of 10 years.

Depreciable assets are depreciated on a straight-line basis over the expected useful life for generating economic benefits for the company. Amortization is calculated according to the following rates:

	Straight-line
Buildings	4%
Buildings fixtures and fittings	10%
Furnaces (structure, excluding identified components)	10%
Ceramic firing furnace heating system (identified component)	25%
Ceramic production equipment (screen printing, via filling, etc.)	12.50%
Ceramic production facilities (clean room, casting machine, etc.)	10%
Graphite machining equipment (CNC machining centers)	10%
Other machinery and equipment	12.50 to 33.33 %
Office equipment and furniture, other fixtures and fittings	10 % to 33.33 %

As no significant residual values were identified for the company's tangible assets, the depreciation base does not take into account any residual values at the end of their period of use.

The amortization method, residual amounts and useful lives are reviewed at a minimum at the end of each reporting period, and may modify on a prospective basis the initial amortization schedule.

The change in property, plant and equipment breaks down as follows:

Line items(euros)	**Gross value at 12/31/2020**	**Acquisitions, creations, reclassifications**	**Disposals, reclassifications, decommissioning**	**Gross value at 12/31/2021**
Buildings		19,326		19,326
Plant, machinery and equipment	8,851,205	197,835		9,049,040
Other PPE	1,269,547	31,719		1,301,266
PPE under construction	118,281	69,826		188,107
Advances and prepayments		141717		141,717
Total	**10,239,033**	**460,423**	**0**	**10,699,456**

Investments for fiscal 2021 concerned the renovation of industrial equipment, a water softener and the renewal of computer equipment.

Changes in the depreciation of fixed assets break down as follows:

Line items(euros)	**Accumulated depreciation at 12/31/2020**	**Increases**	**Reversals & derecognition**	**Accumulated depreciation at 12/31/2021**
Buildings		1,230		1,230
Plant, machinery and equipment	8,211,521	212,905		8,424,426
Other PPE	847,705	93,537		941,242
Total	**9,059,226**	**307,672**		**9,366,898**

Allowances for the amortization of property, plant and equipment are calculated on a straight-line basis and recorded under operating profit in the amount of €307,672. However, an impairment of €145,292 was already recorded in 2018 and the allowance of the period is offset by the reversal of a provision for the impairment of operating assets.
Changes in the depreciation of tangible fixed assets break down as follows:

Line items(euros)	Accumulated depreciation at 12/31/2020	Increases	Reversals	Accumulated depreciation at 12/31/2021
Plant, machinery and equipment	363,471		363,471	0
Other PPE	282,821		282,821	0
Tangible fixed assets under construction	112,321			112,321
Total	**758,613**		**646,292**	**112,321**

At December 31, 2018, an impairment test was conducted in response to a persistent decline in activity in the thermal imaging business. As the present value of assets recorded in the balance sheet at December 31, 2018 does not cover their net carrying value, an impairment charge was recorded in the amount of €936,000. The reversal reflects the normal depreciation in the amount of € 145,292 and the balance reversed in a single transaction for the additional amount.

12. Financial assets

The gross value of investments represents their acquisition cost on initial recognition.
Transfer rights, commissions and fees relating to the acquisition of financial assets are expensed in the period in accordance with the option available under French GAAP (CRC regulation 2004-06).

Line items(euros)	Gross value at 12/31/2020	Change	Gross value at 12/31/2021	Impairment 12/31/2020	Change	Impairment 12/31/2021
Egide USA LLC interests	82,984,842		82,984,842	73,629,295	355,547	73,984,842
Other fixed securities	100		100			
Deposit guarantees	419,521	-224	419,297			
Cash collateral deposit for the Sofired-PME Défense loan	30,000		30,000			
Total	**83,434,463**	-224	**83,434,239**	**73,629,295**	**355,547**	**73,984,842**

Analysis of the equity interest at the end of the reporting period is based on multi-criterion approach capable of taking into account both subjective and objective criteria, and namely, net equity, recent performance, financial prospects, the relative weight in Egide's market capitalization in relation to sales. The weight of these different criteria may vary from one financial period to the next, in order to take into account selected specific or contextual factors.

This analysis led to an additional impairment charge of €356,000, resulting in a net value of the shares of €9 million.
The paragraph "Post-closing events" describes the restructuring of the financial debt of the US subsidiaries currently in progress and not expected to be completed before mid-2022. It should be noted that the success or failure of this operation could have a direct impact on the value of these shares, although the current value is based on the assumption of success and these items were considered satisfactory by the Board of Directors when it approved the financial statements on May 2, 2022.

13. Inventories and work in progress

Inventories materials, consumables and trade goods are recognized at their acquisition cost (plus shipping costs) according to the weighted average cost method. Work in progress, finished goods and semi-finished goods are measured at production cost which includes direct manufacturing costs and factory overheads relating to references recognized as correct at the end of the manufacturing process. The costs of manufacturing scrap are expensed in the period. When costs are higher than the selling price, after deducting selling costs for products, a charge for depreciation is recorded for the difference.

Changes in the inventories and work in progress break down as follows:

Line items (euros)	**Gross value at 12/31/2020**	**Gross value at 12/31/2021**	**Impairment 12/31/2020**	**Increases**	**Reversals**	**Impairment 12/31/2020**
Raw materials & other supplies	2,687,158	2,576,525	848,185	78,879	148,656	778,408
Work in progress	618,364	599,072	0			
Finished goods	707,917	1,160,018	403,317	310,118	4,905	708,530
Trade goods	16,735	8,421	3,313	241		3,554
Total	**4,030,174**	**4,344,036**	**1,254,815**	**389,238**	**153,561**	**1,490,492**

The depreciation methods have remained unchanged: 5% in the first year unless the components are allocated to an order, 75% after 12 months in inventory and 100% after 24 months; with some exceptions: 75% for Kovar material regardless of the year of origin in inventory, no depreciation for Graphite.

14. Trade receivables

Factoring

The trade receivables account is cleared when the receivable is transferred to the factor resulting in the issuance of a subrogation receipt.

The resulting receivable created in favor of the factor is extinguished when the receipt has been financed, after deducting the holdback and fees and commissions payable.

Changes in trade receivables break down as follows:

In euros	**Gross value at 12/31/2020**	**Gross value at 12/31/2021**	**Impairment 12/31/2020**	**Increases**	**Reversals**	**Impairment 12/31/2021**
Trade receivables	1,239,592	961,212	32,436	11,200		43,636

Factoring has been in use since April 2006 and concerns domestic and export receivables representing 86% of actual sales in 2021. Receivables assigned to factors but not yet settled at December 31, 2021 amounted to €1,861,000, thus increasing the value of trade receivables in the absence of factoring to €2,822,000 on this date compared to €3,217,000 at December 31, 2020.

15. Receivables and payables

Receivables and payables are registered at face value except provisions for retirement severance payments and similar benefits which correspond to the present value of the future liability.

Statement of receivables (euros)	**Gross amount**	**Less than 1 year**	**More than 1 year**
Other financial assets	449,397		449,397
Advances and down payments paid	3,098	3,098	
Trade receivables	873,940	873,940	
Doubtful receivables	43,636	43,636	
Accounts payable: accrued credit notes		-	
Employee and related receivables	2,695	2,695	
Research tax credits	569,233		569,233
VAT payables	160,635	160,635	
Factors	183,524	183,524	
Sundry debtors (BPI+CC group+ras JC+misc.+nefty+NDF advance)	444,609	444,609	
Prepaid expenses	242,889	242,889	
Total	**2,973,656**	**1,955,026**	**1,018,630**

The receivables relating to these factors represent non-financed guarantee funds. It should be noted that the factoring contracts were terminated with effect from December 31, 2021 and replaced on January 1, 2022 by the factor of one of the company's banks.

The Research Tax Credit receivable is more than one year as the company is not classified as an SME and in consequence, is required to wait for three years before collecting this amount. However, financing is provided on an ongoing basis.

Statement of payables (euros)	**Gross amount**	**Less than 1 year**	**More than 1 and less than 5 years**	**More than 5 years**
Other bond debt / VATEL	-			
BPI France canvassing advance	48,750	48,750		
BPI Sofired	180,000	120,000	60,000	
BPI Research Tax Credit financing	321,709		321,709	
French State guaranteed loans	1,150,000	58,333	1,029,167	62,500
Egide USA LLC. equity investment payables	465,117		465,117	
Santier Inc. current account	76,018		76,018	
Customer advances and prepayments	17,236	17,236		
Trade payables and equivalent	1,467,315	1,467,315		
Employee and related receivables	599,519	599,519		
Social security and related-payables	612,402	612,402		
Other tax and related payables	52,891	52,891		
Payables for fixed assets		-		
Other liabilities	60,404	60,404		
Total	**5,051,361**	**3,036,850**	**1,952,011**	**62,500**

The company has subscribed to three French government-backed Covid-19 relief loans (PGE): €400,000 in April 2020,with repayment to begin in 2022; €500,000 in January 2021 and €250,000 in December 2021.
The BPI SOFIRED - PME Défense loan (with an interest rate of 3.85%) will end in June 2023.

16. Prepaid expenses

Line items(euros)	**12/31/2021**	**12/31/2020**
Raw material purchases	87,082	49,643
Rent and rental charges	94,422	87,782
Insurance	17,874	85,534
Software licenses	21,752	26,183
Miscellaneous expenses (maintenance, etc.)	21,759	28,842
Total	**242,888**	**277,984**

17. Accrued expenses

Line items(euros)	**12/31/2021**	**12/31/2020**
Suppliers – purchase invoice accruals	240,784	251,197
Accounts receivable – accrued credit notes		5,000
Personnel– social security payments	1,798	4,607
Personnel – accrued vacation and related expenses	647,521	695,808
Personnel – accrued bonuses and related expenses	150,700	39,500
VAT on credit notes receivable	0	0
French government – other accrued expenses	34,054	90,429
Accrued expense voucher payments	3,930	776
Accrued commissions	54,888	73,604
Other accrued expenses	1,586	
Profit-sharing payables	25,000	0
Total	**1,160,262**	**1,160,921**

18. Accrued income

Line items(euros)	**12/31/2021**	**12/31/2020**
Accounts payable - accrued credit notes		14,122
Unbilled receivables		
Other accrued income		13,585
VAT on unbilled trade payables	38,921	39,953
French government - accrued income		
Total	**38,921**	**67,660**

19. Subsidiaries and associates

	Capital	Equity other than share capital (excluding income of the period)	Ownership interest (%)	Carrying value of shares (euros)		Loans and advances granted and not yet repaid (euros)	Pledges and guaranties given by the company (euros)	Sales ex-VAT for year ended	Profit (loss) at closing	Dividends received by the company in the period	
				Gross	Net						
EGIDE USA LLC Wilmington DW – United States	US$ 78,181,828	US$ 660,959	100%	82,984,842	9,000,000	None	None	None	(400,000)	None	Creation 11/08/2000 The Company owns Egide USA Inc. and Santier Inc.

20. Translation differences

Purchases and sales in foreign currency are recognized in the income statement at the rate in effect on the transaction date. At the end of the reporting period, payables and receivables in foreign currency are measured at the year-end exchange rate. In light of the small amounts involved, the difference was recorded as financial expenses or income directly under "translation differences". Similarly, foreign currency bank and cash balances are also translated at the year-end rate.

Relevant line item	**Currency**	**Foreign exchange (debit balance)** (euros)	**Foreign exchange (credit balance)** (euros)
Trade payables	YEN	402	
Trade payables	USD	196	
Trade receivables	USD		776
Current account	USD		
Total		**598**	**776**

21. Corporate income tax and tax losses

Tax loss carryforwards at the end of 2021 amounted to €58,123,000.

A research tax credit for fiscal 2020 of €144,000 was recognized. Because the company is no longer classified as an SME within the meaning of the European Union, this tax credit will not be refunded until a period of 3 years. Bridge financing is in the process of being obtained.

22. Changes in future tax liabilities at the standard tax rate

Increases (euros)	**2021**	**2020**
Unrealized losses on foreign exchange	0	662
Total	**0**	**662**
Tax rate	26.5%	28%
Increase in future tax liabilities	**0**	**185**

Decreases (euros)	**2021**	**2020**
Retirement severance benefits	94,916	- 1,050
Allowances for long-service awards	- 1,609	2,607
Unrealized losses on foreign exchange		- 44,655
Provision for unrealized foreign exchange losses		662
Tax loss carryforwards	- 58,216,752	- 57,984,950
Total	**- 58,123,445**	**- 58,027,386**
Tax rate	26.5%	28%
Reduction in future tax liabilities	**- 15,402,713**	**- 16,247,668**

23. Revenue by business segment

Products are shipped Ex-Works (EXW) according to Incoterm definition. Revenue is recognized upon the transfer of risks either when products are shipped or from availability for shipment ex-works. The delivery order and the invoice are issued on the date the products are actually removed. Revenue includes revenues from the sale of products and trade goods as well as associated equipment costs, and amounts invoiced under engineering design or service contracts.

The majority of revenue in 2021 (non-Group) originated from deliveries of finished products shipped in the period.

Business sectors (euros)	**12/31/2021**	**12/31/2020**
Glass-to-metal	5,789,879	5,459,529
Ceramic	8,232,152	7,613,306
Engineering	-	151,226
Non-core activities	169,548	187,869
Group	287,706	294,570
Total	**14,479,285**	**13,706,500**

24. Revenue by region

Geographical sectors (euros)	12/31/2021	12/31/2020
France	6,373,936	6,155,195
EEC excluding France	2,312,897	2,143,359
USA in Canada	552,467	875,602
Other countries	4,952,279	4,237,774
Group	287,706	294,570
Total	**14,479,285**	**13,706,500**

25. Net financial income (expense)

Line items (euros)	12/31/2021	12/31/2020
Interest expense on borrowings	-26,173	-51,051
Net gains (losses) from foreign currency transactions	947	28295
Special commission on financing/factoring	-20,499	-20,580
Other financial income and expenses	-355,547	0
Group interest expenses		-18,859
Total	**-401,272**	**-62,195**

26. Net exceptional items

Line items (euros)	31/12/2021	31/12/2020
Severance / negotiated termination compensation	-7 000	-93 004
Provision / restructuring and labor disputes		12 214
Provision / restructuring and labor disputes		- 7 599
Asset disposals	6000	
Insurance claims payments		
Tax rebates on French electricity taxes		168 689
Misc.	-460	417
Total	**-1 460**	**80 717**

27. Compensation of directors and officers

Gross compensation paid for the office of Chairman-Chief Executive amounted to €90,000 in 2021.

The Deputy Chief Executive Officer, also holding an employment contract for distinct technical functions as plant manager, does not receive remuneration for his corporate office.

Compensation paid in 2021 to the Board of Directors represented a gross amount of €30,000 for the 3 members.

28. Other commitments

28.1. Commitments given:

28.1.1. Commitments on behalf of affiliated companies

None

28.1.2. Commitments in favor of financial institutions

Off-balance-sheet commitments are summarized below:

Line items(euros)	**12/31/2021**	**12/31/2020**
Pledges		
Guarantees given		
Total	**None**	**None**

28.1.3. Finance lease liabilities

Finance lease liabilities relate exclusively to the following line items and break down as follows:

Plant and machinery (euros)	**12/31/2021**
Value of assets at the least inception date	316,841
Allowances for depreciation if the assets have been acquired:	
- in the period	31,386
- accumulated depreciation at opening	195,897
Lease payments:	
- in the period	55,636
- accumulated depreciation at opening	62,195
Balance of lease payments outstanding at closing	210,628
Residual purchase price	4,320

28.2. Commitments received

No bank guarantees were issued to the benefit of Egide.

28.3. Reciprocal commitments

Egide SA took out a credit insurance policy designating the factors as beneficiaries for insurance payments to be made in the event of default by the company's customers. Obligations for claims payments by the insurance company are limited with respect to the company to maximum payments equal to €1 million.

29. Breakdown of average headcount

	2021	2020
Executives and management staff	30	27
Supervisory staff and technicians,	20	22
Employees	5	5
Workers	77	81
Average headcount	**132**	**135**

EGIDE SA

Statutory Auditors' report
on the consolidated financial statements

(Financial period ended December 31, 2021)

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly sur Seine Cedex.

RSM PARIS
26, rue Cambacérès
75008 Paris

Statutory Auditors' report on the consolidated financial statements
(Financial period ended December 31, 2021)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether qualified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures. This report also includes information relating to the specific verification of information given in the Group management report and in the documents addressed to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the General Meeting,
EGIDE SA
SITE SACTAR
84500 BOLLENE

Opinion

In compliance with the engagement entrusted to us by your general meeting, we have audited the accompanying consolidated financial statements of EGIDE SA for the year ended 31 December 2021.

In our opinion, the consolidated financial statements give a true and fair view of the results of the operations of the Group for the year then ended and of its financial position and its assets and liabilities as at December 31, 2017 in accordance with International Financial Reporting Standards(IFRS) as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the audit committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de Déontologie*) for Statutory Auditors, for the period from 1 January 2021 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) No. 537/2014.

Significant uncertainty regarding the company’s status as a going concern

Without qualifying the opinion expressed above, we draw your attention to the significant uncertainty relating to events or circumstances that may affect the assumption of going concern described in note 1.3.3 to the consolidated financial statements.

Observation

Without qualifying our opinion, we draw your attention to notes 1.1 and 2.5 to the consolidated financial statements, which describe the change in accounting policy resulting from the IFRS Interpretations Committee (IFRIC) decision published in May 2021 regarding the rules for measuring and recognizing pension and similar benefit obligations and its impact on the consolidated financial statements.

Justification of assessments - Key audit matters

Due to the global crisis related to the Covid-19 pandemic, the preparation and audit of the consolidated financial statements of this period were carried out under specific conditions. In particular, this crisis and the exceptional measures taken in connection with the public health emergency have resulted in multiple consequences for companies, particularly for their business, their financing, as well as increased uncertainties about their future outlook. Certain measures, such as restrictions on travel and remote working have also affected the internal organization of companies and the procedures for conducting audits.

In this complex and constantly changing context, in accordance with the requirements of articles L. 823-9 and R. 823-7 of the French commercial code (“*code de commerce*”) relating to the justification of our assessments, in addition to the point described in the section entitled "Significant uncertainty regarding the company’s status as a going concern", we bring your attention to the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period, as well as our responses to those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on specific items of the consolidated financial statements.

Monitoring the Group’s capital spending, debt and cash flow

(Note 2.6 to the consolidated financial statements)

<u>Identified risk</u>

The net value of the Group's intangible assets, property, plant and equipment and right-of-use assets amounted to €11.7 million at December 31, 2021.

At December 31, 2021, Group financial debt amounted to €9.9 million (including IFRS 16 lease liabilities of €2.2 million).

Given the significant level of the Group's historical investments and debt, combined with its history of losses, particularly in the context of the ongoing refinancing of the financial debt of the US subsidiaries, as described in notes 1.3.3 "Going concern and liquidity" and 1.6. Subsequent events", we consider that monitoring the Group's investments, indebtedness and cash flow to be a key audit point.

Responses as part of our audit

Our work consisted primarily in:

- Examining and assessing the process used by management to develop the cash flow plans and forecasts;
- Analyzing the consistency of the cash flow forecasts approved by the Board of Directors as part of the budget process with forecasts established in prior periods and actual cash flows;
- Reviewing the agreements currently in the process of being negotiated in connection with the ongoing restructuring of the US subsidiaries' debt;
- conducting meetings with management to analyze the main assumptions used in the business plans and comparing these assumptions with the explanations provided;
- Reviewing the sensitivity analyses performed;
- Reviewing the level of cash flow to ensure that sufficient funds are available to finance the company's activities over the next twelve months, provided that the current negotiations on the restructuring of financial debts with a new partner are completed by mid-June 2022.

Valuation of the US subsidiaries' intangible assets
(Note 2.1 to the consolidated financial statements)

Identified risk

The net value of Santier Inc.'s at December 31, 2021 amounted to €0.6 million. In addition, €0.49 million in deferred tax assets have been recognized by Egide USA LLC (head of the US tax group) and €0.2 million by Egide SA at December 31, 2021.

As describe in note 2.1 of the consolidated financial statements on property, plant and equipment, an impairment test is performed whenever there exists an internal or external indicator of a loss in value. An impairment loss is recognized if the recoverable value of the asset concerned is lower than the net carrying value. This impairment loss is deducted from depreciable accounting base over the asset's remaining useful life

The US operating subsidiaries recorded a net loss for the year as a result of the loss incurred by Santier Inc. in the amount of €0.96 million. In previous years, these entities had furthermore experienced several years of significant declines in revenue. In consequence, the fragile nature of the results of the Group's three cash-generating units (Egide SA, Egide USA Inc. and Santier Inc.) led management to consider this situation as an indication of impairment and to conduct impairment tests in order to assess whether or not these intangible assets should be written down.

For that reason, we considered the evaluation of the intangible assets of the US subsidiaries to be a key audit matter. In effect, the judgment of management in determining the value in use of these intangible assets is fundamental in selecting the items to be considered (historical or forward-looking data) and their estimates (budgets, growth assumptions, actuarial assumptions).

Responses as part of our audit

To assess the reasonable nature of the estimate of the values in use of the intangible assets of US subsidiaries, our work consisted mainly in verifying that these values adopted by management are based on an appropriate justification for the valuation method and the supporting data.

With respect to estimates based on forward-looking data for the US subsidiaries, our work has consisted in primarily:

- Obtaining forecasts for cash flows and operating activities of the subsidiaries established by management and assessing their consistency with the forward-looking information originating from the most recent strategic plans.
- Verifying the consistency of the assumptions adopted with the economic environment on the closing dates of the financial statements.
- Comparing forecasts for previous periods with their actual results, assuming that the current negotiations on the restructuring of financial debts with a new partner are successfully completed by mid-June 2022.

Specific procedures

As required by French law and regulations, we also performed the specific verifications, in accordance with professional standards applicable in France, of the information provided on the group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Other verifications or information required by law and regulations

Format of the presentation of the consolidated financial statements included in the annual financial report

We also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the Statutory Auditors relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the consolidated financial statements included in the annual financial report mentioned in Article L. 451-1-2 of the French Monetary and Financial Code (*code monétaire et financier*), prepared under the responsibility of the Chairman-CEO, complies with the format defined in the European Delegated Regulation No. 2019/815 of 17 December 2018. As it relates to consolidated financial statements, our work includes verifying that markups for disclosures in these consolidated financial statements comply with the format defined in the above delegated regulation.

Based on the work we have performed, we conclude that the presentation of the consolidated financial statements included in the consolidated financial report complies, in all material respects, with the European single electronic format.

Appointment of statutory auditors

We were appointed as statutory auditors of EGIDE SA by your general meeting of June 29, 2001 for PricewaterhouseCoopers Audit and of June 16, 2016 for RSM Paris.

As at December 31, 2021, PricewaterhouseCoopers Audit was in its 21st period of its total uninterrupted engagement and RSM Paris in its 6th period. In addition, SYC SAS, a member of RSM International's network previously served as the statutory auditors of the company from 2009 to 2015.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its operations.

The audit committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.
The consolidated financial statements have been approved by the Board of Directors.

Statutory auditors' responsibilities for the audit of the consolidated financial statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified by Article L. 823-10-1 of the French Commercial Code ("*code de commerce*"), the scope of our statutory audit does not include assurance on the future viability of the Company or the quality with which Company's management has conducted or will conduct the affairs of the entity.

As part of an audit in accordance with professional standards applicable in France, we exercise professional judgment throughout the audit.
We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- 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 the internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;

- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;

- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation,

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit Committee

We submit a report to the audit committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as significant audit findings. We also bring to its attention, if need be, any significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the audit committee includes information about the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters. We describe these matters in the audit report.

We also provide the audit committee with the declaration referred to in article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France as defined in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code ("*code de commerce*") and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

Neuilly-sur-Seine and Paris, May 18, 2022

Statutory Auditors

French original signed by:

PricewaterhouseCoopers Audit	RSM PARIS
Thierry Charron	Régine Stéphan

EGIDE SA

Statutory Auditors' report on the annual financial statements

(Financial period ended December 31, 2021)

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly sur Seine Cedex.

RSM PARIS
26, rue Cambacérès
75008 Paris

Statutory Auditors' report on the annual financial statements
(Financial period ended December 31, 2021)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether qualified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures. This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the General Meeting,
EGIDE SA
SITE SACTAR
84500 BOLLENE

Opinion

In accordance with the terms of our engagement as auditors by your annual general meeting, we have audited the accompanying annual financial statements of EGIDE SA for the year ended December 31, 2021.

We certify that the annual financial statements give a true and fair view of the results of operations for the past year and of the financial position and assets and liabilities of the Company at the end of the year in accordance with generally accounting accepted principles in France.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the “Statutory Auditors’ Responsibilities for the Audit of the Annual Financial Statements' section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de Déontologie*) for Statutory Auditors, for the period from 1 January 2021 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) No. 537/2014.

Observations

Without qualifying the opinion expressed above, we draw your attention to the following notes to the financial statements:

- "Change of accounting method" and "7. Provisions" in the notes to the financial statements, describing the change in accounting method resulting from the update in November 2021 by the French Accounting Standards Authority (*Autorité des Normes Comptables*) of its Recommendation No. 2013-02 on the rules for measuring and recognizing of pension obligations and its impact on the financial statements.

- "Subsequent events" and "12. Financial assets" in the notes to the financial statements, describing the restructuring in progress of the US subsidiaries' financial debt and the consequences if these measures are not completed before mid-June 2022.

Justification of assessments - Key audit matters

Due to the global crisis related to the Covid-19 pandemic, the preparation and audit of the consolidated financial statements of this period were carried out under specific conditions. In particular, this crisis and the exceptional measures taken in connection with the public health emergency have resulted in multiple consequences for companies, particularly for their business, their financing, as well as increased uncertainties about their future outlook. Certain measures, such as restrictions on travel and telecommuting also have an impact on the internal organization of companies and the procedures for implementing audits.

In this complex and constantly changing context, in accordance with the requirements of articles L. 823-9 and R. 823-7 of the French commercial code (“*code de commerce*”) relating to the justification of our assessments, we bring your attention to the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the annual financial statements of the current period, as well as our responses to those risks.

These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on specific items of the annual financial statements.

Monitoring debt and cash flow

(Note 15 to to the annual financial statements)

Identified risk

At December 31, 2021, Egide SA had €2.2 million in financial debt.

Given the importance of the company's debt and losses in previous years, we consider that monitoring debt and cash flow is a key audit point.

Responses as part of our audit

Our work consisted primarily in:

- Examining and assessing the process used by management to develop the cash flow plans and forecasts;
- Analyzing the consistency of cash flow forecasts approved by the Board of Directors as part of the budget process with forecasts established in prior periods and actual cash flows;
- Conducting meetings with management to analyze the main assumptions used in the business plans and comparing these assumptions with the explanations provided;
- Review the level of cash flow to ensure it is sufficient to finance operations over the next twelve months, assuming that the current search for alternative financing to replace the financing previously arranged with PNB is successful.

Evaluation of equity interests held by Egide SA
(Notes 8 and 12 to the annual financial statements)

Identified risk

With a net amount of €9.0 million, equity interests represented 53% of total assets at December 31, 2021. These reflect the Egide’s activity in the US through its operating subsidiaries, Egide USA Inc. and Santier Inc.

As indicated in the section "Financial assets" in note 8 “Depreciation schedule” to the annual financial statements, equity interests are, as applicable, subject to impairment to reflect their value in use for Egide SA. An impairment charge for these assets in the amount of €0.4 million was recognized at December 31, 2021.

While Egide USA Inc. showed a profit in 2019, 2020 and 2021, it registered losses in prior years. Egide USA Inc.'s performance continues to be adversely impacted by the consequences of the fire that damaged the electroplating workshop in the 2020 second half. Santier Inc. recorded a loss in 2021. Since its creation in 2017, Santier Inc. had recorded a loss only in fiscal 2019.

In this context, we consider that the measurement of the equity investments of the US subsidiaries to be a key audit point, in particular in view of the refinancing of the financial debt of the US subsidiaries

currently in progress, as described in the notes "Subsequent events" and "12. Financial assets", and which will not be completed before mid-June 2022.
The estimation of value in use of the equity interests requires judgments by management in the choice of items to consider. These items may consist of historical data (net equity) or forward-looking data (the successful restructuring of the US subsidiaries' financial debt, recent performances, the outlook of profitability and economic trends in the country in question).

Responses as part of our audit

To assess the reasonable nature of the estimate of the values in use of these equity interests, our work consisted mainly in verifying that these values determined by management are based on an appropriate justification for the valuation method and the supporting data, and based on the assumption of a favourable outcome by mid-June 2022 of the negotiations in progress to restructure the financial debt.

With respect to estimates based on forward-looking data for Egide USA Inc. and Santier Inc, our work has consisted in primarily:

- obtaining forecasts for cash flows and operating activities of the subsidiaries established by management and assessing their consistency with the forward-looking information originating from the most recent strategic plans.
- verifying the consistency of the assumptions adopted with the economic environment on the closing dates of the financial statements.
- comparing forecasts adopted for prior periods with actual performances.

Specific procedures

We have also performed the other specific procedures required by French law and regulations, in accordance with professional practice standards applicable in France.

Information given in the management report and other documents addressed to shareholders with respect to the financial position and the financial statements

We have no matters to report regarding the fair presentation and consistency with the financial statements of the information given in the management report of the Board of Directors and the other documents addressed to the shareholders in respect of the financial position and the annual financial statements.

We attest to the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in article D. 441-6 of the French commercial code.

Information on corporate governance

We certify that the section herein of the Board of Directors' report on corporate governance includes the information required by articles L. 225-37-4, L. 22-10-10 and L. 22-10-9 of the French commercial code.

Regarding the information provided in accordance with the provisions of Article L. 22-10-9 of the French Commercial Code on compensation and benefits paid or granted to corporate officers as well as commitments incurred in their favour, we have verified their consistency with the accounts or with the data used to prepare these accounts, and when necessary, obtained by your company from companies controlled by it which are included in the consolidation scope. On the basis of these procedures, in our opinion this information is accurate and provides a fair presentation.

Other disclosures

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Other verifications or information required by law and regulations

Format of the presentation of the annual financial statements included in the annual financial report

We also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the Statutory Auditors relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the annual financial statements included in the annual financial report mentioned in Article L. 451-1-2 of the French Monetary and Financial Code (*code monétaire et financier*), prepared under the responsibility of the Chairman-CEO, complies with the format defined in the European Delegated Regulation No. 2019/815 of 17 December 2018.

Based on the work we have performed, we conclude that the presentation of the annual financial statements included in the annual financial report complies, in all material respects, with the European single electronic format.

Appointment of statutory auditors

We were appointed as statutory auditors of EGIDE SA by by your general meeting of June 29, 2021 for PricewaterhouseCoopers Audit and of June 16, 2016 for RSM Paris.

As at December 31, 2021, PricewaterhouseCoopers Audit was in its 21st period of its total uninterrupted engagement and RSM Paris in its 6th period. In addition, SYC SAS, a member of RSM International's network previously served as the statutory auditors of the company from 2009 to 2015.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the annual financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its operations.

The audit committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

These annual financial statements have been approved by the Board of Directors.

Statutory auditors' responsibilities for the audit of the annual financial statements

Objective and audit approach

Our role is to issue a report on the annual financial statements. Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified by Article L. 823-10-1 of the French Commercial Code ("*code de commerce*"), the scope of our statutory audit does not include assurance on the future viability of the Company or the quality with which Company's management has conducted or will conduct the affairs of the entity.

As part of an audit in accordance with professional standards applicable in France, we exercise professional judgment throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- 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 the internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the annual financial statements;

- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If we conclude that a material uncertainty exists, we draw attention in our audit report to the related disclosures in the annual financial statements or, if such disclosures are not provided or inadequate, we issue a qualified opinion or no opinion at all;

- evaluate the overall presentation of the annual financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;

Report to the audit committee

We submit a report to the audit committee which includes in particular a description of the scope of the audit and the audit programme implemented, as well as significant audit findings. We also bring to its attention, if need be, any significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were the most significant for the audit of the annual financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration referred to in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France as defined in particular by articles L.822-10 to L.822-14 of the French commercial code ("*code de commerce*") and in the French Code of ethics for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

Neuilly-sur-Seine and Paris, May 18, 2022

Statutory Auditors

French original signed by:

PricewaterhouseCoopers Audit	RSM PARIS
Thierry Charron	Régine Stéphan