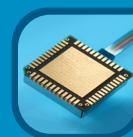




*Our Most Important
Connection is with You.™*



2016 Financial Report

Radiall 



2016 FINANCIAL REPORT

Copies of this annual financial report are available free of charge at Radiall's head office (25 rue Madeleine Vionnet – 93300 Aubervilliers, France), from Radiall's website (www.radiall.com) and from the website of the Autorité des Marchés Financiers (www.amf-france.org)



A good year 2016,

Dear Shareholders,

In 2016, Radiall broke the €300 million barrier in terms of sales, a symbolic milestone which recognises the sustained efforts made by the Group over the past four years in the field of innovation. Within a macro-economic environment that has been marked by two major crises during the last 15 years, we have demonstrated our resilience and have continued to invest in the development of new products. As such, investment in research and development, which has grown 40% over the past four financial years, today allows us to strengthen our customer intimacy in leading edge technology markets, and improve our positioning on high growth markets that meet social needs such as communications, transport and security.

Moreover, although the weak euro has impacted the quality of our results, we have remained vigilant in terms of controlling our structure costs within an unpredictable economic environment.

All Group markets posted growth over the financial year just ended with the exception of Space. Civil Aeronautics, the Group's main market, confirmed its solidity, although it appeared to have plateaued at the end of the financial year. 4G telecom networks, primarily in China, and Industrial are the business segments that achieved the strongest growth over the year just ended. Our subsidiary Van System, a specialist in the field of power connectors which was only partially consolidated in 2015, also contributed to the growth in sales over the financial year.

In addition to our impressive results, 2016 was marked by the implementation of our SAP ERP across the Europe scope, in line with our roll-out plan. I would like to take this opportunity to thank and congratulate Radiall's teams for successfully delivering such a complex project.

The other major success was the launch of our transformation project, Radiall 2025, with the publication of the White Paper, the Start Us Up event in June which aimed to develop the entrepreneurial spirit, and the "Onboarding Days" to launch working groups on the sites. We very much hope that this collaborative approach gives everyone the opportunity to be involved in building the Radiall of tomorrow.

Lastly, 2016 ended with two fantastic awards: the award for "Best Service Support" from one of the global leaders in Telecom, ZTE, for our operational excellence and the quality of technical and commercial support, as well as the "Victoires des Leaders du Capital Humain" award. These are two of Radiall's major development areas that have been recognized: customer intimacy and the development of human capital, which is Radiall Group's most valuable resource.

While we anticipate lower growth over the next few years as a result of slower production rates for wide-body aircraft and the end of the roll-out of the 4G telecom networks, we remain confident about the future, with a 2017 that should continue in the same vein as 2016, under equivalent market conditions.



Pierre Gattaz
Chairman of the Executive Board



Dominique Buttin
Chief Executive Officer

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I. GENERAL INFORMATION

1. PERSONS RESPONSIBLE

1.1 Person responsible for information

Pierre Gattaz, Chairman of the Executive Board.

1.2 Statement by the person responsible

I hereby declare that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and that they provide a true and fair view of the assets and liabilities, financial position and results of the Company and the entities included in the consolidation, and that the management report provided on pages 12 to 16 provides a fair view of the changes in the business, results and financial position of the Company and the entities included in the consolidation, as well as a description of the principal risks and uncertainties they face.

Aubervilliers, 18 April 2017



Pierre Gattaz
Chairman of the Executive Board

2. BUSINESS OVERVIEW

2.1 Presentation of company subsidiaries

2.1.1 The product range

2.1.1.1 - Coaxial components

The company designs, manufactures, and sells coaxial interconnection components for connecting electronic equipment.

These components, which are combinations of connectors, leads or aerials, broadcast data with the least possible distortion inside integrated electronic systems or complex chips, which are fragile and sensitive to harsh thermal, atmospheric or electromagnetic environments.

2.1.1.2 - Multi-contact connectors

The company designs, manufactures, and sells multi-contact interconnection components for connecting electronic equipment.

These connectors simultaneously broadcast several, possibly heterogeneous, signals in generally harsh environments. The signals conducted can be electric, electromagnetic or optical.

2.1.1.3 - Optical components

The company designs, manufactures and sells solutions that are based on fibre optics and optoelectronic technology.

These components broadcast the signal using fibre optic technology, which is currently undergoing numerous developments.

2.1.2 - Key technologies

The products above have been developed from complex expertise combining several disciplines: material structure and special alloys in particular, chemistry and surface treatment, machining, moulding and precision cutting, electronics, optoelectronics, and microwave modelling.

2.1.2.1 - Precision machining

This generic technology includes bar turning, milling, cutting and various reclaiming methods for metals such as brass, aluminium, stainless steel and beryllium-coppers.

In particular, the technology is used to manufacture spare parts for coaxial connectors and multi-contact connector casings. Micromechanics is part of the essential expertise of any connector manufacturer and allows it to set itself apart from its less well-equipped competitors.

Surfaces are treated by electroplating (gold, silver, nickel and bronze alloys) on automated or semi-automated surface treatment lines, depending on the production site.

The Company's great expertise in the surface treatment field and integrating the line into the production flow is a valuable asset for ensuring the connectors are of optimum quality.

2.1.2.2 - Foundry

The Company masters the design and development of the foundry moulds required for manufacturing the casing for its multi-contact connectors. They are outsourced to subcontractors who handle the production, but remain the inalienable property of the Company.

2.1.2.3 - Plastic moulding

This technology is used to manufacture thermoplastic, thermoset or silicone parts and is based on the transformation of granulates.

The technology is mainly used to manufacture connectors for fibre optics and inserts for multi-contact connectors.

2.1.2.4 - Assembly

This technology is used in the final stage of the manufacture process and can be performed on automatic or semi-automatic machines or manually by qualified personnel.

The level of automation largely depends on the quantities to be produced, the complexity of the products, the cost of labour, and the production location.

2.2 Main markets

The company designs, develops and manufactures electronic components for military and aeronautic equipment, wireless telecommunications and industrial applications.

Due to the activity of its end users, Radiall's markets can be considered cyclical and mainly depend on capital expenditure by major contractors.

The Company's activity is not significantly seasonal.

2.2.1 - Military and aeronautic markets

Interconnection components are omnipresent in defence electronics and aeronautics: planes and helicopters, radars, missiles, satellites and launchers, submarines, etc.

Military or commercial planes use components to link highly sensitive electronic systems (measuring tools, radiotelephony, etc.). Some of these components are manufactured by the Company.

Military equipment remains driven by the demand for radio telecommunication technologies. Their development remains subject to public government expenditure policies, which have been curbed recently in light of the economic situation. However, there are still significant opportunities, in particular in certain emerging countries.

The Space market is seeing sustained growth in three applications: telecommunications, observation, and navigation, and also offers opportunities for growth in emerging countries.

Radiall's presence in these markets requires an ongoing development effort to design and make connectors that are smaller and, critically, lighter.

2.2.2 - Telecommunications

There are three ways of transmitting data: traditional copper wire, microwave radio relay and fibre optics. The Company is particularly present in radio relay systems used by cellular telephony.

The connectors manufactured by the Company are used in different types of sub-systems, which require interconnection using an optimised connection such as:

- Transmitters and receivers to send and receive the signal;
- Modulators that transform a continuous signal into 0 and 1 sequences;
- Multiplexers that bundle, unbundle, and direct communications;
- Dispersion compensators, which correct certain defects in the signal.

The growth of this market is linked to the ever-increasing demand for high bandwidths, in particular with the development of 4G (LTE), and WIMAX, and 5G in the future. In fact, the greater the demand for speed and bandwidth, the more the equipment requires high frequencies to move away from very low loss wireless and thus requires very reliable connections.

Although the major manufacturing customers in this market have been relocating to Asia over the last few years, this industry remains strong even in mature countries. However, it remains affected by a downward trend in the number of connectors per telecommunication sub-system and by frequent, significant fluctuations in capital expenditure made by telecoms operators.

2.2.3 - The industrial markets

Complex electronics are increasingly used in industrial applications. The components or functions must be 100% reliable regardless of the sector in which they are applied: medical, automotive telematics, power electronics, oil exploration, rail transportation, new energies, connected objects, etc. These are all applications in which interconnection components are now essential or in which new opportunities are always arising.

2.2.4 – Breakdown of sales by market and geographic region

The breakdown of consolidated sales by market and by geographic region is provided in Note 6.2.

The breakdown of sales and operating profit by geographic location is provided in Section II – Consolidated financial statements, Note 4.2.

2.2.5 - Customers

The Company has numerous references in its business segments. The Group's main customers are as follows:

Civilian Aeronautics, Space and Military	Telecom	Industrial and other
<ul style="list-style-type: none"> - Safran Electrical & Power (Europe and USA) - Thalès (Europe and USA) - Boeing (USA) - UTC Aero Space (USA) - Rockwell Collins(USA) - AIRBUS Group (Europe) 	<ul style="list-style-type: none"> - ZTE (Asia) - Nokia (Europe, USA and Asia) - Huawei (Asia) - Commscope (Europe, USA and Asia) - Ericsson (Asia & Europe) 	<ul style="list-style-type: none"> - TTI (Europe and USA) - Richardson (USA and Asia) - Rohde & Schwarz (Europe) - Avnet (Europe and USA) - Philips (Europe) - RS Components (Europe)

In 2016, the Group's top ten customers, all business segments included, accounted for 46.6% of revenue. The Company extended its credit insurance in 2016 to cover the risk of customer credit default. This insurance covers customers invoiced by the European, Chinese and Hong-Kong subsidiaries, accounting for over 50% of total sales.

2.3 Competitive position

Company name	Country	Markets	2016 sales *	Listing	Market cap 12/2016
Main competitors					
Huber & Suhner	Switzerland	All	CHF 737.2 M	Zürich	CHF 1,099 M
Amphenol	USA	Aeronautics	USD 6,286 M	NYSE	USD 20,730 M
Rosenberger	Germany	Telecom and Industrial	Unavailable	Not listed	N/A
TE Connectivity (primarily AMP and Deutsch)	USA	All	USD 12,238 M	NYSE	USD 24,630 M

* Source: Company press release.

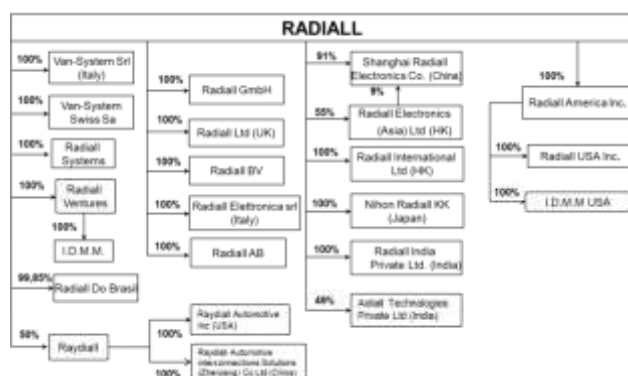
The Company has an image of a quality, high-tech company within this competitive world, as a result of its experience in defence electronics and the space industries, which are extremely demanding (qualifications, regular audits, etc.). Radiall is positioned among the market leaders.

The Company is not dependent on any patents, licences, industrial or financial contracts or commercial contracts with its customers.

3. ORGANISATION CHART

3.1 Presentation of company subsidiaries

The diagram below shows the organisation chart of the Company's subsidiaries at 31 December 2016:



Radiall designs, develops and manufactures a comprehensive range of connectors and electronic interconnection components: coaxial and multi-contact connectors for connecting electronic equipment, interconnection solutions based on fibre optics and optoelectronic technology, as well as aerials and microwave components.

The Company also provides services to its subsidiaries in the finance, accounting, legal, tax and IT fields, and organisation management in general.

In order to pursue its activities, the Company relies on its subsidiaries throughout the world, as represented in the above

organisation chart, which, depending on cases, include sales offices and/or factories.

Details regarding the holding status of the subsidiaries and equity interests are provided in Section III – Parent company financial statements – “Table of subsidiaries and participating interests”.

At 31 December 2016, the Company held the following equity interests:

EUROPE

France (head office, sales offices and industrial sites)

- 50% of the capital of Raydiall, a simplified limited company with capital of €8,000,000, with its head office located at Voiron (38500) – 30 rue Léon Bérédot, entered in the Grenoble Trade and Companies Register under number 537.387.193. Raydiall itself holds 100% of the capital of Raydiall Automotive Inc., a company registered in the state of Delaware, with its head office located at 615 South DuPont Highway Dover, Kent County, Delaware 19901 (USA); and 100% of the capital of Raydiall Automotive Interconnections Solutions (Zhenjiang) Co Ltd, with its head office located at 19 Weisi Road, Dingmao, New District, Zhenjiang (China).

- 100% of the capital of Radiall Ventures, a simplified limited company with capital of €1,000,000, with its head office located at Aubervilliers (93300) – 25 rue Madeleine Vionnet, entered in the Bobigny Trade and Companies Register under number 431.847.599, acquired on 9 January 2007. Radiall Ventures takes and manages financial interests in share portfolios, company interests, bonds, investment certificates and more generally marketable securities as well as accounting, administrative, and IT services or business management and organisation consultancy services. Radiall Ventures itself holds 100% of the capital of Industrie Doloise de Micro-Mécanique, known by its abbreviation “IDMM”, a simplified limited company with capital of €560,000, with its head office located at Dôle (39100) – 13 rue Henri Jeanrenaud, and entered in the Lons-le-Saunier Trade and Companies Register under number 395.061.815.

- 100% of the capital of Radiall Systems, a simplified limited company with capital of €37,000, with its head office located at 25 rue Madeleine Vionnet, 93300 Aubervilliers, entered in the Bobigny Trade and Companies Register under number 478.152.879, held directly by the Company following a transaction to sell all its securities held by Radiall Ventures and by the minority shareholder to Radiall, in accordance with the share transfer agreements dated 12 November 2013. Radiall Systems contributes to researching and developing new products for the Radiall Group. This company was dormant in 2016.

Netherlands (sales office)

- 100% of the capital of Radiall BV, a Dutch company with capital of €15,882.31, with its head office located at Hogebrinkenkerweg 15 b – 3871 KM Hoevelaken, Netherlands. This company has a Radiall SF branch office with its head office located at Lämsänjärventie 13 A 6, 90230 Oulu, Finland.

United Kingdom (sales office)

- 100% of the capital of Radiall Ltd, an English company with capital of GBP 223,385, with its head office located at Ground Floor, 6 The Grand Union Office Park – Packet Boat Lane – Uxbridge, Middlesex UB82GH, United Kingdom, and registered under number 377.015 (England & Wales).

Italy (sales office and factory)

- 100% of Radiall Elettronica srl, an Italian limited company with capital of €257,400, with its head office located at Via Della Resistenza 113, 20090 Buccinasco, Milan, Italy.
- 100% of Van-System Srl (factory and sales office), an Italian limited company with capital of €50,000, with its head office located at Baranzate (MI), Via Zambelletti no.19, Italy.

Germany (sales office)

100% of Radiall GmbH, a German company with capital of €485,727.29, with its head office located at Carl – Zeiss – Strasse 10 –D – 63322 Rödermark, Germany.

Switzerland (factory)

100% of Van-System Swiss SA, a Swiss company with capital of CHF 100,000, with its head office located at Via Borromini 20, 6850 Mendrisio, Switzerland.

Sweden (sales office)

- 100% of Radiall AB, a Swedish company with capital of SEK 300,000, with its head office located at ollentunavägen 63, SE-19140 Sollentuna, Sweden, and registered under number 556238-6051.

AMERICAS

USA (sales offices and factories)

- 100% of Radiall America Inc., a company registered in the state of Arizona with capital of USD 15,500,000, with its head office located at 8950 South 52nd Street, Suite 401, Tempe – Arizona 85284, USA. Radiall America Inc. holds:
- 100% of Radiall USA Inc., a company registered in the state of Arizona with capital of USD 22,427,086, with its head office located at 8950 South 52nd Street, Suite 401, Tempe – Arizona 85284, USA; RADIALL Applied Engineering Products Inc. merged into RADIALL USA Inc. on 1 June 2009.

- 100% of I.D.M.M USA Inc, a company registered in the state of Delaware, with its head office located at 850 New Burton Road, Suite 201, Dover, Delaware 19904, Kent County, USA. This company was dormant in 2016.

Brazil (sales office)

- 99.37% of Radiall do Brasil, a Brazilian limited company with capital of R\$ 638,000, with its head office located at Largo do Machado 54 – CEP: 22221-020 – Sala 706 – Catete 20021-060 – Rio de Janeiro – Brazil and registered under CNPJ number 31.642150/0001-22.

ASIA

China (sales office and factory)

- 91% of Shanghai Radiall Electronics Co. Ltd., a Chinese joint venture with capital of USD 10,200,000, with its head office located at 390 Yong He Road – Shanghai 20072 – China. The remainder of the company's capital – 9% – is held by Radiall Asia.

Hong Kong (sales office)

- 100% of Radiall International Ltd, a Hong Kong company with capital of HKD 10,000 and a head office at Room A, 16/F, Ford Glory Plaza, Nos. 37-39 Wing Hong Street – Cheung Sha Wan, Kowloon, Hong Kong, and registered under number 679070.
- 55% of Radiall Electronics (Asia) Ltd, a Hong Kong company with capital of HKD 300,000 and a head office at Room A, 16/F, Ford Glory Plaza, Nos. 37-39 Wing Hong Street – Cheung Sha Wan, Kowloon, Hong Kong. Charles Wu holds the remaining share capital. Radiall Asia Ltd. also holds a 9% equity interest in the capital of Shanghai Radiall Electronics Co. Ltd.

India (sales office and factory)

- 100% of Radiall India Private Ltd, an Indian company with capital of RS 23,636,360, with its head office located at 25 (d) II Phase, Peenya Industrial Area – 560058 Bangalore, India, and registered under number 310394/3344.
- 49% of Aidiall Technologies Private Ltd, an Indian company with capital of RS 100,000, with its head office located at 424/58/3, Koodlu Revenue Layout, Bommanahalli, 560058 Bangalore, India, and registered under number U29253KA2013PTC070675. This company was dormant in 2016.

Japan (sales office)

- 100% of Nihon Radiall KK, a Japanese company with capital of JPY 44,500,000, with its head office located at 3-22-8 Higashi, Shibuya-ku, Tokyo, Japan and registered under number 0110 – 01 – 046762.

4. PROPERTY, PLANT AND EQUIPMENT

Address	Use	Surface area	Status	Comments	Group headcount 2016 including temporary staff and on-site service providers (2016 average)
25 rue Madeleine Vionnet, 93300 Aubervilliers - France	Head office and sales office	1,884 m ²	Commercial lease dated 23 May 2013 for a term of nine years beginning on 1 December 2013.	New head office of Radiall since December 2013	73
Rue Velpeau ZI Nord BP30 -37110 Château-Renault- France	Factory	Neuville: 2,010 m ² Château-Renault: 8,420 m ²	Property and commercial lease dated 13 April 2012 for a term of 9 years.		429
641 rue Emile Romanet – 38340 Voreppe – France	Factory and storage	1,340 m ²	Commercial lease of 1 September 2009 for a term of 9 years.		428
642 rue Emile Romanet – 38340 Voreppe – France	Factory	3,560 m ²	Owned		
642 rue Emile Romanet – 38340 Voreppe – France	Factory	2,290 m ²	Property and commercial lease dated 31 December 2010 for a term of 12 years.		
81 boulevard Denfert-Rochereau 38500 Voiron – France	Site demolished and in disuse	4,711 m ²	Owned	Deed of sale signed on 16 June 2014, for the sale of a portion of the land with a surface area of 32 ares and 89 centiares (approx. 3,289 m ²)	-
15, rue de la Garenne ZI Chesnes Tharabie 38295 Saint-Quentin-Fallavier – France (Isle d'Abeau- IDA)	Factory and storage	7,208 m ²	Owned		315
13 rue Henri Jeanrenaud 39100 Dôle - France	Factory and sales office	6,900 m ²	Lease agreement with call option dated 20 February 2008 for a term of 15 years beginning 1 January 2008.		164
ZI Champfeuillet 30 rue Léon Béridot 38500 Voiron – France	Factory and sales office	1,310 m ²	Lease agreement for a term of 9 years beginning on 25 July 2010	Site of joint venture Raydiall	64
Baranzate (MI), Via Zambelletti no.19 - Italy	Factory and sales office	4,469 m ²	Lease contract	Italian site of Van-System srl, acquired on 29 July 2015	47
Via Borromini 20, 6850 Mendrisio - Switzerland	Factory	580 m ²	Lease contract	Swiss site of Van-System Swiss SA, acquired on 29 July 2015	7
25 (D), II Phase, Peenya Industrial Area, Bangalore 560,058, India	Factory and sales office	3,500 m ²	Lease agreement dated 25 July 2000 for a term of three years, beginning on 1 August 2000 and renewable for successive periods of 3 years		157
390 Yong He Road Shanghai – China	Factory and sales office	4,700 m ²	Lease agreement for a term of 30 years beginning on 1 July 1996	Term will be reduced to 3 years following pre-emption of shareholding (see § 6.8)	435
90 and 104 John W. Murphy Drive, New Haven, Connecticut, USA	Factory	Land of 7,233 acres (approx. 29,271 m ²) and 65,066 square feet facilities (approx. 8,000 m ²)	Owned		107
Ciudad Obregon, Sonora, Mexico, attached to Radiall USA Inc.	Factory	12,546 m ²	Lease agreement dated 1 November 2006 and amendment of 1 March 2007, for a term of 10 years renewable.	Comprising three buildings, one of which was completed in June 2008, with a surface area of 3,785 m ²	733
8950 South 52nd Street, Suite 401, Tempe, 85284 Arizona, USA	Administrative and sales offices	10,368 square feet facilities	Lease agreement dated 16 November 2011 for a term of 62 months beginning on 15 December 2011.		39

The Château-Renault, Isle d'Abeau (Saint Quentin Fallavier) and Voreppe sites report to Radiall, Dôle to I.D.M.M., New Haven and Tempe to Radiall USA Inc., The Bangalore site reports to the Radiall INDIA PRIVATE LIMITED subsidiary and the Shanghai site to Shanghai Radiall Electronics Co, Ltd. the Champfeuillet site to Raydiall, and the Barazante site in Milan to Van-System srl.

The average number of temporary staff and on-site service providers for the year represented 1,142 people. The factories listed above are not used for any specialised production.

The capacity and utilisation rate of factories varies significantly from one site to the other and is not constant from one month to the next. Radiall's current production capacity is able to handle up to a 15% increase in activity. Beyond this, with the exception of the Obregon industrial site, which still has significant reserve capacity to cover large-scale aeronautics programs as they are scaled up, the Company would in all likelihood need to increase sub-contracting, expand the existing industrial sites or create new ones.

5. RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES

5.1 Research and development

Radiall is committed to sustained research and development, both in terms of the development of new products and the use of new materials. This R&D is performed in three ways: either as part of research projects sponsored by bodies which finance 30 to 50% of expenditure, or via Radiall's design departments cooperating with their customers, or by developing or improving certain components used to manufacture Radiall connectors. The sponsoring bodies that provide part of the financing for these projects include, depending on the case, Bpi France's divisions or the French Directorate-General for Enterprise (DGE).

The R&D strategy is geared towards satisfying requirements for new technologies (WIMAX, 3G+, 4G, etc.) and customers' demands (reducing product size, reducing connector weight, simplifying connectors, etc.), or towards improving Radiall's expertise, either independently or in collaboration with partners, in terms of the materials (aluminium, composites, etc.) used in industrial processes.

(€ thousands)	2016	2015	2014
R&D costs *	23,917	21,295	19,232
% of sales	7.7%	7.3%	6.9%

* Amounts before research tax credit.

In 2016, the Company maintained a high level of Research and Development given the strategic importance assumed by this expenditure to ensure the Group's future competitiveness. In general, the Company does not capitalise its research and development expenditure, except in specific cases where certain development expenses on long-term projects (aeronautical) may be subject to amortisation depending on the amounts produced in order to be more in line with the economic reality of the project. At 31 December 2016, capitalised Research and Development projects were fully amortised.

IAS 38 paragraph 128 b) encourages the description of intangible assets that are not recognised because they do not meet the criteria. Further precise detail is not provided mainly due to the very large number of small projects with a very small individual value.

Radiall's development costs are often incurred in response to a customer's request and may be classified into two categories:

- Small projects that sometimes only need a few days' research. This work is generally linked to a customer's specific order. In this respect, any evaluation of the commercial prospects and the existence of a specific market for this development is difficult if not impossible. The individual sums involved are relatively insignificant;
- Larger projects (amount fixed internally at €150,000 or more). These projects are subject to a

quarterly technical, financial, and commercial review to evaluate, among other aspects, the project's capital value pursuant to IAS 38 criteria. In most cases, the majority of the expenditure is incurred before all the IAS 38 criteria have been satisfied. In general, the two main criteria that are satisfied too late are either reasonable assurance that technical feasibility will be achieved or that the future economic prospects will generate economic benefits.

These projects are funded by global self-financing at Group level and possibly grants or public funds.

The R&D sums shown in the above table represent these costs before the application of the Research Tax Credits the Company benefits from in France. In 2016, the Research Tax Credit provided to Radiall SA totalled €1,239 thousand and related almost entirely to Radiall SA. This amount was in decline in relation to the 2015 Research Tax Credit which totalled €1,778 thousand due in particular to the exceptional legal costs incurred in 2015.

5.2 Intellectual property

5.2.1 Patents

The Company owns 106 unregistered inventions and 353 active patents and utility models, including those pending. Patents are typically filed and registered in certain European countries, the United States and China. In particular, they cover the following fields:

- Optics;
- Microwave components;
- Components and active systems;
- Switching;
- Antennae;
- Multi-contacts;
- Coaxial components.

Radiall's constantly evolving product range means that the 20-year statutory protection period largely suffices to ensure that the Company does not become dependent on them. Conversely, it should be noted that the life cycle of Radiall's products is shorter than the protection period offered by the patents.

5.2.2 Trademarks

The Company has registered the Radiall trademark, along with its logo, in 53 countries, including the majority of countries within the European Economic Area, the United States and certain countries in South America, Asia and Africa. In addition to the Radiall trademark, the Company has also registered the following trademarks: EPX, EPXB, OCTIS, Quick Lock Formula, QLF (logo), QLF Quick Lock Formula, LuxCis, AEP, R2CT, SMP-Max, SMP-Lock, OSIS, QRE, D-LIGHTSYS, RAYDIAL, QUICK FUSIO, QUICK INSTALL RADIALL, C-MTitan, Q-MTitan and "Our Most Important Connection is with You", with the geographic scope of registrations potentially differing depending on the brands (European Union, United States, Canada and Asia).

6. FINANCIAL MANAGEMENT REPORT

The Executive Board of Radiall Group, in its meeting held on 23 March 2017, and chaired by Pierre Gattaz, approved the consolidated financial statements for the year 2016.

6.1 Key figures

(€ thousands)	2016	2015	Change 2016 - 2015
Sales	310,164	289,941	7.0%
Profit from recurring operations	50,125	43,998	13.9%
Margin from recurring operations	16.2%	15.2%	
Other operating income and expenses	-	(586)	-100.0%
Operating profit	50,125	43,412	15.5%
Net cost of financial debt	60	74	-18.9%
Other financial income and expenses	(2,446)	(2,042)	19.8%
Income tax	(13,296)	(12,093)	9.9%
Net profit	34,444	29,351	17.4%
Net margin	11.1%	10.1%	
Cash flow from operating activities	38,787	33,300	16.5%
Equity (including minority interests)	230,173	207,948	10.7%
Net financial debt	(75,656)	(61,691)	22.6%

6.2 Sales growth

The Group's consolidated sales amounted to €310,164 thousand in 2016, compared to €289,941 thousand in 2015, representing an increase of 7.0% compared with 2015. On a like-for-like basis, sales grew 5.6%, in particular due to the consolidation of the subsidiary Van-System's activity over 12 months compared with 5 months in 2015 while currency fluctuations had little impact on the comparability of sales from these financial years. This performance reflects a return to organic growth over the 2016 financial year, following a 7.7% decline in 2015 after restatement of exchange rate and consolidation scope effects.

2016 was characterised by growth in all the Group's markets with the exception of Space. The Telecom market, which had experienced a significant decline in sales in 2015, enjoyed renewed growth over the financial year to return to a level of business similar to 2014.

Sales growth by quarter

(€ thousands)	2016	2015	Change 2016 - 2015
1st quarter	78,980	77,196	+2.3%
2nd quarter	76,506	70,078	+9.2%
3rd quarter	76,577	69,558	+10.1%
4th quarter	78,100	73,110	+6.8%
FY total	310,164	289,941	+7.0%

Activity by quarter reflected sustained growth and a 2016 that was steadier than 2015.

All geographic regions posted growth. The France region, driven by healthy activity in Civil Aeronautics, particularly with Safran Power, Airbus and Zodiac, and in Defence with Thalès (Rafale Programme), and Asia displayed the strongest momentum. The Americas region, whose activity relies heavily

on civil aeronautics, posted more moderate growth as a result of several Boeing programmes reaching maturity. Lastly, Europe excluding France achieved growth due to Van-System's contribution to sales over 12 months in 2016 against 5 months in 2015.

Sales by geographic region and market:

(€ thousands)	2016	2015*	Change 2016 - 2015
BY MARKET			
Telecom	51,263	44,052	+16.4%
Military, Aeronautics, Space	216,919	209,286	+3.6%
Industrial	41,986	36,602	+14.7%
BY GEOGRAPHIC REGION			
France	38,512	34,303	+12.3%
European Union, excluding France	51,374	49,161	+4.5%
Americas	135,069	128,849	+4.8%
Asia and rest of the world	85,209	77,628	+9.8%
TOTAL GROUP	310,164	289,941	+7.0%

* Geographic allocation revised according to new 2016 methodology

Overall, international sales grew 6.3%, and represented 87.6% of the Group's sales over 2016 as a whole, a slightly lower level than the previous year (88.2%).

The Executive Board specifies that Radiall's main activity is the design, development and manufacture of electronic components for use in wireless communications, automotive telematics, and military and aeronautic equipment. The Group considers that these products represent a single activity in the sense of IFRS 8.

The Defence segment, which grew 9.4% in 2016, benefited from the momentum both of the delivery of the "Rafales Export" and "Soldat du Futur" (Future Soldier) projects, and of the Indian market, which returned to growth after years of

stagnation. The realisation of numerous installations in relation to new programmes in the launch phase suggest healthy growth for this activity in 2017.

2016 sales in Space, a very cyclical market, posted a sharp decline of 26.1% despite a very good level of business activity. The very high level of order taking in 2016 will contribute to the Group's growth in 2017.

Overall, the defence and space market fell by 2.2% in 2016.

Civil Aeronautics grew 6.7% over 2016. Many programmes reached maturity, and the environment has become increasingly competitive. Despite the impact of the trade concessions required to maintain our positions, the growth dynamic has continued thanks to the ramping up of certain programmes, notably the A350 which offset the price reductions granted to secure our contracts. The continued strength of the USD against the Euro in 2016, which was close to the 2015 average rate, also continued to favour this market segment, almost 90% of which is denominated in this currency.

The beginning of deliveries of our new QI connector on the A350 programme, which began to accelerate from late 2016, will be a growth driver for this market in 2017.

Certain analysts are forecasting a potential turnaround in the cycle, despite aircraft manufacturers having a record order backlog, but sales should remain strong and this market, due to its momentum, remains one of the cornerstones of the Group's business over the new few years.

Following a 14.9% fall in the Telecom market in 2015, business picked up significantly in 2016 with growth of 16.4%. Within a market that grew very marginally, we increased our market share, primarily with Nokia and Huawei, due to both significant work to strengthen our presence and very high levels of service, leading to strong growth despite certain platforms coming to the end of their cycle and the decline in business experienced by our client ZTE, triggered by its issues with the US administration.

Over the course of the year, we have pursued our major efforts to establish new products for the new generations of equipment used by OEMs.

Nevertheless, the roll-outs remain highly erratic and unpredictable, particularly in China. Over the medium term, the outlook remains good, since "network" needs related to the simultaneous development of mobile Internet, connected objects and "big data" are still the growth driver in this sector, even though the new 5G technologies are not expected in the short term.

The industrial market grew 14.7% in 2016, following the 12-month consolidation in Sales of Van-System, acquired on 1 August 2015, compared with 5 months in 2015. At constant consolidation scope, sales were up 2.2%. The picture varied according to market segment. Business was robust in Medical, Distribution and Rail but still in decline in Test & Measurement as a result of the weak Telecom business. Taking into account the significant number of ongoing installations, rail activity at Van-System should result in sales moving up a level in 2017.

The acquisition of Van-System enabled Radiall to unlock opportunities in new market segments, such as the rail and events sectors. Our business development efforts and attempts to adapt our product range are both going to continue in this segment, in a context in which only bringing in external new product lines will be able to significantly strengthen our presence.

Our joint venture Raydiall, dedicated to automotive applications, continued on its path, with strong growth driven by the healthy momentum of the automotive market and good competitiveness in the face of the markets leading players. 2016 will be the year of Raydiall's international expansion with the launch of connector production in China and North America, by building on the structures of its two shareholders, Radiall and A.Raymond.

6.3 Increase in profitability

Against a backdrop of increased sales and benefiting from the favourable impact on margins of the depreciation of the Mexican peso and the strengthening of the dollar, and despite an increase in structural expenditure, in particular R&D and Industrial operations, profit from recurring operations grew significantly by 13.9% to €50,125 thousand, representing 16.2% of sales. In 2015, Group profit from recurring operations totalled €43,998 thousand or 15.2% of sales.

R&D expenditure rose significantly, and stood at €23,917 thousand, equating to 7.7% of 2016 sales as against €21,295 thousand in 2015 (7.3%).

In the absence of non-recurring income, operating profit stood at €50,125 thousand, an increase of 15.5% in relation to 2015 during which a non-recurring loss of €586 thousand was recorded.

The net financial expense was €2,386 thousand (net expense of €1,968 thousand in 2015), primarily as a result of the recognition of an impairment of €1,780 thousand in relation to the shareholding in and loan granted to the company E-Blink, the bankruptcy procedure for which was opened by a decision of 7 November 2016, and an unfavourable currency result of €807 thousand related to the negative value of currency hedging contracts at 31 December 2016.

Following an income tax charge which stood at €13,296 thousand compared with €12,093 thousand in 2015, which represented an overall Group tax rate of 27.9% compared with 29.2% in 2015, Group share of net profit in 2016 totalled €33,826 thousand, an increase of 17.1% in relation to the previous financial year and equating to 10.9% of sales.

6.4 Headcount

CHANGE IN HEADCOUNT	31 December 2016	31 December 2015	Change 2016 - 2015
France *	1,405	1,371	+ 34
Europe (excl. France)	90	81	+ 9
North America and Mexico*	851	852	- 1
Asia	611	614	- 3
Total	2,957	2,918	+39

* Includes Hodiall (7 employees at the end of 2016, 6 at the end of 2015) and temporary and on-site service provider staff of the Mexican maquiladora.

The organic growth in sales led to a 1.3% increase in headcount, being 39 more staff members between the end of December 2015 and the end of December 2016, primarily in France. This increase consisted mainly of on-site service providers and temporary staff (up 32 employees), with the total number of permanent contracts having increased by 15 and the number of fixed-term contracts having decreased by 8.

6.5 Self-financing capacity, net cash position and equity

As a result of the increase in net profit, self-financing capacity grew 21.2% to €63,146 thousand, representing 20.4% of sales, against €52,070 thousand in 2015 (18.0% of sales).

Excluding currency and scope effects, working capital requirements grew €7.4 million, primarily due to an increase in inventories of €4.4 million following in particular the introduction of safety reserves, and an increase of €6.0 million in operating receivables, offset by an increase of €3.0 million in operating payables and other assets and liabilities.

After the impact of the change in working capital requirements, and tax and interest payments of €16.9 million, the cash flow generated by the business during the financial year totalled €38.8 million, compared with €33.3 million generated over the previous financial year.

In the absence of any one-off transactions involving mergers and acquisitions or the purchase of minority shareholdings such as those completed in 2015 for €10.8 million, 2016 investment disbursements of €11.3 million over the financial year were significantly lower than those for 2015 (€22.7 million). They primarily included the acquisition of industrial equipment for customer projects or to improve or increase industrial capabilities.

A total of €13.9 million was recognised under cash flow related to financing operations in 2016, close to the €14.7 million recorded in 2015. In addition to the payment of dividends to Radiall and minority shareholders, it included the repayment of borrowings, primarily leases, and the buyback of treasury shares during the year for a total of €6.6 million.

After these transactions and the unfavourable impact of other changes in cash flow worth €1.4 million, total cash flow generated over the financial year stood at €12.2 million as against a usage of €1.1 million in 2015.

As a result of these changes, available cash totalled €90.2 million at 31 December 2016. It was €78.0 million at 31 December 2015.

Bank borrowings, primarily long-term, fell from €16.3 million at the end of December 2015 to €14.6 million at the end of December 2016. As a result, the net cash surplus rose from €61.7 million at the end of 2015 to €75.7 million at the end of 2016.

After allocation of the 2016 net profit, equity amounted to €230,173 thousand.

6.6 Other highlights of the financial year

In 2016, we continued to make progress in our operational efficiency and to lay the foundation of our future successes.

Our LEAP project continued to be deployed in coordination with our SAP roll-out, targeting the ongoing reduction of implementation cycles, and continued to transform our flow management and our production methods in order to be an ever more agile business, capable of adapting to an increasingly fluctuating demand.

Our Radiall 2025 Project, launched in June 2015 to improve our understanding of the impact of the digital revolution on Radiall's business model by bringing together Radiall's young digital natives, was gradually activated across our various subsidiaries in 2016, inviting all our employees to become involved in the Group's transformation. In this second phase, almost 40 working groups were launched in order to submit and then initiate projects on issues as diverse as innovation, the factory of the future, collaboration and the wellbeing of our teams. It is our firmly held belief that the future of our Company cannot be written without the active and long-term contribution of our teams.

After its installation in the United States in late 2014, on 4 April 2016 we successfully rolled out the SAP software package in France and across most of our European subsidiaries. This Project, which enlisted the expertise, dedication and enthusiasm of various parties, was based on exemplary coordination, which ensured a continuity of service completely in line both with our and our customers' requirements, even though there were occasional impacts on productivity and inventory levels that are currently being resolved.

Every year, Radiall receives several awards in recognition of its capacity to innovate, its operational excellence and the technical and commercial support it provides to its customers and partners. 2016 was no exception to this impressive dynamic, since amongst the marks of recognition received from our customers we received Nokia's "Supplier Excellence Award", the "Supplier Innovation Award" from Airbus and the "Best Service Support" award from the Chinese manufacturer ZTE.

Another highlight of 2016 was receiving the "Human Capital" award in the "Growing Business" category, handed out by the Leaders League Group, in recognition of all our achievements in the field of Human Resources as well as the Radiall 2025 project.

6.7 Parent company results

Sales for 2016 grew by 3.6% compared to the previous year to €156,867 thousand, of which just under half related to intercompany flows. In 2016 and in relation to 2015, the growth in business with French and international customers external to the Group was up 11.9%, while inter-company business declined by 4.4%. External sales in France and for export held up well primarily as a result of the performance of the Telecom market in Europe, as well as Civil Aeronautics and Defence.

Operating profit in 2016 totalled €6,736 thousand, lower than the profit of €7,227 thousand recorded in 2015.

Net financial income for 2016 totalled €24,426 thousand, versus €23,588 thousand in 2015. This stability in net financial income despite allocations to provisions for a fall in the value of E-Blink shares and bonds recognised in 2016, was due to a favourable currency result and a slight increase in the dividends received in 2016. After recognition of net non-recurring income of €86 thousand, the net profit was €30,834 thousand, against a net profit of €30,903 thousand in 2015.

At 31 December 2016, equity amounted to €162,659 thousand and the net cash position grew from €47,918 thousand to €61,815 thousand.

KEY FIGURES (€ thousands)	2016	2015	Change 2016 / 2015
Sales	156,867	151,390	3.6%
Operating profit	6,736	7,227	-6.8%
Operating margin	4.3%	4.8%	
Net financial income	24,426	23,588	3.6%
Profit from ordinary activities	31,162	30,815	1.1%
Net non-recurring income/(expense)	86	(35)	n.s.
Income tax	414	(123)	n.s.
Net profit	30,834	30,903	-0.2%
Equity	(162,659)	152,637	6.6%
Net cash and cash equivalents*	61,815	47,918	29.0%

*Cash + Marketable securities – Current bank overdrafts.

The Group declares that no event has taken place between the reporting date of the financial statements for the year ended 31 December 2016 and the date the Supervisory Board approved these financial statements.

6.8 2017 Outlook

Radiall therefore approaches the new financial year with confidence, given the relevance of its positioning, the satisfactory trajectory of its markets and the launch of many products. Within this context, in 2017 the Group is expecting continued growth at similar levels to those recorded in 2016 on a like-for-like basis. These forecasts are based on the ongoing growth of the aeronautics business which, despite significant pricing pressure and most of its programmes levelling out, should remain robust, a return to growth in space, new deployments in the industrial market. The Group nevertheless remains cautious, given the uncertain economic and geopolitical environment and the structural volatility of some of its markets, such as Telecom. Sustained programmes of investments aimed at preparing for the industrial and commercial development cycles of future years will also be pursued in 2017.

6.9 Main risk factors

Radiall is a diversified international group operating in multiple sectors. The main risks listed are as follows:

6.9.1 Impairment of non-current assets

This risk mainly concerns three balance sheet items: non-current assets, inventories and trade receivables.

In terms of non-current assets, the risk relates to impairment due to the equipment being under-used or not fit for purpose.

In order to assess this risk, and in accordance with IFRS requirements, a systematic annual review of indications of impairment in Group assets is carried out.

For inventories, slow rotations and obsolete equipment are reviewed on a quarterly basis. A provision is made for the market price or the risk of scrapping, if necessary.

Finally, the customer portfolio is rigorously monitored by the Credit Management Department and for the majority of European and Asian entities, credit insurance has been underwritten with a reputable insurer. Moreover, all of the Radiall Group's sites are covered by a multi-risk industrial insurance policy covering against accidental destruction of the production capacity.

6.9.2 Operating losses

As well as insuring the Group against serious incidents (fire, flooding, etc.), the insurance policy also covers operating losses. Operating losses also include exchange rate risk on commercial transactions. Radiall, which generates approximately 50% of its revenue in currencies other than the Euro, has a selective hedging policy to cover Euro/USD flows, taking into account the high cost of premiums and the risks of fluctuations in USD-denominated collections. At the end of 2016, the Group had on its books several optional Euro/USD contracts exercisable in 2017 for a total of USD 70.4 million.

Finally, Radiall has underwritten insurance policies to cover the consequences of any incident in which its civil liability is incurred due to the actions of its employees or faults caused by its products. These policies cover virtually all situations where the financial consequences of the loss could not be met by the Group.

6.9.3 Strategic error or losing strategy

Every year, the Company carries out strategic studies aimed at validating and updating its strategic directions. Since 2012, the Company's five-year planning cycle review has been introducing analyses and more regular debate that should enable better anticipation of the risks associated with strategic errors or losing strategies when strategic decisions are made.

6.9.4 Supplier payment terms

The payment terms for suppliers are generally 45 days from the end of the month in France. Pursuant to Article D. 441-4 of the Commercial Code, the schedule for French supplier invoices at 31 December 2016 comprises €9.1 million payable in under 30 days and €1.6 million payable between 30 and 45 days from the end of the month. The schedule for French supplier invoices at 31 December 2015 comprised €7.1 million payable in under 30 days and €5.9 million payable between 30 and 45 days from the end of the month.

6.10 Technological report, R&D

Research and development costs are detailed in Chapter 5.5.1.

6.11 Non-tax deductible expenses and spending on luxuries

During the financial year just ended, the Company did not commit to or incur any expenses referred to in Articles 39-4, 39-5, and 54 paragraphs four and five of the French General Tax Code, other than the depreciations and amortisations deemed excessive calculated based on the passenger vehicles used by the Company, namely €38,904.55.

6.12 Shareholders' handbook

Stock market performance

(€)	High	Low	Year end	EPS (Group share)*
2010	80.10	60.49	71.50	2.24
2011	84.00	72.30	75.00	2.62
2012	97.50	73.99	90.00	7.31
2013	106.40	76.50	106.40	9.48
2014	259.00	96.00	259.00	17.20
2015	273.00	191.00	214.80	16.01
2016	255.00	191.61	255.00	19.38

* Earnings per share in accordance with IFRS.

Share capital ownership	31 December 2016		31 December 2015	
	% shares	% voting rights	% shares	% voting rights
Société d'Investissement Radiall*	34.7	37.2	32.6	35.8
Hodiall *	54.7	55.6	53.2	57.5
Pierre Gattaz	2.8	3.0	2.7	2.9
General public and other	7.8	4.2	11.5	3.8

*Holding companies combining the Gattaz family's interests in Radiall. These holding companies and the members of the Gattaz family have declared that they act jointly (Notice n°95-3290 published by SBF - Bourse de Paris dated 17 November 1995).

At 31 December 2016, Radiall no longer held any treasury shares.

Stock option plans at 31 December 2016

No stock option plans were in effect at 31 December 2016.

Stock options granted to the 10 leading non-corporate officer employee beneficiaries and options exercised by the latter.

No options were granted during the financial year by the issuer or any company included in the scope of the allocation of options, none were exercised in 2016 and none were allocated in previous financial years and remained exercisable at 31 December 2016.

Stock warrants or options exercised during the year by each executive corporate officer.

No corporate officer exercised any stock warrants or options during the financial year 2016. For the record, no options issued in previous financial years remained exercisable at 31 December 2016.

Share transactions by executives

Nil

Dividends paid during the last five financial years

FY	Number of shares	Net dividend (€)
2011	1,848,124	0.90
2012	1,848,124	1.15
2013	1,848,124	1.50
2014	1,848,124	2.50
2015	1,848,124	2.50

Draft resolution to the Ordinary General Meeting for the year 2016

The General Meeting, ruling under the conditions of quorum and majority required for ordinary general meetings, acknowledges that the net profit for the year 2016 totals €30,834,330.72. Considering retained earnings carried forward of €72,787,148.34, distributable profits total €103,621,479.06. The General Meeting, ruling under the conditions of quorum and majority required for ordinary general meetings, decides to allocate distributable profits for the financial year 2016 as follows:

- to dividends, being €2.50 per share:
€4,342,465 ^(a)
- the balance, to retained earnings:
€26,491,865.72

(a) Subject to allocation to the general reserve of dividends on shares that may be held by the Company at the time of payment.

The retained earnings after distribution will be €99,279,014.06. Dividend will be payable from 26 May 2017.

Proposed payment of an exceptional dividend:

A Company Press Release dated 22 December 2016 announced the Company's intention to share with all its shareholders the satisfaction of seeing the culmination of efforts made over almost seven years to secure its delisting from Euronext Paris by distributing an exceptional dividend of €1.30 per share. In accordance with this Release, the Annual General Meeting of 17 May 2017, meeting under the quorum and majority conditions required for ordinary general meetings, will be asked to approve this exceptional dividend.

6.13 Share buyback transaction

Over the 2016 financial year, 34,000 RADIALL securities were bought back at a price of €195 each.

6.14 Changes to the presentation of the financial statements and in the valuation methods used

No changes to the presentation of the financial statements and in the valuation methods used were made in 2016.

6.15 Equity interests acquired during the financial year

Nil

6.16 Information on corporate officers

Information related to the remuneration of corporate officers is included in Section IV.3 "Information on Corporate Officers".

6.17 Employee shareholding

Nil

7. CORPORATE GOVERNANCE AND INTERNAL CONTROL

Introduction: Summary of statutory duties

Pursuant to Article L. 225-68 of the Commercial Code, in the present report, the Chairman of the Supervisory Board details the conditions for preparing and organising the Board's work and the control procedures currently in force or which are in the process of being introduced within the Company.

Moreover, following the publication of the MiddleNext corporate governance code for small and medium-sized companies in December 2009, the Company decided to comply with this code.

This report was compiled using the IT systems managed by the Finance Department, the Internal Audit Department, and all internal policies and procedures.

7.1 Preparation and organisation of the work of the Supervisory Board – Corporate Governance

7.1.1 Administrative and management bodies

Radiall S.A. is a public limited company having opted for a dual board structure with a Supervisory Board and an Executive Board.

The Supervisory Board oversees the smooth operation of the Company and the Group and reports to shareholders. The Supervisory Board permanently monitors the management of the Company by the Executive Board and grants prior authorisation for operations by the Executive Board requiring said authorisation. The Supervisory Board appoints the Chairman and the members of the Executive Board.

The Executive Board has the widest powers with respect to third parties to act in the Company's name in all circumstances, subject to the powers expressly reserved, by law, for the Supervisory Board and General Meetings.

The limits imposed on the powers of the Executive Board established in Article 18 of the Articles of Association surpass the legal requirements. This Article states that all purchases, exchanges, and sales of businesses or property, the formation of companies or any contribution to companies that have already been formed or to be formed, as well as any acquisition of interests in said companies must have prior authorisation from the Supervisory Board. These limitations are invalid against third parties.

Moreover, in its meeting on 23 March 2017, the Supervisory Board fixed the amounts below which its prior authorisation would not be required to create sureties.

At its meeting of 2 December 2014, the Supervisory Board adopted an internal charter defining the criteria used by the Company and its French subsidiaries to classify an agreement as regulated.

The Executive Board, like the Supervisory Board, meets at least once every three months and presents a quarterly business report to the Supervisory Board, in accordance with the legal requirements. Given the size of the Company, the Supervisory Board and the Executive Board do not have any specialised committees.

7.1.2 Composition and operation of the administrative bodies

• Supervisory Board

At 31 December 2016, the Supervisory Board comprised seven (7) members, two (2) of which are independent.

Radiall's Supervisory Board currently includes two female members, Roselyne Gattaz and Alicia Gattaz, out of a total seven members; therefore the 20% requirement is satisfied.

The Company noted the entry into force of Law n°2014-873 of 4 August 2014 relating to genuine gender equality. Consequently, the Supervisory Board will take all measures necessary to ensure compliance with the requirement for 40% of Board members to be women as of the Annual General Meeting called to approve the financial statements for the year ended 31 December 2016.

The members of the Supervisory Board are convened to meetings by the Chairman or his agent by any means appropriate, including verbally.

The Supervisory Board met six times in 2016. On average, meetings are attended by two thirds of members.

"Majority" members:

- Yvon Gattaz, Chairman
- Bruno Gattaz, Vice-Chairman
- Roselyne Gattaz, Member
- Alicia Gattaz, Member
- Mathieu Gattaz, Member

Independent members:

- Marc Ventre, Member
- Didier Lombard, Member

Directors satisfying the definition and criteria in the MiddleNext Corporate Governance Code for small and medium-sized enterprises of December 2011 are considered independent. Information on the members of the Supervisory Board and the list of their corporate offices are provided in the 2016 Financial Report.

Content of the Supervisory Board meetings:

The main items discussed in 2016 by the Supervisory Board were:

- Review of the financial statements and approval of the Management Report,
- Discussion of the Executive Board's quarterly business reports,
- Approval of the draft resolutions by the General Meeting,
- Review of the regulated agreements,
- Changes in the Group's structure and equity interests,
- Discussion on internal control procedures,
- Growth plans and investment authorisation,
- Authorisation given to the Executive Board to create sureties and guarantee subsidiaries' commitments.
- Planned purchase of land,
- Opinion on simplified public tender offer initiated by Hodiall.

• Executive Board

The Executive Board comprises the following three (3) members:

- Pierre Gattaz, Chairman;
- Dominique Buttin, Member and Chief Executive Officer;
- Guy de Royer, Member and Group Chief Financial Officer and Legal Counsel

Information on the members of the Executive Board and the list of their corporate offices are provided in the 2016 Financial Report.

The Executive Board is convened by the Chairman or two of its members. The Executive Board met seven times in 2016. All members were present at the meetings.

Content of the meetings of the Executive Board:

The main items discussed in 2016 by the Executive Board were:

- Preparation of the quarterly business report,
- Preparation of the financial statements, forecast documents and release of the Management Report,
- Notice of Annual General Meeting,
- Issuing the list of regulated agreements,
- Growth plans and investment authorisation,
- Authorisation given to the Supervisory Board to create sureties and guarantee subsidiaries' commitments,
- Setting the price of the share buyback programme,
- Reduction in the share capital via the cancellation of shares.

• Management Committees

The Executive Board relies heavily on Management Committees, which include all Executive Board members, to define and deploy the Group's strategy and to manage the Company.

Since 1 January 2013, the Executive Board has been supported by two Committees, one called the "Executive and Strategic Committee" ("ESC") whose aims are to define and roll out the Group's strategy and to oversee the management of the Company's major decisions. The purpose of the other, the "Operational Steering Committee" ("OSC"), is to be responsible for the Company's operational management. These Committees meet on a monthly basis.

Composition of the Executive and Strategic Committee at 31 December 2016:

- Pierre Gattaz, Chairman of the Executive Board.
- Dominique Buttin, Chief Executive Officer and member of the Executive Board,
- Guy de Royer, Chief Financial Officer and Member of the Executive Board,
- André Hartmann, Director of Human Resources and Support Functions.
- Dominique Pellizzari, Executive Vice President Sales & Business Development

7.2 Internal control procedures

In accordance with the commitments made to the AMF during 2008, Radiall chose to use the Reference Framework for internal control published in 2006 by a working group sponsored by the AMF. This framework is currently deployed within the Group.

7.2.1 Definition and purpose of internal control

The internal control system defined and implemented at Radiall aims to ensure:

- Compliance with laws and regulations,
- Application of the policies and guidelines fixed by the Executive Board, the ESC and the OSC,
- Proper operation of internal processes, in particular those which safeguard assets,
- Reliability of financial information

More generally, internal control contributes to the control of activities, the efficiency of operations and the efficient use of Company resources.

One of the objectives of the internal control system is to prevent and control risks affecting the Company's activities and the risks of errors or fraud, in particular in the accounting and financial fields. Like any control system, it cannot provide a fool-proof guarantee that these risks are completely eliminated.

➤ *Purpose of the report*

This report describes the internal control and risk management policies in place within the RADIALL Group, which includes the parent company and the consolidated entities.

7.2.2 Organisation of internal control

7.2.2.1 Radiall's values and charter

The values of integrity, ethics, exemplarity and skills have been of major concern to the Group for many years, driven by the Chairman of the Supervisory Board, who was a founder of the ETHIC movement (French acronym for Human-sized Industrial and Commercial Company).

Radiall's charter focuses on three goals:

- **Customer satisfaction** in order to exist,
- **Personal fulfilment of employees** in order to grow,
- **Prosperity for the company** in order to last.

And seven values:

- **Ethics**: acting with integrity and respecting our commitments,
- **Excellence**: being the best in our business,
- **Anticipation**: preventing risks and planning for changes,
- **Financial discipline**: defending a key freedom: financial independence,
- **Innovation**: advancing with new ideas,
- **Adaptability**: knowing how to evolve to win,
- **Globalisation**: adapting to international requirements.

The Radiall Charter, which can be accessed on the Group's Internet and intranet sites, is included in the Internal Rules displayed at all of the Group's sites and is communicated to all new employees as part of the *Magellan* induction course and in the welcome handbook. This Charter is supplemented by the NICT Charter (New Information and Communication Technologies), which informs employees of their rights and obligations and aims to raise awareness of IT security issues.

There are also "*Guidelines for Managers operating in France*," which describe the main values expected of Managers and serve as a basis for annual progress reviews.

7.2.2.2 Persons responsible for internal control

The Operational Steering Committee is responsible for internal control and meets every month.

Radiall is also subject to numerous external audits imposed by certain customers, particularly in the military, aeronautics, space, automotive and telecommunications sectors. These audits cover technical and financial matters and certain aspects of risk control.

At the Group level, internal control is coordinated by the operational and functional departments whose duties are as follows:

- **Finance and Legal Department**

This Department groups together the following functional activities:

- **Accounting** prepares Radiall's parent company financial statements, tax statements and consolidated financial statements.

- **Financial control** prepares a monthly management report and ensures the reliability of financial information. It oversees the budgeting process. It has authority within a dual Division/Geographic region-based organisational system.
- **Internal audit**: the Internal Auditor helps implement the provisions of the LSF (French Financial Security Law) and performs any audits throughout the Group requested by General Management. A new Internal Audit Charter has been established, and an audit schedule is submitted each year to the Supervisory Board, convened as an Audit Committee.
- **The Treasury Department** balances financial flows and manages the investment of the parent company's surpluses (in instruments with no capital risk). It is also responsible for hedging the Group's foreign exchange risk.
- **The Legal Department** acts as Legal Secretary for Radiall, advises the operational departments on drawing up and respecting contractual commitments and manages litigations. It also manages and optimises the Group's insurance program. It keeps abreast of changes in French, European and international law, and provides permanent legal watch. It also ensures that the Company respects its obligations as a listed company, especially in terms of regulated information.
- **Credit Management** collects Radiall Group's receivables, monitors the credit insurance cover of the Group's entities and handles pre-litigation matters.
- **Insurance** develops and implements a comprehensive worldwide insurance policy to cover all insurable risks.
- **Financial Communication** publishes press releases and all financial information in compliance with existing legislation. The Financial Communication Officer is responsible for dealings with the AMF, Euronext and financial analysts.

These activities are performed internally or subcontracted to the Hodiall company, the Radiall Group's holding management company, with which it has a service provision agreement.

- **IT Department**

This department defines the general policy for IT systems in terms of the technical infrastructure and software used.

It is responsible for the operation of the central systems and manages user access, as well as helping develop new applications. It is also responsible for the security of the Group's IT network.

- **Human Resources Department**

This department is involved in human resources policy and, in particular, the definition of the payment policy and changes to the Group's headcount.

- **Group Quality Assurance Department**

The Radiall Group has developed a total quality assurance strategy through various certifications (in particular ISO 9001 and 14000, EN/AS9100, and ISO TS16949); the Group Quality Department is responsible for setting up, monitoring, and implementing this strategy in all the Group's subsidiaries.

7.2.2.3. Parent company's legal and operational control over its subsidiaries

This control is ensured by effective presence at all Board of Directors' meetings held in accordance with the local rules in each country.

The subsidiaries have relatively broad autonomy to meet budgetary objectives, but they must respect the Group's procedures (recruitment, investments, etc.). In addition, certain key functions remain tightly controlled by head office (see 'Persons responsible for internal control'). There was no significant change in the Company's legal and operational control over its subsidiaries in 2016.

7.3 Risk management

7.3.1 General policy

➤ *Defining and implementing the strategy*

The Radiall Group has developed a risk management policy to achieve its targets concerning performance, optimisation of operations, compliance with laws and regulations in force, and customer satisfaction. The Group has continued its policy of balancing its portfolio of business activities. The Company's strategy and priority targets are reviewed annually based on several strategic meetings led by the ESC and set out every year in a five- year plan.

7.3.2 Risk assessment

➤ *Mapping major risks*

In 2014, the Internal Audit Department mapped the major risks, with the main risks being analysed in the management report (operating losses, impairment of asset value, and strategic error or losing strategy). It compiled a list of the major generic and specific risks in the Company's sector, also indicating their nature: industrial, strategic, human and financial. It held interviews with members of Management, asking them to assess the major risks based on a predefined scale in terms of impact, frequency, effect on the Group's net profit, headcount, and assets, and to weigh up these risks in order to identify the main ones. The risks were then listed in hierarchical order and analysed by management. Action plans aimed at limiting these risks will be reviewed in 2017.

Mapping operational risks

Numerous operational risks are subject to regular or occasional monitoring, notably through the internal procedures and quality management systems applied by Radiall.

7.3.3 Key elements of the Company's internal control system

➤ *Budgeting process*

The budgeting process is one of the pillars of Radiall's internal control system, since it involves all of the Group's functions and key personnel. It analyses risks per activity and sets the performance targets to be achieved. Staff targets are also set based on budgetary assumptions.

Summaries of budgeting sessions enable the Group's product/customer/market, industrial, social, and research and development policies to be approved, as well as investment plans and areas for development. The budget is prepared monthly for the Group's monthly reporting purposes.

➤ *Delegation of signing authority*

Radiall and its main subsidiaries all have a formalised delegation system supervised by the Executive Board. This system applies, in particular, to purchase and investment commitments, recruitment, the signing of commercial contracts, bank transactions, and all ISO processes (production, quality, commercial, etc.). An automated workflow system is accessible on the intranet to increase efficiency and control of the delegation process for investment and recruitment.

In 2009 and 2010, the existing banking delegations were reviewed and modified for most of the Group's entities. They are regularly updated in line with the movement of the proxies.

During the 2009 financial year, and with a view to increasing the efficiency and control of operational management, general guidelines for the delegation of authority for management was distributed, as well as a Customer Credit procedure. These guidelines were updated in 2012 and 2013.

➤ *Delegation of authority*

By decision of 3 September 2013, the Executive Board decided to delegate a certain number of its powers to each of its members, with the option to sub-delegate, such sub-delegations being subject to the prior approval of the Executive Board.

By decisions of 20 May and 2 December 2014, the Executive Board deployed its delegations of authority within the Company in the following areas:

- Human Resources Department;
- Sales Department;
- Industrial Department;
- Research and Technology Department;
- Finance and Legal Affairs Department.
-

These delegations continue to be adjusted and supplemented every year since that date.

➤ *Assessment of the Quality Management System (QMS)*

One of the key aspects of operational internal control is documentation and ensuring that line operators are familiar with it. A knowledge database is updated and available on the intranet. The Group's policy of training internal quality auditors means that internal and external audits are regularly performed to ensure the control of the procedures and efficiency of the processes.

The QMS is assessed each year by the Group's entities to ensure that it is relevant, adequate, and that it is able to achieve the targets set.

7.3.4 Prevention tools

➤ *IT systems infrastructure*

At the heart of the Group's IT system is an ERP, commonly used on the market, which centrally links most of the Group's entities. This software is installed on a single central computer hosted by a reputable external service provider, ensuring continuous access and the necessary backups.

The Group has opted for centralised management of accesses to the various operating systems. Security measures are in place to control the use of email, the ERP and all shared servers in general. An ERP back-up plan is tested annually.

It should be noted that Radiall successfully deployed a new SAP ERP in the US Region on 1 October 2013. This new ERP, whose deployment across the entire Group is scheduled over the next few years, was the subject of an assessment of its performance and integrity by the Group's auditors at the end of 2013 which found no major weaknesses.

➤ *The Group's insurance policy*

Radiall strives to limit its financial risks and has therefore set up a coverage policy transferring risks whose financial consequences the Group would not be able to support to insurance companies or banks.

The Group has notably subscribed to worldwide insurance policies for property damage (including operating losses), civil liability (both general and for products) and damage during transport. The Group has also subscribed to specific policies for customer risk, the risk of gradual or accidental pollution in sensitive areas, aeronautical risks, and certain risks relating to certain categories of personnel.

Finally, the Group regularly uses forward or optional contracts to cover part of its foreign exchange and interest rate risk.

7.3.5 Internal control on the preparation of the parent company's financial information

➤ *Organisation of accounting*

This is structured around a Central Accounts Department based at Head Office and factory accounts departments.

Their work is overseen by the Accounts Director whose main duty is to ensure compliance with accounting standards (IFRS in particular) in force within the Group. Central accounting is managed by a Head Accountant, who is responsible for the following tasks: trade receivables, trade payables, cash flow, pay, consolidation and reconciliation of inter-company flows, general accounts, tax returns and relations with the authorities. The factory accounts departments mainly deal with supplier invoices (goods, services and non-current assets). They report to the Central Accounts Department. In the main, the principle of the separation of functions (recording/payment) is respected.

➤ *Organisation of accounting and financial IT systems*

Accounting is an integral part of the ERP and is based on one single chart of accounts which is used for the entire Group. All general accounting entries relating to income statements and certain statements of financial position are linked to analytic entries to establish the monthly management report.

➤ *Procedures for consolidating the financial statements*

The financial statements are consolidated using software that is widely available on the market and which runs on a client server. An employee responsible for the consolidation reports directly to the Head Accountant. This employee receives regular training on regulatory changes and the functions of the software.

Radiall performs four consolidations a year on 31 March, 30 June, 30 September and 31 December of each year. Each company in the Group receives a detailed consolidation schedule to plan and shorten lead times.

Before being integrated and checked in the consolidation software, the entities enter their standard document into a standardised spreadsheet, which has a consistency verification control, thus guaranteeing the quality of the data supplied. A critical review is performed, and the consolidation department can check that the documents are consistent with local figures by remotely accessing the subsidiaries' ERP accounting systems.

The implementation of initial multifaceted consolidation software in 2007 began the process of improving the reliability of accounting data and reporting. During the fourth quarter of 2012, the Company decided to replace this consolidation software with a latest generation integrated reporting and consolidation tool and to conduct an in-depth review of the statutory consolidation and management processes. This software was successfully implemented during the first quarter of 2013, with significant advances in relation to data reliability, productivity, and acceleration of the reporting date of the financial statements. At the end of 2013, this software was the subject of an audit of its functionality and integrity by the Group's auditors which revealed no major weaknesses.

➤ *Monitoring provisions*

At least twice a year, for accounts closing on 30 June and 31 December, General Management and the Finance Department review all provisions recorded on the different companies' balance sheets.

These provisions are adjusted based on the available information and relevant estimates made while constantly respecting the principle of prudence.

➤ *Relations with the Statutory Auditors*

The parent company and consolidated financial statements are subject to a full audit at 31 December and a limited review at 30 June. Preparation, progress and recap meetings are regularly held with the two audit firms.

To improve efficiency, one of the Statutory Auditors is also the local auditor for the main subsidiaries.

The Group uses the network of one of the Statutory Auditors for its international audit requirements in particular.

An audit plan is discussed annually with the Statutory Auditors. This helps direct certain work in special risk areas.

7.3.6 Remuneration of Executives and Corporate Officers

The Company believes that the recommendations of the MiddleNext corporate governance code for small and medium sized enterprises regarding the remuneration of executive corporate officers of listed companies are in line with its corporate governance policy.

A large number of the recommendations have therefore already been implemented within the Group.

The remuneration of executives is fixed based on the market benchmarks within the sector in which we operate.

7.4 Procedures specific to the participation of shareholders in the General Meeting

In accordance with the provisions of Article L. 225-68 paragraph 9 of the Commercial Code, this report states that the procedures governing the participation of shareholders in the General Meeting are specified in Articles 21 to 23 of the Articles of Association of the Company.

2017 ACTION PLAN

In an effort to constantly improve the Group's internal control system, Radiall's Supervisory Board communicated the following recommendations to the Executive Board for the year 2017. These recommendations focus on the following areas:

- Monitoring of action plans and updating of the risks identified in the Group risk matrix.
- Supporting the improvement of fraud and corruption prevention procedures (under Sapin 2 Law).

- **The identification of the Group's main inter-company flows and their potential optimisation in terms of flows and currencies.**

Aubervilliers, 23 March 2017

Yvon Gattaz
Chairman of the Supervisory Board

8. STATUTORY AUDITORS' REPORT ON THE REPORT PREPARED BY THE CHAIRMAN OF THE SUPERVISORY BOARD OF RADIALL

Prepared for the year ended 31 December 2016 pursuant to Article L. 225-235 of the Commercial Code.

To the Shareholders,

In our capacity as RADIALL's Statutory Auditors, and under the provisions of Article L. 225-325 of the Commercial Code, we hereby present our report on the report prepared by the Chairman of the Supervisory Board of your company pursuant to Article L. 225-68 of the Commercial Code for the year ended 31 December 2016.

The Chairman must compile a report on the internal control and risk management procedures existing in the Company and provide the other information required by Article L. 225-68 on corporate governance. This report must be submitted to the Supervisory Board for its approval.

We are responsible for:

- Informing you of any observations we may have on the information contained in the Chairman's report concerning the internal control procedures relating to the preparation and processing of accounting and financial information, and
- Certifying that the report includes the other information required by Article L. 225-68 of the Commercial Code, it being specified that we are not responsible for verifying the fairness of this other information.

We have performed our work in accordance with the professional standards applicable in France.

Information on the Internal Control Procedures relating to the preparation and processing of accounting and financial information

Professional standards require that we perform our audit in order to assess the fairness of the information provided in the Chairman of the Supervisory Board's report on internal control procedures used in the preparation and processing of accounting and financial information. This audit involves:

- Examining the internal control procedures used in preparing and processing the accounting and financial information underlying the information presented in the Chairman's report and existing documentation;
- Examining the work which enabled this information and existing documentation to be compiled;
- Deciding whether the major deficiencies in the internal control system relating to the preparation and processing of accounting and financial information that we may have identified during our audit were appropriately reported in the Chairman's report.

On the basis of our audit, we have no observations to make on the information provided on the Company's internal control and risk management procedures relating to preparing and processing the accounting and financial information presented in the report by the Chairman of the Supervisory Board, issued pursuant to the provisions of Article L. 225-68 of the Commercial Code.

Other information

We certify that the report by the Chairman of the Supervisory Board includes the other information required by Article L. 225-68 of the Commercial Code.

Paris and Courbevoie, 19 April 2017

The Statutory Auditors

MAZARS

GAEL LAMANT

FIDUS

ERIC LEBEGUE

9. ENVIRONMENTAL, CORPORATE AND SOCIAL INFORMATION

9.1 Introduction

In the field of interconnection components, driven by its strong capacity for technological innovation, and its genuine in-depth expertise using a variety of technologies, Radiall is preparing for the future and designing increasingly advanced products. In this way, the Group is meeting the needs of its customers whilst fulfilling its corporate, environmental and social obligations.

Whilst carrying out its activities, Radiall must also incorporate a responsible approach into its strategy in order to satisfy the expectations of various stakeholders: its employees, partners, customers and suppliers.

This social responsibility policy is based on values and ethics that are shared by all employees: personal fulfilment of employees in order to build, ethics in order to act with integrity and respect our commitments, company prosperity in order for it to last.

For these reasons Radiall has published its corporate, environmental and social information over the past 13 years beginning in the 2002 financial year. This information was included in the Annual Report.

The Grenelle II Law of 12 July 2010, Article R. 225-105-1 of the Commercial Code and its corresponding Application Decree D. 2012-557 of 24 April 2012 specifically defined the environmental data to be provided in the annual report and which are included later in this section.

The majority of the detailed information included hereafter is consolidated for the entire Group.

9.1.1 Strategic priorities of the Corporate and Social Responsibility (CSR) policy

Radiall Group's CSR policy is defined in its ethics and corporate charter and its CSR brochure (available at www.radiall.com), Pierre Gattaz commented on the significant progress made in 2016 in terms of the CSR policy:

"We have chosen to integrate our CSR policy into our strategic roadmap to reflect our CSR ambition and encourage an even broader diffusion of a sustainable mindset within Radiall. Our Corporate and Social Responsibility policy, "Better Connected", is built around three strategic priorities:

- Accountability
- Openness
- Wholeness

We are constantly working towards these goals through continuous improvement. Indeed, we consider it an integral part of our industrial process, which is defined by the search for excellence. Therefore, all aspects of our operations take into account our sustainability goals: industrial operations, purchasing, transportation, human resources, day-to-day operations, etc.

This report highlights our main priorities, achievements, challenges and objectives."

Corporate responsibility is also reflected in commitments such as:

- The adoption of an ambitious Quality, Safety and Environment Charter, to promote the development of its employees, and to consider environmental concerns in the design of its products, the management of industrial waste, the reduction of energy consumption, and to promote respect for the environment with its suppliers and subcontractors;
- The promotion of respect for the environment through reference to ISO 14001;
- The development of a dynamic human resources policy, aimed at looking after the health of employees and respecting social dialogue;
- The development of operations that fully respect the best practices of business ethics.

In accordance with its policy, the Shanghai and Bangalore sites have been certified according to the ISO 14001 environmental management framework for many years. The French Voreppe site has introduced a non-certified environmental management system.

9.1.2 Company ethics

Through its ethical and corporate charter, signed in June 2008, the company Radiall supports a set of fundamental values on the basis of the following commitments to:

- Respect International Human Rights law;
- Ensure it is not complicit in human rights abuses;
- Respect freedom of association and the right to collective bargaining;
- Prohibit all forms of forced or compulsory labour;
- Eliminate discrimination in employment and occupation;
- Effectively abolish child labour.

In addition, the Company continues to promote diversity and equal opportunity on the basis of "The Corporate Diversity Charter" of which it is a signatory, and to respect the principle of non-discrimination, whatever the area.

The company is also taking measures to promote a better work/life balance.

9.1.3 CSR governance

Each of the sites has one or more individuals responsible for CSR issues. This person, who is notably responsible for monitoring consumption, improvement measures and regulations, may be a site director, a Quality/Environment leader or a maintenance manager. A Health, Safety and Environment (HSE) Coordinator was appointed in 2014 for Radiall Group with the role beginning in 2015.

9.1.4 Consideration given in supplier and subcontractor relationships

The purchasing departments take into account environmental criteria when purchasing, on a case-by-case basis. Radiall's purchasing terms and conditions stipulate certain social and environmental requirements that suppliers and subcontractors must comply with, which particularly include:

- Compliance with local regulations regarding employment law and health and safety conditions;
- The provisions of the United Nations International Convention on the Rights of the Child of 20 November 1989, which prohibits child labour;
- The renunciation in any form whatsoever of forced or compulsory labour as defined in Article 1 of the International Labour Organisation Convention of 25 June 1957 on the Abolition of Forced Labour;
- Compliance with the following regulations: The ROHS Restriction of Hazardous Substances), WEEE (Waste Electrical and Electronic Equipment) and REACH (Registration Evaluation Authorisation and Restriction of Chemicals) Directives and Directive 2003/11/EC, as well as with the International Traffic in Arms Regulations (ITAR) and the Export Administration Regulations (EAR).

Major subcontractors are questioned or audited in relation to all these points. Some of them are certified in accordance with ISO standard 14001.

9.2 Corporate and social information

In order to support its growth and achieve its goals, the Group must attract the best talent and help its employees meet the challenges that they face.

Through its ambitious human resources policy, Radiall seeks to:

- Encourage the personal development and fulfilment of its employees;
- Provide them with a working environment that respects their physical and moral integrity, and ensure that they receive fair treatment in all circumstances;
- Develop their internal and external employability by facilitating their access to training throughout their career and by enhancing their position and their experience through increased autonomy and responsibility.

9.2.1 Employment

Breakdown of Group headcount

	Europe	Americas	Asia	TOTAL
Salaried staff at 31 Dec. 2016	1,284	133	419	1,836
% women	45.7%	43.6%	38.9%	44%
Permanent staff at 31 Dec. 2016 (of which part-time)	1,183 (79)	133 (0)	233 (0)	1,549 (79)
% women	47.8%	43.6%	36%	45.7%
Fixed-term at 31 Dec. 2016	101	0	186	287
% women	20.8%	0	42.4%	34.8%

Change in headcount over the last financial years

	Europe	Americas	Asia	TOTAL
2016	1,284	133	419	1,836
2015	1,266	153	411	1,830
2014	1,201	177	397	1,775
2013	1,210	203	388	1,801
2012	1,181	200	387	1,768

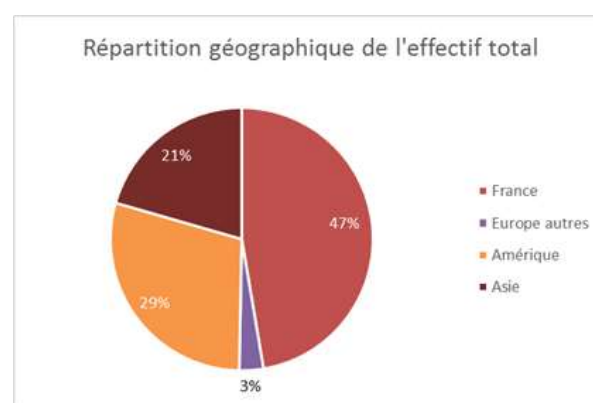
Temporary staff and on-site service providers (yearly average)

	Europe	Americas	Asia	TOTAL
TOTAL	214	735	193	1,142
On-site	2	733	0	735
Temporary	212	2	193	407

Temporary staff and on-site service providers (yearly average)

	Europe	Americas	Asia	TOTAL
2016	214	735	193	1,142
2015	206	710	205	1,121
2014	210	712	265	1,187

Geographic breakdown of the total headcount*



Change in total headcount*: +0.91%

*As specified in section "9.4 Methodological note", total headcount includes salaried staff at 31 December 2016 as well as annual average on-site service provider staff and temporary staff.

Gender equality:

Women represented 44% of the Group's salaried headcount at 31 December 2016.

Radiall SA' sites submit a comparative study report on gender equality to their respective works council. This measure was also mentioned during the mandatory yearly negotiations with union representatives. A company-wide agreement was signed with the Company's central union representatives on 9 June 2016.

As part of its efforts concerning gender equality in the workplace, the Company is pursuing a number of approaches in the following areas:

- Presentation of the career paths and professions offered by the Company, in collaboration with technical and scientific associations and industries.
- Presence in school and university training programmes by hosting young people within our establishments, whether this be through introductory placements, business classes or information days on our careers.

- Involvement in the non-profit organisation "100 Chances 100 Emplois" (100 Chances 100 Jobs) at its Aubervilliers site, whose aim is to promote the professional integration of young people and young adults from so-called "problem" areas by using the "100 Chances 100 Emplois" process that exists in several employment areas, by supporting young people towards training or employment.
- Encouragement of sponsorship such as "Job dans ma Ville" (Job in my City) which enables young people to discover the world of work, its codes and requirements, through the experience of a professional.

Changes in workforce

	France	Europe (excl. France)	Americas	Asia	TOTAL
Recruitments	157	7	13	95	272
Departures	142	4	33	87	266
TOTAL	15	3	(20)	8	6
Permanent	9	2	(20)	23	14
Fixed-term	6	1	0	(15)	(8)

Information on Radiall's total operations in France:

	Salaried headcount 31 Dec. 2016	Salaried headcount 31 Dec. 2015
Radiall Paris (93)	65	66
Château-Renault (37)	343	342
St-Quentin Fallavier (38)	284	286
Centr'Alp (38)	375	366
I.D.M.M. Dôle (39)	139	131
TOTAL France	1,206	1,191

Details of departures and transfers in France:

	Permanent	Fixed term	TOTAL
Resignation	13		13
Redundancy for economic reasons	0		
Contractual termination	7		7
Early termination of fixed-term contract		5	5
Redundancy for other reasons	2		2
Other (death, etc.)	1		1
Retirement	35		35
End of trial period	3		3
End of contract		53	53
Conversion into permanent contract		21	21
Transfer	2		2
Total France	63	79	142

Internal geographic mobility

France towards France	Abroad towards France	France towards abroad
1	1	1

Breakdown of headcount by age

2016	Europe	Americas	Asia	TOTAL
-26 years old	109	2	25	136
% women	18.4%	1.5%	3.7%	23.5%
26-30 years old	123	13	76	212
% women	22.2%	2%	16%	40.1%
31- 50 years old	687	71	281	1,039
% women	32.1%	3%	11.4%	46.3%
51 + years old	365	47	37	449
% women	40.5%	5%	1.3%	46.8%

9.2 2. Occupational training in France

At Radiall, training aims to develop its employees' expertise. To this end, the Company emphasises:

- Any action that enables employees to upskill or to develop their professional expertise,
- Any action that promotes employability to keep up with changes in technology-based jobs or work organisation.

Staff trained

Number of people trained:	716
Number of trainees:	1,457
Number of hours worked by trainees:	15,382

Coverage rate of people trained in France in comparison with the average Group workforce: 39%

Training budget

The total expenditure for the year allocated to the Radiall training plan, in addition to contributions and obligatory payments, represented 2.35% of the payroll, i.e. €923,934.

Training beneficiaries

	Number of hours of training	Number of employees
Executives:	5,718.64	238
Supervisors/employees	6,390.07	265
Workers	3,273.70	213

Training areas	Features
Jobs/Tools	<ul style="list-style-type: none"> - Continue technical training to enhance skills related to product innovation, processes and operating procedures - Continue to undertake training initiatives aimed at improving versatility, - Support the development of new skills (change of workstation, new products, new tools, etc.), - Strengthen expertise in key processes. - Pursue the Lean policy
Communication/Management	<ul style="list-style-type: none"> - Support our managers in their role and strengthen team spirit - Support managers in change management through the acquisition of reference points and agility principles. - Support new managers in becoming familiar with their new duties - Improve communication skills
Information systems	<ul style="list-style-type: none"> - Maintain knowledge in accordance with developments in IT solutions, - Improve basic IT and system management skills, - Continue to provide support in relation to the SAP project and the roll-out of micro-IT and digital tools.
Foreign languages	<ul style="list-style-type: none"> - Develop foreign language skills for employees required to work with their international contacts - Develop intercultural skills
Safety/Environment	<ul style="list-style-type: none"> - Continue to raise awareness of RSI and arduous work - Promote safety/the environment through a structure and training that are adapted to each sector of the business, - Train our experts in regulatory requirements
Project management	<ul style="list-style-type: none"> - Improve project management skills in order to make our manufacturing processes more reliable

9.2.3 Organisation of working time in France

Principle

The organisation of working hours is governed by the Company-wide "ARTT" Agreement entered into in 2000. Staff employment contracts are drawn up in days or hours. Employees have employment contracts for 213 days per year. Working time for contracts drawn up in hours is based on an average working week of 35 hours. Our agreement provides the possibility to use annual modulation, if necessary. The Company practises so-called "alternate / staggered" schedules to enable the extended use of industrial facilities. Time Savings Account (CET) system is in place for managing leave or reduction of working hours leave. This saving allows for later withdrawal in time or in money.

A collective pension plan (PERCO) to which a maximum of 10 CET days can be allocated is offered.

Absenteeism in France

The absenteeism rate is calculated based on the following absences: illness, work accidents or accidents while traveling to or from work, maternity leave, care for sick children, paid or unpaid authorised or unauthorised absences, strikes, and individual training leave.

The indicator concerns 58% of Group employees

	Overall absenteeism rate	Absenteeism rate Illness
2016	4.43%	3.48%
2015	4.09%	3.23%
2014	4.25%	3.94%

Measures taken to promote employment

Radiall, as a "corporate citizen", promotes local employment through partnerships, in particular with French job centres. The business is one of the leading companies in the various employment areas of the production sites including Château Renault for the Indre and Loire district and Centr'Alp for the Voiron area.

Radiall attaches a certain importance to integration and reintegration; to this end, it has signed the corporate diversity charter. It receives trainees through vocational integration in collaboration with the association "Sport Dans Ma Ville" through their "Job Dans Ma Ville" programme with, in particular, the sponsorship of young people by Radiall employees.

The Company is also keen to support young people to go into industry through apprenticeships and also through "in-house classes" during industry week at the Centr'Alp site. Many "school" trainees are also received each year across all the company's sites.

Radiall is also involved in the association "100 Chances 100 Emplois" (100 Chances 100 Jobs) at its Aubervilliers site, whose aim is to promote the professional integration of young people and young adults from so-called "problem" areas by using the "100 Chances 100 Emplois" process that exists in several employment areas, by supporting young people towards training or employment.

In order to involve France's education system in these efforts and to demonstrate to teachers firstly, that the concepts taught are actually used in the industrial world and secondly, that they are of economic importance, at two of its sites in Isère, Radiall participates in "Teachers in Business" initiatives organised by the foundation "C Genial", to let teachers discover the careers offered by our industry so that they are better able to provide information to their students when they are making career choices.

Integration of disabled workers

The Company is taking measures to meet its obligation to employ disabled workers through recruitment and sub-contracting services. In respect of 2016, the employment obligation is for 66 units. To complement its 60.95 total units, the business has paid a financial compensation contribution of €75,738. In 2016, awareness raising initiatives were conducted prior to the launch of an audit on the recruitment and continued employment of disabled employees. The goal of this assessment is to identify and create a framework for our initiatives to ensure that they have a real impact on our openness to others.

9.2.4 Health and safety conditions

Health and safety

Each site in France has a CHSCT (Committee on Health, Safety and Working Conditions). Management has the members of the CHSCT and other players involved in health and safety meet each quarter to review workplace health and safety conditions. It should be noted that a Single Occupational Risk Assessment Document is in place and enables dangers to employees to be identified and employee risks to be assessed.

A report assessing the general situation relating to health, safety and work conditions and recalling the actions that contributed, over the course of the year just ended, to the protection of the health and safety and to the improvement in the working conditions of employees, is presented to the CHSCT members, as well as the annual programme for the prevention of occupational risks and for the improvement of working conditions.

Work accidents in France

	No. of work accidents	Average contribution to work accident insurance
2016	22	1.42%
2015	14	1.62%
2014	14	1.76%

The methods for calculating the frequency rate shown are the number of accidents at work divided by the number of hours worked multiplied by 10^6 ;

France	Frequency rate of accidents	Severity rate of accidents
2016	11.03%	0.17%
2015	7.19%	0.26%
2014	8.39%	0.27%

Abroad (2016)	Frequency rate of accidents	Severity rate of accidents
China	10.18%	0.10%
Americas	9.78%	0.16%
India	0%	0%

The indicator concerns 96% of the Group's workforce.

Occupational diseases in France

Radiall is involved in the TMS Pro initiative to transform working conditions over the long-term with the aim of preventing work-related risks and keeping employees in work.

1 instance of occupational disease was reported in 2016.

9.2.5 Annual payroll

Annual payroll

(€)	2016	2015	2014
Gross Radiall	39,343,516	38,270,939	36,087,527
Gross I.D.M.M.	4,281,949	3,999,690	3,705,825

Compensation and change in compensation

Mandatory annual negotiations took place at Company level with the sites deciding the arrangements for implementation at a later stage. The cycle was aligned with the publication of the Company's results, meaning better visibility. For 2016-2017, the total amount allocated to increases in overall remuneration was 2.15%.

Profit sharing and bonuses

€4,984,000, excluding the flat-rate social security contribution, was budgeted for RADIALL S.A.'s workforce on 31 December 2016 under the profit-sharing agreement in effect.

9.2.6 Labour relations

Each establishment in France has a Works Council and employee representatives.

At each site, management has these bodies meet on a monthly basis.

At the corporate level, management holds two ordinary meetings per year for members of the Central Works Council.

Social activities are managed by each Works Council, which are allocated a specific budget for this purpose.

For 2016, Radiall SA negotiated an amendment to the profit sharing agreement, an amendment to the collective pension scheme, an agreement on labour relations, jobs and skills planning and the intergenerational contract, gender equality in the workplace and lastly, an agreement on bonuses for employees paid on a monthly basis.

9.3 Environmental information

9.3.1 General environmental policy

The Radiall Group is focused on preventing pollution and respecting the environment, as well as integrating environmental considerations into product design and processes. An HSE policy was signed in 2016 covering a Group wide scope and an action plan was launched and monitored with the specific aim of optimising the use of natural resources and limiting environmental effects.

A statutory review is underway for the France sites to look into overall compliance with HSE regulations.

Employee information and training measures relating to environmental protection

Personnel are kept informed through notice boards as well as through monthly team meetings.

Training and education exists for new employees. Staff are trained for emergency situations (drills organised on certain sites with the emergency services) and in the proper use of fire extinguishers.

There are no training initiatives intended for all staff. By contrast, personnel responsible for environmental matters may follow specific training courses on these topics.

Resources allocated to the prevention of environmental risks and pollution

Emergency plans to restrict possible pollution have been set up and tested (accidental spillages, fire drills, etc.).

ETARE plans (for listed establishments with a heightened risk) have been established with the regional emergency services for Voreppe and Isle d'Abeau.

The Voreppe site has a safety advisor for the transport of hazardous substances and an annual report is prepared and sent to the site's Management.

Chemical products are stored in retention areas and employees receive regular training in their correct handling.

Radiall did not pay any compensation for pollution, and no claims for damages were brought against the Company in 2016.

It should however be noted that the Group was required to recognise a provision for the clean-up of one of its sites.

Adapting to the consequences of climate change

To date no action has been taken to adapt to climate change. No Radiall site located in France is located in a vulnerable area and the water consumption is too low to be affected by significant restrictive measures.

Measures taken to preserve or develop biodiversity

Through its operations, Radiall has little impact on biodiversity since it is not involved with the external environment. For the time being, Radiall is not involved in external operations to develop biodiversity (reforestation, etc.).

Radiall has implemented preventive measures related to "Conflict Minerals" regulations.

Measures taken to improve consumer health and safety

As a manufacturer of electric and electronic components, Radiall is subject to European legislation (RoHS and WEEE Directives, REACH Regulation). This legislation is designed to restrict hazardous substances and improve the management of chemicals.

Radiall has taken firm action to comply with these regulations, in particular the elimination of lead and brominated compounds, to protect consumer health and safety.

Sustainable use of resources

The nature of Radiall's activities means that the consumption of water, raw materials and energy at Radiall's industrial sites is negligible in terms of quantity. This is due to activities developed on these sites.

9.3.2 Environmental impacts

Water

33,010 m³ of water were consumed at Group level for industrial use, an increase of around 14% at Group level. No water points were directly tapping into the natural environment.

The water is used for surface treatment at the Voreppe, Obregon and Shanghai sites, tribofinishing at the Voreppe and Dôle sites, and washing at the Dôle site.

Efficient cooling systems are in place to eliminate the open circuits and the evaporator-concentrator at the Voreppe site enables water to be reused in this process.

Tap water consumption stood at 34,069 m³ for the entire Group, an increase of 29% at constant scope. This rise was the result of an increase in activity and improved measurement.

There are no local restrictions relating to the sites' water systems.

Air emissions

Most of the emissions come from gas boilers used for heating, which mainly produce carbon dioxide and nitrous oxides.

The boilers are maintained and inspected to keep these emissions to a minimum. Performance calculations are carried out for any boilers exceeding 400 kW on French sites.

None of the French sites are subject to a solvent management plan. Less than 10 tons of chlorinated (perchloroethylene, dichloromethane) and non-chlorinated (hydrofluoroether, acetone, alcohol) cleaning solvents are used, representing approximately 1 ton of emissions.

Emissions from extractions from surface treatment baths (acid, cyanide) are insignificant in terms of quantity, however, their impact is more significant. Because of this, the networks were separated, and cyanide-containing emissions are now cleaned at the Voreppe site. This greatly reduced the quantities emitted.

Charging stations for electric vehicles have been introduced at various sites to encourage employees to use these vehicles.

Greenhouse gas emissions

The significant sources of the greenhouse gas emissions generated as a result of the Company's activity are primarily made up of the combustion of natural gas for heating and producing electricity.

The greenhouse gas emissions generated by the use of the goods and services that it produces are very low since Radiall components are primarily passive and use little or no energy when in use.

For 2016 and for all sites, the emissions of greenhouse gases due to gas and electricity usage represented 11,077 tonnes of CO₂ equivalent. The total for France stood at 2,386 tonnes of CO₂ equivalent or 22%.

Water discharges

The Voreppe, Obregon and Shanghai sites are the most environmentally significant. They include a detoxification plant to treat wastewater from the surface treatment unit.

Thanks to the installation of an evapo-concentrator, the Voreppe site totally eliminated its emissions in 2013.

Between 1 and 5 m³ is discharged per day from two French machining sites as a result of tribofinishing. A system was put in place at the Dôle site to treat water from the tribofinishing process in 2011.

Oil removers are installed alongside parking areas, in accordance with the regulations in force.

Waste – France

All the French sites combined produce around 409 metric tons of non-hazardous industrial waste (NHIW), representing a 16% increase compared with 2015.

This waste comprises paper, cardboard, scrap metal, shavings, scrap plastic and waste from the Company restaurants.

Hazardous waste (HW) represented 504 tonnes, down 34% in relation to 2015 which was due to a decrease in wastewater produced by the water treatment facility at the Voreppe site.

This waste is also generated by the surface treatment process: highly concentrated cyanide and metallic baths, metal hydroxide sludges and certain oils and dirty rags from the machining centres are processed externally by approved contractors.

About 20 tons of metal hydroxide sludge from water treatment at Voreppe is produced. This waste is partially recycled and then stored in approved burial sites. There is no liquid or solid discharge into the soil.

Waste – Excluding France

The larger Shanghai and Obregon sites generated 1,051 tonnes of industrial waste in 2016, including 395 tonnes of hazardous waste. A significant proportion of this waste was recycled.

In total, the Group's waste generated represents 2,009 tonnes, including 899 tonnes of hazardous waste. This level of production is virtually stable year on year.

Circular economy

Measures to prevent, recycle and reuse waste as well as other forms of recovery and disposal.

An average of 64% of non-hazardous waste is recycled in France, primarily through recycling for cardboard, metal and paper. Given its nature, in most cases hazardous waste is destroyed or sent to landfill, with certain metal components being partially recovered.

Combating food waste

There are currently no formal measures in this area, however Radiall has no particular impact in relation to this point since the sites have canteens that effectively manage the quantities provided.

Other emissions

Internal noise measurements were performed as necessary under the supervision of the Health and Safety and the Working Conditions Committees and the company doctors on each French site. Radiall received no complaints concerning noise, smells or visual nuisance.

Energy

Energy consumption, measures taken to improve energy efficiency and the use of renewable energy.

The Group's total energy consumption was 34.5 GWh, including 6.7 GWh of natural gas and 27.8 GWh of electricity. This consumption rose 8% in relation to the previous year.

There has been an improvement in energy efficiency at certain sites as a result of changes in lighting (LED) and the thermal insulation of buildings (both new and renovated).

Sources of renewable energy are now being taken into consideration, in particular with the introduction of photovoltaic panels (10kw/h power at Obregon).

An energy audit was carried out for Radiall France in 2015 in accordance with regulations, the areas for improvement initiated have been taken into account, notably at the Isle d'Abeau site via energy recovery.

Raw materials

Consumption of raw materials and the measures taken to improve their efficiency in use.

The main raw materials used on the sites are copper alloys, plastics and teflons. The sites also consume chemicals such as solvents, oils, and metal solutions used to coat finished products.

The recycling of packaging and the recovery of metals enables the environmental impact to be minimised. A large proportion of the metal waste from the mechanical engineering workshops is sold to foundries who reintegrate the metal into the distribution channel.

Use of land

The land used is restricted to buildings and car parks. Materials are not stored directly on the ground, nor is sewage or wastewater spread over the ground.

The machining equipment and surface treatment operations at the Voreppe site are positioned over waterproof floors.

9.4 Methodological note

The CSR indicators published in this chapter have been prepared by a body of Group experts in functions and skills.

Committed to a process of continual improvement, Radiall is endeavouring to build a framework of indicators taking into account legal obligations and specific to Radiall and its business.

In accordance with Article 225 of the Grenelle 2 Law, the Group has decided to have a certain number of indicators verified by its Statutory Auditors, Mazars.

9.4.1. Scope

Corporate indicators

The corporate reporting scope includes all the companies within the consolidation scope of Radiall SA that are fully and proportionally consolidated as presented in the consolidated financial statements of Radiall SA.

Environmental indicators

The information presented in this chapter is based on the business activity at Radiall's French industrial sites (Voreppe, L'Isle d'Abeau, Château-Renault and Dôle), China (Shanghai), India (Bangalore), the US (New Haven) and Mexico (Obregon), which represent 93% of the Group's workforce.

It is compiled from 2016 data and takes into account data specified under Article R225-105-1, based on the following three principles:

- Environmental impacts of the business activities,
- Measures taken to limit these impacts,
- Prevention of emergencies

Changes in scope

In the event of a change in scope, (creations of new entities, disposals, liquidations, acquisitions or change in company interests) the data is included in the scope from the date of change of interest.

Removal of the subsidiary RAYDIAL Viron in order to comply with corporate data.

9.4.2 Data collection

Social indicators

Social data is reported on a monthly basis.

Social data is collected in each of the directly or indirectly controlled subsidiaries via a standard model.

The Group's Human Resources Department is responsible for the consolidation of the social data thereby reported, following the completion of consistency checks.

Environmental indicators

Most environmental data is prepared on a monthly basis by each site's Environmental Manager and reported to the Group's HSE Coordinator.

This data is collected for all sites via a standard model and is subsequently consolidated following the completion of annual consistency checks.

9.4.3 Specifications regarding certain indicators

The definition of all the indicators and the calculation methods are provided to contributors. The main assumptions used are detailed below by indicator category.

Headcount

The headcount includes all employees bound by a permanent or fixed-term employment contract or equivalent for international subsidiaries. They are counted as natural persons at the end of the previous month.

On-site service provider staff (including a maquiladora in Obregon) or temporary staff levels are calculated on the basis on a weighted monthly headcount at the end of the previous month.

The headcount includes all employees bound by a permanent or fixed-term employment contract or equivalent for international subsidiaries, as well as on-site service provider staff (including a maquiladora in Obregon) and temporary staff.

Absenteeism

The rate of absenteeism corresponds to the total number of paid or unpaid hours' absence (illness, work related or commuting accident, maternity, contractual leave) divided by the number of hours theoretically worked.

It should be noted that there are non-material differences in the number of days' absence due to a discrepancy between the site data and central data, as a result of corrections regarding absence between the sites and the centralised payroll system. A payroll generator shared by all sites in a single solution was rolled out as of 1 January 2015.

Training

The indicator corresponds to the number of hours' training and relates exclusively to the France scope and includes all the training hours delivered, including PTA hours.

Water consumption

The water consumption indicator relates both to the industrial water consumption used for, amongst other things, surface treatment, as well as for sanitation purposes. It relates solely to water distributed by a private or public supplier. No water was directly withdrawn from the natural environment above or below ground.

Waste

Corresponds to all the waste generated by the industrial sites' operations. The following types of waste are considered to be hazardous:

- Cyanide and metallic baths
- Metal hydroxide sludges
- Waste water from the evapo-concentrator
- Oils and dirty rags from the machining centres.

No emissions from this hazardous waste are released into the natural environment, it is treated externally by authorised companies.

Greenhouse gas emissions

Emissions relate to direct and indirect energy emissions as set out in Article 75 of the Grenelle 2 Law.

For 2016, they have been calculated based on the consumption of electricity and natural gas, converted from ADEME (French Environment and Energy Management Agency) carbon-based emission factors.

Accidents at work

The indicator relates to accidents at work as defined by the Social Security Code.

The indicator for the severity of accidents at work is calculated as follows: Number of days lost \times 1,000 / Number of hours worked.

The methods for calculating the frequency rate shown are the number of accidents at work divided by the number of hours worked multiplied by 10^6 ;

Payroll

Payroll refers to the combination of employees' gross compensation (salaries, bonuses and benefits) paid during the last financial year.

9.4.4 Indicators not used

The indicators included in this chapter have been selected in view of their relevance to the Group's underlying corporate, environmental and social challenges and their principal impacts.

The table shows all the information recommended by the application Decree for the Grenelle 2 Law and the information included and used in this chapter.

Information recommended	Information used	Page
Total headcount and analysis of employees by gender, age and geographic region	Total headcount and analysis of employees by gender, age and geographic region	25
Recruitment and redundancy	Recruitment and redundancy	26
Compensation and change in compensation	Compensation and change in compensation	28
Organisation of working hours	Organisation of working hours in France	27
Organisation of social dialogue, particularly employee information and consultation procedures and employee negotiation procedures	Organisation of social dialogue, particularly employee information and consultation procedures and employee negotiation procedures for the French sites	27
Overview of collective agreements and their impact on financial performance and working conditions of employees	Overview of collective agreements in France	27
Health and safety conditions at work	Health and safety conditions at work in France	28
Agreements signed with trade unions or staff representatives regarding health and safety conditions at work	No agreements signed in this regard	-
Training policies implemented	Training policies implemented in France	26
Total number of hours of training	Total number of hours' training in France	26
Measures taken to promote gender equality	Measures taken to promote gender equality	25
Measures taken to promote the employment and integration of disabled people	Measures taken to promote the employment and integration of disabled people in France	28
Anti-discrimination policy	Anti-discrimination policy	24
Organisation of the company to take into account environmental issues	Organisation of the company to take into account environmental issues	29
Action taken to train and inform employees on the protection of the environment	Action taken to train and inform employees on the protection of the environment	29
Resources deployed for the prevention of environmental risks and pollution	Resources deployed for the prevention of environmental risks and pollution	30
Prevention, reduction and compensation measures regarding air, water and soil emissions that severely affect the environment	Prevention, reduction and compensation measures regarding air, water and soil emissions that severely affect the environment	30
Circular economy	Measures to prevent, recycle and eliminate waste Combatting food waste	30
Taking account of noise pollution and any other business specific pollution	Taking account of noise pollution and any other business specific pollution	30
Consumption and supply of water in accordance with local restrictions	Consumption and supply of water in accordance with local restrictions	29
Other measures taken to promote human rights	The sector in which the Group operates is considered to be a sector in which human rights are not a typical concern. This does not however preclude Radiall from being watchful within its sphere of influence.	Not applicable
Consumption of raw materials and measures taken to improve efficiency regarding their use	Consumption of raw materials and measures taken to improve efficiency regarding their use	31

Information recommended	Information used	Page
Energy consumption, measures taken to improve energy efficiency and the use of renewable energy.	Energy consumption, measures taken to improve energy efficiency and the use of renewable energy.	31
Greenhouse gas emissions	Greenhouse gas emissions	30
Measures taken to preserve or develop biodiversity	Measures taken to preserve or develop biodiversity	29
Territorial, economic and social impact of the activity regarding employment and regional development	Vocational integration	27
On neighbouring or local populations		27
Consideration of social and environmental issues in the purchasing policy regarding subcontractors and suppliers	Consideration of social and environmental issues in the purchasing policy regarding subcontractors and suppliers	24
Absenteeism	Absenteeism in France	27
Accidents at work, particularly their frequency and severity, as well as occupational diseases	Frequency of accidents at work in France	28
Respect for the freedom of association and the right to collective bargaining	Respect for the freedom of association and the right to collective bargaining in France	24
Elimination of discrimination in relation to employment and occupation	Elimination of discrimination in relation to employment and occupation	24
Elimination of forced or compulsory labour	Elimination of forced or compulsory labour	24
Abolition of child labour	Abolition of child labour	24
Amount of provisions and guarantees for environmental risks	Resources deployed for the prevention of environmental risks and pollution	28
Land usage	Conditions for land usage	31
Adapting to the consequences of climate change	Adapting to the consequences of climate change	29
Importance of subcontracting and consideration given in supplier and sub-contractor relationships to their social and environmental responsibility	Importance of subcontracting and consideration given in supplier and sub-contractor relationships to their social and environmental responsibility	24
Action taken to prevent corruption	Issue covered specifically by the ethics and corporate charter. Measures will be supplemented within the framework of the implementation of the Sapin II Law in France.	24
Measures taken to improve consumer health and safety	Measures taken to improve consumer health and safety	24

10. REPORT OF AN INDEPENDENT THIRD PARTY BODY ON THE CONSOLIDATED CORPORATE, ENVIRONMENTAL AND SOCIAL INFORMATION PRESENTED IN THE MANAGEMENT REPORT

Financial year ended 31 December 2016

To the Shareholders,

In our capacity as independent third party body, member of the Mazars network and Radiall's Statutory Auditors, accredited by COFRAC Inspection under number 3-1058¹, we hereby present our report on the consolidated corporate, environmental and social information presented in the management report for the year ended 31 December 2016 (hereinafter the "CSR Information") under the provisions of Article L.225-102-1 of the Commercial Code,

Responsibility of the company

The Board of Directors is responsible for preparing a management report including the CSR Information specified in Article R.225-105-1 of the Commercial Code, prepared in accordance with the reporting standards used by the company (hereinafter the "Guidelines"), which are summarised in the management report and are available upon request from the Company's head office.

Independence and quality control

Our independence is defined by regulatory requirements, our professional code of ethics and the provisions of Article L.822-11 of the Commercial Code. In addition, we have set up a quality control system which includes documented policies and procedures to ensure compliance with ethical codes, the professional standards of the *Compagnie nationale des commissaires aux comptes* relating to this work, and applicable legislation and regulations.

Responsibility of the Independent Third Party Body

On the basis of our work, it is our responsibility:

- to attest to the presence of the required CSR Information in the management report or, in the event of any omission, that an explanation has been provided in accordance with the third paragraph of Article R.225-105 of the Commercial Code (Certificate of completeness of the CSR Information);
- to give a considered opinion that the CSR Information, collectively, is presented fairly, in all material aspects, in the management report, in accordance with its Guidelines

(Considered opinion on the fairness of the CSR Information).

Our work was carried out by a team of 4 people between January 2017 and April 2017, over a period of approximately three weeks.

We completed the work detailed hereinafter in accordance with the professional standards of the *Compagnie nationale des commissaires aux comptes* relative to this assignment and the legal order of 13 May 2013 determining the manner in which the independent third party body carries out its work and, with regard to the considered opinion on the fairness, in accordance with the international standard ISAE 3000².

I - Statement of completeness of the CSR Information

Based on interviews with the managers of the relevant departments, we reviewed the sustainable development policy with regard to the social and environmental impact of the company's activities and social undertakings and, where applicable, any actions or programmes implemented as a result.

We compared the CSR Information presented in the management report with the requirements listed under Article R.225-105-1 of the Commercial Code.

If certain information was omitted, we verified that an explanation was provided in accordance with Article R.225-105 paragraph 3 of the Commercial Code.

We verified that the CSR Information covered the scope of consolidation, namely the company and its subsidiaries as defined by Article L.233-1 and the companies it controls, as defined by Article L.233-3 of the Commercial Code: subject to the limitations specified in the methodology note in Part 9.4 of the management report.

Based on these procedures, and taking into account the limitations mentioned above, we attest that the management report contains the required CSR Information.

¹ the scope of which is available at www.cofrac.fr

² ISAE 3000 - Assurance engagements other than audits or reviews of historical financial information

II - Considered opinion on the fairness of the CSR Information

Nature and scope of procedures

We conducted 4 interviews with the people responsible for preparing CSR Information in the departments in charge of data collection and, where applicable, those responsible for internal control procedures and risk management, in order:

- to assess the appropriateness of the Guidelines in terms of their relevance, completeness, reliability, neutrality and clarity, taking into account where applicable, industry best practices;
- to verify that a process had been put in place to collect, compile, process and check data to ensure the completeness and consistency of the CSR Information, and to review the internal control and risk management procedures used in the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the type and significance of the CSR Information taking into account the characteristics of the company, the social and environmental impact of its business activities, its sustainable development policy and industry best practices.

For the CSR Information we considered to be most significant³:

- at consolidating entity level, we consulted documentary sources and conducted interviews to corroborate qualitative information (organisation, policies, actions), we implemented procedures to analyse quantitative information using sampling techniques to verify the calculation and consolidation of data, and we verified the consistency of data and their correlation with other information contained in the management report;

at the level of a representative sample of entities, which we selected⁴ on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that the procedures were correctly applied and to identify any omissions, and we conducted substantive tests, using sampling techniques, to verify the calculations performed and reconcile data with the supporting documents.

The selected sample represented 26% of the workforce and between 24% and 46% of the quantitative environmental information.

For the remaining consolidated CSR Information, we assessed whether it was consistent with our knowledge of the Company.

Finally, we assessed the relevance of explanations given in the event of the total or partial omission of certain information.

We believe that the sampling methods and sample sizes used, based on our professional judgement, enable us to express limited assurance; a higher level of assurance would have required us to carry out a more extensive review. Due to the use of sampling techniques and other limitations inherent to all information and internal control systems, the risk of not detecting a material misstatement in the CSR Information cannot be completely eliminated.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the CSR information is not fairly presented, in all material aspects, in accordance with the Guidelines.

Paris La Défense, 19 April 2017

The Independent third party body,

Mazars SAS

Gael LAMANT
Partner

Edwige REY
CSR and Sustainable Development Partner

³ Corporate information: Total workforce broken down by geographic region; Frequency rate of work related accidents; Absenteeism rate.
Environmental information: Energy consumption; Total water consumption; Overall waste production in tonnes; Hazardous waste production in tonnes.

⁴ The Isle d'Abeau site for corporate information; The Voreppe site for environmental information; The Shanghai site for information relating to total workforce, energy consumption and total water consumption.

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1. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position at 31 December 2016

	Notes	31 December 2016	31 December 2015
<i>(€ thousands)</i>			
Intangible assets	Note 5	15,419	11,637
Goodwill	Note 5	10,377	12,631
Property, plant and equipment	Note 6	64,156	63,703
Securities held in associates and joint ventures	Note 7	2,498	2,074
Financial assets	Note 8	373	1,983
Deferred tax assets	Note 18	5,401	4,564
NON-CURRENT ASSETS		98,224	96,592
Inventories	Note 9	61,984	57,329
Trade receivables	Note 10	55,825	49,517
Other receivables	Note 11	12,532	14,272
Income tax	Note 18	10,959	8,606
Other cash management financial assets	Note 12	5,111	5,009
Cash and cash equivalents	Note 12	85,105	73,025
CURRENT ASSETS		231,516	207,758
TOTAL ASSETS		329,740	304,350
Share capital		2,648	2,817
Share premium		5,629	11,929
Group reserve		169,304	146,040
Exchange differences		16,757	16,099
Net profit – Group share		33,826	28,880
Minority interests		2,008	2,183
SHAREHOLDERS' EQUITY	Note 13	230,173	207,948
Deferred tax liabilities	Note 18	5,320	5,236
Long-term financial debt	Note 15	12,795	14,087
Non-current provisions	Note 14	11,538	10,383
NON-CURRENT LIABILITIES		29,653	29,706
Short-term financial debt	Note 15	1,765	2,256
Trade payables		31,713	27,621
Other liabilities	Note 16	34,354	34,854
Current provisions	Note 14	500	1,009
Income tax	Note 18	1,583	957
CURRENT LIABILITIES		69,915	66,697
TOTAL LIABILITIES		329,740	304,350

Consolidated income statement for the year ended 31 December 2016

	Notes	31 December 2016	31 December 2015
<i>(€ thousands)</i>			
Sales	Note 4	310,164	289,941
Other operating revenue			
Revenue from ordinary activities		310,164	289,941
Materials		(85,571)	(78,623)
Change in work-in-progress and finished goods inventories		1,837	41
Payroll costs	Note 19	(112,619)	(108,069)
External charges		(47,518)	(45,868)
Taxes and duties		(3,070)	(3,037)
Other trading income and expenses	Note 21	114	1,070
Impairment of non-current assets	Note 22	(11,667)	(10,441)
Impairment of current assets and provision charges	Note 23	(1,982)	(1,634)
Share of profit of associates		439	618
Profit from recurring operations		50,125	43,998
Profit from recurring operations as % of sales		16.16%	15.17%
Other non-recurring operating income and expenses	Note 24		(586)
Operating profit		50,125	43,412
Operating profit as % of sales		16.16%	14.97%
Income from cash and cash equivalents		705	801
Gross cost of financial debt		(645)	(727)
Net cost of financial debt		60	74
Other financial income and expenses	Note 25	(2,446)	(2,042)
Income tax	Note 18	(13,296)	(12,093)
Net profit		34,444	29,351
Attributable to minority interests		618	471
Net profit – Group share		33,826	28,880
Earnings per share (€)	Note 13	19.38	16.01
Diluted earnings per share (€)	Note 13	19.38	16.01

Consolidated statement of comprehensive income

	31 December 2016	31 December 2015
Net profit for the period	34,444	29,351
Recognition of actuarial gains and losses on pension commitments in items of other comprehensive income	(963)	455
Deferred tax on actuarial gains and losses recognised	321	(152)
Items not recyclable through the income statement	(642)	303
Gains and losses resulting from the fair value measurement of interest rate hedge instruments	(550)	762
Deferred tax on the fair value measurement of financial instruments	183	(254)
Exchange difference	627	8,514
Items recyclable through the income statement	261	9,022
Total items of other comprehensive income	(382)	9,325
Total income and expenses recognised during the period	34,062	38,675
Attributable to:		
- Radiall SA shareholders	33,475	38,154
- Minority interests	587	521

Consolidated cash flow statement

	31 December 2016	31 December 2015
<i>(€ thousands)</i>		
Net profit – Group share	33,826	28,880
Share of minority interests in consolidated net profit	618	471
Retained earnings of associates	(439)	(618)
Net amortisation and provision charges	11,482	10,576
Net change in provisions	1,733	(240)
Change in fair value of ineffective hedges	1,935	(516)
Capital gains/losses on disposals	49	110
Provisions recognised in other operating income and expenses		586
Interest expense	645	727
Income tax charge (including deferred tax)	13,296	12,093
Self-financing capacity	63,146	52,070
Change in inventories	(4,401)	(1,652)
Change in trade receivables	(6,000)	996
Change in trade payables	4,170	(2,115)
Change in other assets and liabilities	(1,187)	(1,628)
Change in working capital requirements	(7,418)	(4,399)
Interest paid	(647)	(738)
Tax paid	(16,294)	(13,634)
Cash flow from operating activities	38,787	33,300
Acquisition of intangible assets	(1,452)	(2,198)
Acquisition of property, plant, and equipment	(9,961)	(10,263)
Acquisition of financial assets	(545)	(183)
Disposal of property, plant, and equipment and intangible assets	626	787
Disposal and refund of financial assets	28	38
Net cash from acquisition / disposal of subsidiaries		(10,849)
Cash flow from investing activities	(11,303)	(22,668)
Dividends paid to RADIALL's shareholders	(4,342)	(4,527)
Dividends paid to minority shareholders	(762)	(306)
Purchase and sale of treasury shares	(6,630)	(7,800)
Proceeds from new borrowings	211	
Repayment of borrowings	(2,378)	(2,064)
Cash flow from financing activities	(13,901)	(14,697)
Impact of changes in exchange rates	(1,400)	3,007
Change in cash and cash equivalents	12,183	(1,058)
Cash and cash equivalents at the beginning of the period	78,034	79,092
Cash and cash equivalents at the end of the period	90,216	78,034
<i>of which Other cash management financial assets</i>	<i>5,111</i>	<i>5,009</i>
<i>of which Cash and cash equivalents</i>	<i>85,105</i>	<i>73,025</i>

Consolidated financial statements

<i>(€ thousands)</i>	Number of shares	Share capital	Share premium	Consolidated reserves	Exchange differences	Group share	Minority interests	Total shareholders' equity
Equity at 31/12/2014 *	1,848,124	2,817	11,929	158,169	6,771	179,688	9,055	188,745
Items of other comprehensive income				811	8,464	9,275	50	9,325
Net profit for the period				28,880		28,880	471	29,351
Dividends				(4,527)		(4,527)	(306)	(4,833)
Treasury shares				(7,800)	0	(7,800)	0	(7,800)
Change in scope				(614)	863	249	(7,088)	(6,839)
Equity at 31/12/2015	1,848,124	2,817	11,929	174,919	16,099	205,764	2,183	207,948
Items of other comprehensive income				(1,009)	658	(350)	(31)	(382)
Net profit for the period				33,826		33,826	618	34,444
Dividends				(4,342)		(4,342)	(762)	(5,104)
Cancellation of treasury shares	(111,138)	(169)	(6,300)	(160)	0	(6,630)	0	(6,630)
Change in scope				(105)	0	(105)	0	(105)
Equity at 31/12/2016	1,736,986	2,648	5,629	203,129	16,757	228,163	2,010	230,172

Notes to the consolidated financial statements at 31 December 2016

Note 1 - General presentation

Radiall is an industrial group specialising in the design, development and manufacture of electronic components and is a recognised player in its markets: telecommunications, military and aeronautic applications, and automotive. With a strong international outlook, the Group is present on five continents through its subsidiaries and an active network of agents and distributors.

The consolidated financial statements were approved by Radiall's Supervisory Board on 23 March 2017.

Note 2 - Accounting principles

2.1 Accounting principles

Pursuant to EU Regulation n°1606/2002 of 19 July 2002 on international accounting standards, the 2016 consolidated financial statements have been prepared in accordance with IAS/IFRS international financial reporting standards and IFRIC-IC interpretations applicable at 31 December 2016, as approved by the European Union.

2.2 Standards and interpretations applied

2.2.1 Mandatory for financial years starting on or after 1 January 2016

The main provisions (standards, amendments, and interpretations) adopted by the European Union and whose application was mandatory at 1 January 2016 are as follows:

- Amendment to IAS 19 on employee contributions,
- Amendment to IFRS 11 "Acquisition of an interest in a joint operation",
- Amendments to IAS 16 and IAS 38 on acceptable methods of depreciation and amortisation,
- Amendment to IAS 1 "Disclosure initiative",
- Annual improvements to IFRS 2010-2012,
- Annual improvements to IFRS 2012-2014,

These publications had no material impact on the Group's consolidated financial statements.

2.2.2 Mandatory for financial years starting after 1 January 2016

The Group did not apply the standards, amendments, or interpretations published by the IASB and not yet adopted by the European Union in advance for the preparation of its consolidated financial statements, where this option was available.

The provisions adopted by the European Union and whose application was mandatory from 1 January 2016 are as follows:

- IFRS 15 "Revenue from contracts with customers", applicable from 1 January 2018.

- IFRS 9 "Financial instruments", applicable from 1 January 2018.

The Group did not apply the provisions set out above in advance.

The assessment of the impact of these new amendments, standards and interpretations is ongoing.

The main texts published by the IASB and not yet adopted by the European Union are as follows:

- IFRS 16 "Leases", applicable from 1 January 2019,

- Amendment to IAS 12 "Recognition of deferred tax assets for unrealised losses", applicable from 1 January 2017.

2.3 Consolidation methods

The consolidated financial statements have been prepared in accordance with the historical cost convention with the exception of certain categories of assets and liabilities as stipulated in IFRS. These categories are mentioned in the following notes.

Radiall Group financial statements for the financial year ended 31 December 2016 include:

- The Radiall company financial statements
- The financial statements of its subsidiaries
- The share of Raydiall's net assets (an equity-accounted entity)

The list of Group subsidiaries, joint ventures and associates is provided in Note 3.

2.4 Conversion of foreign currency denominated items

The consolidated financial statements are expressed in thousands of euros, which is Radiall's functional currency and the Group's presentation currency.

Foreign currency denominated financial statements

The financial statements of the subsidiaries using a different functional currency are converted into euros:

- At the closing rates for balance sheet items. Foreign exchange differences resulting from applying this rate are recorded under equity as "Foreign exchange differences".
- At the average rates of the period for income statement entries.

Foreign currency transactions

The accounting and valuation of foreign currency transactions are defined in IAS 21 *"The effects of changes in foreign exchange rates."* By applying this standard, the Group's companies convert foreign currency denominated transactions into the operating currency at the average rate for the month of the transaction.

Receivables and debts in foreign currencies are converted at the year-end rates for these currencies. The unrealised foreign exchange gains or losses resulting from this conversion are recorded in the income statement under *"Other trading income and expenses"* or *"Other financial income and expenses"* depending on the nature of the flows or the receivables and liabilities to which they relate.

The foreign exchange losses and gains resulting from the conversion of transactions or receivables and intragroup liabilities in foreign currencies or their elimination are recorded in the income statement unless they arise from long-term intragroup financing transactions that can be considered as capital transactions: they are then recorded under equity as *"Foreign exchange differences"*.

The accounting of foreign exchange hedge instruments is set out in Note 17.2.

The main closing rates used are shown in the table below (showing the exchange value of one euro in the foreign currency unit).

	2016		2015	
	Closing rate	Average rate	Closing rate	Average rate
USD	1.054	1.102	1.089	1.110
CNY	7.320	7.338	7.061	6.973
GBP	0.856	0.820	0.734	0.726
HKD	8.175	8.554	8.438	8.602
JPY	123.400	120.255	131.070	134.286
INR	71.594	74.142	72.022	71.175

2.5 Use of estimates

In the preparation of the consolidated financial statements, the valuation of certain balance sheet or income statement items requires the use of assumptions, estimates or assessments, in particular:

- The measurement of property, plant and equipment and intangible assets,
- The amount of provisions for liabilities and charges,
- Employee benefits: assumptions updated annually, such as the probability of employees remaining with the Group until retirement, the foreseeable future increase in salaries, the discount rate and the inflation rate,
- Inventory writedowns,
- Deferred tax assets,
- Certain items of financial liabilities.

These assumptions, estimates or assessments are established on the basis of information or situations existing on the closing date. These may differ from actual figures in the future.

2.6 Research, study and development

Research and study costs cannot be capitalised. Development costs must be capitalised providing the Company can demonstrate:

- The intention, financial capacity and technical capacity to carry the development project through to its completion;
- That it is probable that the future economic benefits resulting from the development costs will flow to the company;
- That the cost of this asset can be reliably estimated.

Development costs are amortised in accordance with the quantities of products delivered, based on the initial contracts.

Other research and development costs are recorded as expenses in the financial year during which they were incurred.

2.7 Other intangible assets

Other intangible assets acquired include patents, licences, trademarks, customer portfolios and computer software.

Intangible assets purchased separately are recorded at their acquisition cost and those acquired as part of a business combination are recorded at fair value on the acquisition date.

After initial recognition, the historical cost model is applied to intangible assets.

Assets with an indefinite useful life are not amortised but are subject to an annual impairment test. Assets with a definite useful life are amortised on a straight-line basis:

- Licences, patents: Contractual term not exceeding 10 years;
- Trademarks: Not amortised when the useful life is indefinite: in which case, they are annually tested for impairment;
- Customer portfolio: Term determined on the acquisition date but not exceeding 20 years;
- Software: 3 to 10 years.

Useful lives are reviewed at each year end.

2.8 Property, plant and equipment

In accordance with IAS 16 *Property, plant and equipment*, the gross value of property, plant and equipment corresponds to their acquisition or production cost. It is not subject to any revaluation.

Equipment grants are offset against the gross value of the assets for which they are received.

Maintenance and repair costs are recorded as expenses as they are incurred, unless they significantly increase the performance of the assets in terms of capacity, quality improvement or useful lives.

Non-current assets that are financed through lease finance agreements, as defined by IAS 17 *Leases*, are recorded at the lower of the discounted value of future payments and their market value. The corresponding liability is recorded under financial liabilities. The depreciable base for property, plant and equipment is the acquisition cost, reduced if necessary by their estimated residual value. The residual values are zero except in special cases.

Borrowing costs are excluded from the acquisition costs of assets. The Group does not own any non-current assets with a construction period which would require the capitalisation of borrowing costs in their cost price.

Property, plant and equipment are amortised on a straight-line basis over their estimated useful lives:

- Buildings and buildings fixtures: 10 to 20 years
- Machinery, equipment and tools: 3 to 20 years
- IT hardware: 3 years
- Other PPE: 3 to 15 years

2.9 Impairment of assets

Principles

Management reviews the value of goodwill, other intangible assets, property, plant and equipment and non-current assets in progress every time there is an internal or external indication (e.g.: events or changes to the market environment) that the value of these assets may have been impaired.

In addition, in accordance with the accounting standards applied, goodwill and intangible assets with an indefinite useful life are subject to an impairment test in the fourth quarter of each financial year, except where required otherwise.

This impairment test consists of comparing the recoverable amount of the Cash Generating Units (CGUs) with the net book value of corresponding assets, including goodwill if applicable. A CGU is the smallest identifiable group of assets that generates cash inflows largely independently of the cash inflows from other assets or groups of assets. The majority of CGUs identified within the Group are legal entities.

Method used

The recoverable amount is the higher of the value in use and the fair value (less costs of disposal), as defined hereafter, of each individual asset, providing the asset considered does not generate cash inflows that are largely independent from cash inflows generated by other assets or group of assets. In this

case, the recoverable amount is determined for the entire group of assets. In this case, the recoverable amount is determined for the entire group of assets. The recoverable amounts of cash generating units are determined:

- Based on cash flow from operating activities expected from the cash generating unit over the duration of the plan (three years) of the CGU considered and a terminal value;
- By discounting these cash flows at the weighted average cost of capital of the Group.

The value in use of each CGU or group of CGUs is determined by discounting future cash flows, or DCF method, using projected cash flows that are consistent with the budget and multi-year plans prepared by the Management. The key assumptions used are:

- Sales growth;
- Gross margin rates;
- Discount rates;
- Growth rate adopted beyond the period of the business plans.

The rates of sales growth are calculated from the market analysis performed internally and from the external information available. The gross margin rates are established on a historical basis adjusted in accordance with the Group's budgets.

Fair value (less disposal costs) is the amount obtainable from the sale of an asset or group of assets in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. This value is determined based on market elements (stock market price or comparison with similar listed companies or comparison with the value assigned to similar assets or companies during recent transactions), or, failing this, from discounted cash flows.

When the recoverable amount falls below the net book value of the asset or group of assets tested, the difference is recognised as impairment in operating profit.

Impairment recognised in relation to a CGU is allocated firstly to impairment of the goodwill of the CGU, with the remaining balance being proportionally allocated to the net book value of the CGU's other assets.

Impairment recognised in relation to property, plant and equipment and intangible assets (excluding goodwill) may be reversed at a later stage if the recoverable amount again exceeds the net book value, up to the value of the impairment loss initially recognised, less depreciation/amortisation that would otherwise have been recognised. Conversely, goodwill impairment losses are irreversible.

2.10 Financial assets and liabilities

Financial assets include long-term investments, current assets representing operating receivables, debt securities and investment securities, including derivative instruments and cash.

Financial liabilities include borrowings, other financing, bank overdrafts, derivative instruments and operating liabilities.

The measurement and recognition of financial assets and liabilities are defined by IAS 39 “Financial instruments: recognition and measurement”.

Assets available for sale consist of unconsolidated interests and other securities which cannot be classified in the other financial asset categories described below. Unrealised gains and losses on securities available for sale are recognised in items of other comprehensive income until the financial asset is sold, redeemed or removed from the balance sheet in another way, or until there is objective evidence that the investment is partly or entirely impaired, at which time the accumulated gain or loss previously reported in items of other comprehensive income is transferred to other financial income and expenses.

Trade receivables are recognised at their nominal value due to their short-term maturity. A provision for writedown is recorded if their market value, based on the probability of collection, falls below their book value.

Other cash management financial assets include financial assets available for sale, i.e. equity-based mutual funds and bond-based mutual funds, where the unrealised capital gains and losses are recognised in net financial income, as well as cash investments with a maturity ranging between three and twelve months.

The “**Cash and cash equivalents**” item includes cash and money market investments that are immediately available and whose value is not subject to fluctuations in stock market prices. Money market investments are valued at their market value on the reporting date, and changes in value are recorded as “*Income from cash and cash equivalents.*” Net cash in the cash flow statement also includes bank overdrafts and short-term credit lines.

Pursuant to IAS 7 “Statement of cash flows”, the components of “cash and cash equivalents” disclosed in the consolidated balance sheet and cash flow statement include cash and short-term deposits, defined as liquid and with an investment period of less than three months.

Financial debt is initially recognised at fair value (which corresponds to their nominal value, due to the straightforward nature of these instruments), net of associated issue costs that are recorded incrementally in net financial income up to maturity in accordance with the effective interest rate method.

Derivative instruments are valued at fair value. Barring the exceptions detailed below, changes in the fair value of derivative instruments are always recorded in the income statement. Derivative instruments can be designated as hedge instruments in a fair value or future cash flow hedging relationship:

- A fair value hedge covers exposure to changes in the value of any asset or liability due to movements in foreign exchange rates;
- A future cash flow hedge covers changes in the value of future cash flows attached to existing or future assets or liabilities.

Hedge accounting applies if:

- The hedging relationship was clearly defined and documented on the date that it was implemented;
- The effectiveness of the hedging relationship is demonstrated from the outset and throughout its life.

The application of hedge accounting has the following consequences:

- For fair value hedges of existing assets or liabilities, the hedged portion of these elements is valued in the balance sheet at its fair value. Any change in this fair value is recorded in the income statement, where it is offset by mirror changes in the fair value of the hedging financial instruments, depending on their effectiveness;
- For future cash flow hedges, the effective portion of the change in fair value of the hedge instruments is recorded in other comprehensive income, as the change in the fair value of the hedged portion of the hedged asset is not recorded in the balance sheet. The change in value of the ineffective portion is accounted as “other financial income and expenses.” The amounts recorded in comprehensive income are symmetrically recognised in the income statement using the accounting method for the hedged items.

If there is no hedging relationship, the change in fair value of these hedge instruments is recorded in the income statement under other financial income and expenses.

When the hedges established by the Group meet the formalisation and backing requirements of hedge accounting, a change in the fair value of the hedging instrument is offset against items of other comprehensive income. The change in value of the ineffective portion is accounted as “other financial income and expenses.”

2.11 Inventories

In accordance with IAS 2 “*Inventories*”, inventories are valued at the lower of their cost and their net realisable value. The cost of inventories is calculated using the weighted average cost method. It incorporates direct and indirect production charges on the basis of a normal level of business activity.

Inventory writedowns are most often recorded as a result of product obsolescence or reduced sales prospects.

2.12 Deferred tax

Differences at year end between the tax base of assets and liabilities and their book value in the balance sheet give rise to temporary differences. In application of the balance sheet liability method, these temporary differences result in the recognition of:

- Deferred tax assets, when the tax base is greater than the book value (future tax saving expected),
- Deferred tax liabilities, when the tax base is lower than the book value (future tax expense expected).

Deferred tax assets and liabilities are valued using the expected applicable tax rates for the year during which the asset will be realised or the liability settled, based on tax rates (and tax regulations) enacted or substantially enacted by the closing date. They are reviewed at the end of each year, in line with any changes in applicable tax rates.

Deferred tax assets are recognised for all deductible timing differences, tax losses carried forward and unused tax credits, insofar as it is probable that a taxable profit will be available, or when a current tax liability exists against which those deductible timing differences, tax losses carried forward and unused tax credits can be offset.

The book value of deferred tax assets is reviewed at each year end, and, if applicable, revalued or reduced to reflect the lesser or greater likelihood that a taxable profit will be available to make use of these deferred tax assets.

Deferred tax liabilities are recognised for all taxable timing differences, except where the deferred tax liability results from goodwill or from initial recognition of an asset or liability in a transaction which is not a business combination, and which, at the transaction date, does not impact accounting profit nor taxable profit or loss.

Tax related to items recognised under items of other comprehensive income is also recognised under items of other comprehensive income. Potential tax effects of equity transactions are directly recognised in equity, not in the income statement.

2.13 Treasury shares

All treasury shares are recorded at their acquisition cost and deducted from equity. The proceeds from the sale of treasury shares are recorded directly under equity.

2.14 Provisions

In accordance with IAS 37 “*Provisions, contingent liabilities and contingent assets*”, a provision is recognised if the Group has an obligation towards a third party that is likely or certain to result in an outflow of resources to this third party with no equivalent compensation in return. For restructuring, an obligation is constituted as soon as the restructuring has been announced, with a detailed plan, or has started to be implemented.

2.15 Pensions and related commitments

In compliance with IAS 19 “*Employee benefits*”, the sums paid by Radiall to its employees are valued in accordance with the defined contribution plan or the defined benefit plan.

The Group’s only obligation regarding defined contribution plans is to pay the premiums. The corresponding expense is accounted for in the income statement for the financial year.

The Group’s obligations regarding defined benefit plans concerns future amounts. Commitments are valued using the projected unit credit method. According to this method, each period of service results in an additional unit of benefit rights and each of these units is valued separately in order to obtain the final obligation. This final obligation is then discounted.

These calculations mainly include:

- An assumption of the retirement date;
- A financial discount rate;
- An inflation rate, which is incorporated into the discount rate and the salary revaluation rate;
- Assumptions regarding increases in salaries and staff turnover.

These evaluations are made every year except if changes to the assumptions require more frequent estimations.

The financial cost is recognised as a payroll expense. According to revised IAS 19 adopted by the Group at 1 January 2013, the net cumulated actuarial gains and losses for the financial year are immediately recognised in the provision for pensions and related benefits to offset other comprehensive income.

2.16 Sales

In accordance with IAS 18 “Revenue”, sales of connectors are recognised as sales on the date that the risks and benefits connected with ownership are transferred. This usually corresponds to the date of delivery. Discounts granted to customers are accounted for under “Sales”.

Radiall’s sales are not influenced by any specifically seasonal activities.

2.17 Earnings per share

Earnings per share is calculated on the weighted average number of shares outstanding during the financial year after deducting the treasury shares recorded as a deduction of equity.

Diluted earnings per share is identical to earnings per share due to the absence of diluting instruments within Radiall Group.

2.18 Related parties

Related parties include companies over which the Group exercises joint control or significant influence, shareholders exercising joint control over joint ventures of the Group, minority shareholders exercising significant influence over Group subsidiaries, the Group’s corporate officers, senior executives and directors, as well as companies over which the latter exercise control, joint control or significant influence.

Note 3 - Scope of consolidation

3.1 Change in scope

None.

3.2 List of consolidated companies

Fully consolidated companies	Country	Region	% interest	% control
Radiall	France	France	100%	100%
Radiall Ventures SA	France	France	100%	100%
Industrie Doloise de Micro-Mécanique SA	France	France	100%	100%
Van-System Srl	Italy	Europe	100%	100%
Van-System Swiss SA	Switzerland	Europe	100%	100%
Radiall Systems	France	France	100%	100%
Radiall Ltd.	UK	Europe	100%	100%
Radiall G.m.b.H.	Germany	Europe	100%	100%
Radiall B.V.	Netherlands	Europe	100%	100%
Radiall A.B.	Sweden	Europe	100%	100%
Radiall Elettronica Srl.	Italy	Europe	100%	100%
Radiall America Inc.	US	Americas	100%	100%
Radiall USA	US	Americas	100%	100%
Radiall do Brasil	Brazil	Americas	99%	99%
Radiall Electronics (Asia) Ltd.	China	Asia	55%	55%
Radiall International Ltd.	China	Asia	100%	100%
Radiall India Private Ltd.	India	Asia	100%	100%
Nihon Radiall KK	Japan	Asia	100%	100%
Shanghai Radiall Electronics Co. Ltd.	China	Asia	96%	100%
Equity accounted	Country	Region	% interest	% control
Raydiall SAS	France	France	50%	50%

3.3 Equity investments in associates

(€ thousands)	2016	2015
Sales	17,159	14,980
Share of consolidated net profit	439	618
Non-current assets	5,497	4,409
Current assets	7,746	6,948
Non-current liabilities	1,355	390
Current liabilities	6,894	6,818

Note 4 - Segment reporting

4.1 Business segments and geographic regions

In accordance with IFRS 8, the segment reporting presented is internal information reviewed and used by the main operational decision-makers, and is based on one business segment and four geographic regions. Radiall's primary activity is manufacturing connectors and related components for electronic applications. Radiall therefore considers itself to be operating in one single business sector. Radiall's geographic scope is divided into four regions: France, Europe excluding France, the Americas and Asia. The information in Note 4.2 is established on the basis of the geographic location of the subsidiaries. The Group's performance is assessed on the basis of data from this business segment and these business regions.

4.2 Information analysed by subsidiaries' geographic location

2016	France	Europe excl. France	Americas	Asia	Intragroup eliminations	Total
(€ thousands)						
Sales (non-Group)	93,826	20,905	136,657	58,776		310,164
Interregional sales	90,932	(4,687)	12,291	26,773	(125,309)	
Total	184,758	16,218	148,947	85,549	(125,309)	310,164
Other non-recurring operating income and expenses						
Operating profit	10,603	1,162	26,875	11,485		50,125
Income tax	(1,979)	(235)	(9,066)	(2,016)		(13,296)
Net profit – Group share	5,464	917	17,811	9,635		33,826
Impairment of non-current assets	(6,190)	(621)	(3,347)	(1,509)		(11,667)
Purchase of intangible assets	1,411	20	4	17		1,452
Purchase of property, plant and equipment	5,661	307	4,078	2,296		12,342

2015	France	Europe excl. France	Americas	Asia	Intragroup eliminations	Total
(€ thousands)						
Sales (non-Group)	84,121	23,258	126,911	55,652		289,941
Interregional sales	91,864	(3,167)	11,724	23,672	(124,093)	
Total	175,984	20,091	138,635	79,324	(124,093)	289,941
Other non-recurring operating income and expenses				(586)		(586)
Operating profit	10,313	1,327	22,177	9,595		43,412
Income tax	(1,745)	(370)	(7,988)	(1,990)		(12,093)
Net profit – Group share	5,922	984	14,185	7,789		28,880
Impairment of non-current assets	(6,008)	(105)	(3,189)	(1,139)		(10,441)
Purchase of intangible assets	2,189	0		9		2,198
Purchase of property, plant and equipment	6,721	70	1,881	1,591		10,263

Note 5 - Goodwill and intangible assets

5.1 Change in goodwill

(€ thousands)	
31 December 2015	12,631
Increases	
Decreases	
Writedowns	
Translation adjustment	121
Changes in scope	
Reclassifications	(2,375)
Other	
31 December 2016	10,377

The goodwill of €4.1 million that had been recognised following the acquisition of Van System SRL (Italy) and Van System Swiss was allocated as follows in the second half of 2016, following the allocation of the acquisition price:

(€ thousands)	
Initial goodwill	4,051
Allocated to assets	
Trademarks	626
Research & development costs	1,318
Customer base	999
Machinery and equipment	450
Allocated to liabilities	
Deferred tax liability	1,018
Final goodwill	1,676

5.2 Breakdown of goodwill (net value)

(€ thousands)	31 December 2016	31 December 2015
Radiall Shanghai	1,623	1,683
Radiall USA	5,683	5,502
Van-System	1,676	4,051
I.D.M.M	1,395	1,395
TOTAL	10,377	12,631

5.3 Impairment testing of goodwill and other assets with an indefinite useful life

In 2016, without changing the measurement methods used every year, the Group reviewed the value of goodwill associated with its cash generating units (CGUs) or groups of CGUs.

A description of the methods used to perform goodwill impairment tests is provided in Note 2.9.

Presentation of the key assumptions used to determine recoverable amounts

The main assumptions used were as follows:

Region	Assets tested	Financial discount rate		Growth rate to infinity	
		2016	2015	2016	2015
US	Radiall USA	10.3%	11.3%	2%	2%
	AEP brand	10.3%	11.3%	2%	2%
France	I.D.M.M.	7.8%	8.6%	2%	2%
Italy	Van System	12.5%		2%	
China	Radiall Shanghai	15.2%	12.0%	2%	2%

Sensitivity of recoverable amounts:

For each significant CGU, the sensitivity of the impairment tests to changes in each of the main assumptions was analysed. The Group determined reasonably conceivable fluctuations in the following assumptions, considered individually:

- sales forecasts 10% below initial forecasts;
- 5% fall in gross margin, or;
- a 100 pps increase in the discount rate, or;
- a growth rate to infinity of 1% instead of 2%.

This test was implemented by Radiall at 31 December 2016 based on internally-determined recoverable amounts.

Following these reviews, the Management concluded that the recoverable amount of each CGU or group of CGUs tested exceeded its book value at 31 December 2016.

Note that the Radiall India goodwill was fully written off in the 2015 financial year.

5.4 Intangible assets

Gross value	Development costs	Patents and licences	Goodwill	Intangible assets in progress	Other intangible assets	Total
<i>(€ thousands)</i>						
31 December 2015	344	14,580	70	1,840	8,624	25,458
Acquisitions		702		750		1,452
Decreases		(413)				(413)
Translation adjustment		194			254	448
Change in scope	1,318	626	999			2,943
Transfers		2,458		(1,840)		619
31 December 2016	1,662	18,147	1,069	750	8,878	30,505

Amortisation and writedowns	Development costs	Patents and licences	Goodwill	Intangible assets in progress	Other intangible assets	Total
<i>(€ thousands)</i>						
31 December 2015	(344)	(11,346)	(70)		(2,059)	(13,819)
Acquisitions	(95)	(1,159)			(53)	(1,307)
Decreases		413				413
Translation adjustment		(155)			(41)	(196)
Change in scope	(39)	(43)	(28)			(110)
Other			(67)			(67)
31 December 2016	(478)	(12,291)	(165)		(2,153)	(15,087)
Net value 2015		3,233		1,840	6,565	11,637
Net value 2016	1,184	5,856	904	750	6,725	15,419

Note 6 - Property, plant and equipment

6.1 Change in net book value

Gross value (€ thousands)	Land	Buildings	Industrial facilities	Other PPE	Assets under construction	Total
31 December 2015	1,249	35,995	122,666	8,621	9,203	177,733
Acquisitions		518	4,229	758	5,229	10,734
Disposals		(4)	(2,478)	(388)		(2,869)
Translation adjustment	11	192	569	4	127	902
Change in scope			450		(0)	450
Transfers		411	4,843	43	(5,916)	(619)
31 December 2016	1,260	37,112	130,278	9,038	8,642	186,331

Depreciation and writedowns (€ thousands)	Land	Buildings	Industrial facilities	Other PPE	Immobilisations en cours	Total
31 December 2015		(22,054)	(85,487)	(6,490)		(114,030)
Charges		(1,551)	(8,051)	(755)		(10,357)
Disposals		2	2,295	414		2,711
Translation adjustment		(102)	(327)	(23)		(452)
Change in scope			(47)	0		(47)
Other		127	414	(540)		4
31 December 2015		(23,578)	(91,202)	(7,395)		(122,174)
Net value 2015	1,249	13,941	37,179	2,131	9,203	63,703
Net value 2016	1,260	13,534	39,076	1,643	8,642	64,156

6.2 Lease-financed assets

(€ thousands)	Land	Buildings	Industrial facilities	Other PPE	Total
Net value 2015	351	4,281	5,247		9,879
Net value 2016	351	3,847	4,666		8,864

Note 7 – Securities held in associates and joint ventures

(€ thousands)	
1 January 2015	1,444
Share of net profit	618
Income and expenses accounted for under equity	12
31 December 2015	2,074
Share of net profit	439
Income and expenses accounted for under equity	(15)
31 December 2016	2,498

Note 8 - Other financial assets

(€ thousands)	
31 December 2015	1,983
Acquisitions	231
Disposals	(29)
Writedowns	(1,780)
Reclassification	(33)
Other	
31 December 2016	373

The impairment charge of €1,780 thousand recorded this year covers the securities and bonds issued by E-Blink, a company that is not consolidated by the Group and is undergoing liquidation.

Note 9 - Inventories

(€ thousands)	31 December 2016	31 December 2015
Raw materials	45,967	42,268
Work in progress of goods and services	5,601	6,080
Finished products	19,095	16,641
Gross value	70,662	64,990
Provisions for raw materials and supplies	(5,899)	(5,062)
Provisions for work-in-progress		(18)
Provisions for finished products	(2,779)	(2,581)
Provisions	(8,679)	(7,661)
Net value	61,984	57,329

Fully provided inventories totalling €1,282 thousand were scrapped during the financial year.

Note 10 - Trade receivables

(€ thousands)	31 December 2016	31 December 2015
Trade receivables	56,074	49,824
Provisions	(249)	(307)
Provisions en %	0.44%	0.62%
Net value	55,825	49,517

All receivables have a due date of less than one year. The aged balance for trade receivables is presented under Note 17.2.3.

Note 11 - Other receivables

(€ thousands)	31 December 2016	31 December 2015
Tax and social security receivables	7,898	10,182
Prepaid expenses	1,558	1,505
Other miscellaneous receivables	3,077	2,585
Total other receivables	12,532	14,272

Note 12 - Cash and cash equivalents

(€ thousands)	31 December 2016	31 December 2015
Other cash management financial assets	5,111	5,009
Investments maturing in less than three months	5,000	34,027
Cash	80,105	38,998
Total cash and cash equivalents	85,105	73,025
Available cash*	90,216	78,034

* The Group considers its total cash and cash equivalents to consist of the following balance sheet aggregates: "Cash and cash equivalents" and "Other cash management financial assets" (with maturity between 3 and 12 months)

Note 13 - Equity

13.1 Composition of share capital

At 31 December 2016, the Company's share capital totalled €2,648,025.67, comprising 1,736,986 shares with a par value of €1.52. Double voting rights are attached to registered shares that have been held for at least four years.

The Company cancelled 111,138 treasury shares on 19 October 2016 as a result of a decision by the Executive Board. The impact on the share capital was €168,929.76, €6,300 thousand on issue premiums and €9,968 thousand on consolidated reserves.

13.2 Treasury shares

(number of shares)	31 December 2016	31 December 2015
Opening balance	77,138	37,139
Shares purchased	34,000	40,000
Shares sold		(1)
Shares cancelled during the year	(111,138)	
Closing balance	0	77,138
As part of the market stimulation objective		
For various other purposes	0	77,138

13.3 Earnings per share

(number of shares)	31 December 2016	31 December 2015
Net profit - Group share (€)	33,826,238	28,879,519
Weighted average number of shares outstanding during the period	1,825,896	1,848,124
Weighted average number of treasury shares during the period	80,520	43,805
Number of shares used in calculation	1,745,376	1,804,319
Earnings per share (€)	19.38	16.01

13.4 Proposed dividend

The Executive Board and the Supervisory Board, at the meeting held on 23 March 2017, proposed a dividend of €2.50 per share. This dividend will be submitted to the shareholders at the Combined Shareholders' Meeting to be held on 17 May 2017. Payment of an exceptional dividend of €1.30 per share will be submitted for approval at the same Meeting.

Note 14 - Provisions

14.1 Change in current asset provisions

(€ thousands)	31 December 2015	Writedowns	Reversals	Translation adjustment	Change in scope	31 December 2016
Provisions for bad debt	(307)	(30)	94	(7)		(249)
Provisions for inventory writedowns	(7,661)	(1,464)	470	(23)		(8,679)
Total current asset provisions	(7,968)	(1,494)	565	(30)		(8,927)

14.2 Change in current and non-current provisions

(€ thousands)	31 December 2015	Reclassifi- cations	Charges	Used reversals	Unused reversals	Foreign exchange differences	31 December 2016
Retirement benefits	10,149	96	1,786	(914)		6	11,122
Other non-current provisions	234	(96)	273			4	415
Non-current provisions	10,383		2,059	(914)		10	11,538
Provision for technical and commercial risks	582		9	(381)	(171)	(4)	35
Provision for other risks	427		221	(64)	(120)	2	465
Current provisions	1,009		230	(445)	(291)	(2)	500

14.3 Retirement benefit commitments

Assumptions used for retirement benefits

	31 Dec. 2016	31 Dec. 2015
Retirement age		
- Born before 1951	60	60
- Born between 1951 and 1956	63	63
- Born after 1956	65	65
Rate of salary increase	2.74%	2.74%
Discount rate	1.31%	2.03%
Turnover *		
- 16 to 39 years old	6.17%	6.17%
- 40 to 49 years old	2.48%	2.48%
- 50 to 54 years old	0.61%	0.61%
- 55 to 65 years old	0.00%	0.00%
Employer contribution rate		
- Executives	49.50%	47.13%
- Non executives	44.10%	45.74%
Mortality table		
Male	TH 00-02	TH 00-02
Female	TF-00-02	TF-00-02

* Turnover rates are those used to estimate Radial SA's commitment.

Sensitivity of assumptions

The provision for retirement benefits would be impacted by changes in assumptions as follows:

(€ thousands)	Impact of negative change	Impact of positive change
0.25 pps change in the discount rate	361	(347)
0.25 pps change in the salary increase rate	(343)	355
20% change in the turnover rate	231	(215)

The information provided in this note only applies to Radiall and I.D.M.M. The only other Group subsidiary having a significant retirement benefit commitment is Van-System Srl. The departure is always considered to be on the employee's initiative.

Concerning the turnover rate, in order to anticipate a gradual increase in the retirement rate, a differential was used based on the employee's age bracket depending on the generation, and not an average retirement age.

The average turnover rate is 3.1%, which is consistent with the actual average rate observed over the past seven financial years.

Past service cost

(€ thousands)	31 December 2016	31 December 2015
Past service costs at start of period	9,409	10,244
Cost of services provided during the year	523	(130)
Benefits paid during the year	(842)	(421)
Actuarial losses (gains) generated during the year	940	(446)
Financial costs for the year	191	162
Total	10,221	9,409

Plan assets

There were no plan assets at 31 December 2016.

Note 15 – Financial debt

31 December 2016 (€ thousands)	Current < 1 year	Non-current 1 to 5 years	Non-current > 5 years	Total
Repayable loans	73	654	23	677
Bonds	281	6,176		6,176
Other financial debt	1,411	3,666	2,275	5,941
Lease-finance agreements				
Total	1,765	10,496	2,298	12,794
Liabilities in EUR	1,765	10,496	2,298	12,794
Liabilities in USD				
Liabilities in other currencies				
Total	1,765	10,496	2,298	12,794

31 December 2015 (€ thousands)	Current < 1 year	Non-current 1 to 5 years	Non-current > 5 years	Total
Repayable loans	72	566	112	678
Bonds				
Other financial debt	808	6,409		6,409
Lease-finance agreements	1,377	4,320	2,680	7,000
Total	2,256	11,294	2,792	14,087
Liabilities in EUR	2,256	11,294	2,792	14,087
Liabilities in USD				
Liabilities in other currencies				
Total	2,256	11,294	2,792	14,087

Note 16 - Other liabilities

(€ thousands)	31 December 2016	31 December 2015
Downpayments on orders	1,930	845
Tax and social security liabilities	26,067	30,391
Fixed asset suppliers	1,784	924
Derivative financial instruments	2,986	501
Miscellaneous liabilities	573	1,239
Accruals	1,014	955
Total other liabilities	34,354	34,854

Note 17 - Financial instruments and management of financial risks

17.1. Fair value of financial instruments

Book value and fair value by category of financial instruments

(€ thousands)	Level	31-Dec-16		31-Dec-15	
		Book value	Fair value	Book value	Fair value
Assets					
Other financial assets	N/A	503	503	1,983	1,983
Trade and other current receivables	N/A	55,825	55,825	49,111	49,111
Derivative financial instruments	Level 2				
Other cash management financial assets	Level 1	5,111	5,111	5,009	5,009
Cash and cash equivalents	Level 1	85,105	85,105	73,025	73,025
Total		146,545	146,545	129,128	129,128
Liabilities					
Financial debt	N/A	14,560	14,560	16,343	16,343
Derivative financial instruments	Level 2	2,986	2,986	501	501
Total		17,546	17,546	16,844	16,844

Levels of fair value financial instruments

The tables present the valuation method of financial assets and liabilities at fair value in accordance with the following three levels:

- Level 1: fair value based on prices quoted in active markets for identical assets or liabilities,
- Level 2: fair value based on observable market data, other than the quoted prices included under Level 1,
- Level 3: fair value based on valuation techniques that rely on data for the assets or liabilities that are not observable on the market.

Financial assets and liabilities valued at amortised cost are marked as N/A in the above table.

17.2 Management of financial risks and derivative instruments

As part of its operations, Radiall is exposed to a wide range of financial risks. The main risks are foreign exchange exposure, credit risk and to a lesser extent, interest rate risk. Foreign exchange risks and interest rate risks are centrally managed by the Group.

Short and long-term financing activities are managed at head office and are subject to prior agreement from both the Executive Board and the Supervisory Board.

In order to manage and reduce its exposure to changes in interest and foreign exchange rates, Radiall uses various derivative instruments. All these instruments are used for hedging purposes and any that may be deemed of a speculative nature are prohibited.

All the Group's financial transactions are only contracted with partners with a first-class rating from a specialised agency.

The Group applies hedge accounting to the financial instruments covering major interest risks. At 31 December 2016, the Group also applied hedge accounting to cover exchange rate risks.

(€ thousands)	2016		2015	
	Asset	Liability	Asset	Liability
Management of interest rate risk	0	(127)	0	(384)
Management of foreign exchange risk	0	(2,860)	0	(117)
Derivative financial instruments	0	(2,987)	0	(501)

17.2.2 Management of foreign exchange risk

The foreign exchange exposure mainly comes from the purchases and sales realised by the Group's subsidiaries in currencies other than their Group's functional currency.

Sensitivity to fluctuations in exchange rates

The impacts on the Group's sales and equity (foreign exchange difference) following a 10% fall in all the currencies against the euro are shown in the table below.

A 10% rise in exchange parity would have an inverse effect of the same amount.

(€ thousands)	2016
Sales	(18,383)
Impact on equity (foreign exchange differences)	(7,953)

17.2.1 Value of derivative instruments in the balance sheet

Hedge instruments in place

At 31 December 2016, these instruments represented a cumulative total of USD 68,400 thousand, to be converted in monthly instalments from January 2017 to June 2018 based on a USD/EUR conversion rate of 0.9150 to 1.1400, and knock-out options effective in the event that the cumulative difference reaches USD 0.20.

	Nominal (currency thousands)	Fair value - Cash Flow Hedge (€ thousands)	Fair value - Trading (€ thousands)
Futures (USD put option)	12,000	(559)	(39)
Options (zero-premium collar) (USD put option)	24,000		(1,460)
Knock-out barrier instruments (USD put option)	34,400		(803)
Total	70,400	(559)	(2,302)

The fair value movement in the intrinsic value presented under "Cash flow hedge" was a negative €559 K for 2016 and a positive €105 K in 2015, and is recorded as a positive €664 K in the statement of comprehensive income. The movement in fair value over the time value of cash flow hedges and hedges classified as trading hedges was a negative €2,302 K in 2016 and a negative €222 K in 2015, and was recorded in net financial income as an expense of €2,080 K.

Financial exposure

The Group's general policy is for its subsidiaries to purchase, sell, borrow and invest mainly in the same currency as their functional currency in order to reduce their financial exposure to fluctuations in exchange rates.

17.2.3 Management of credit risk

The Credit Management Department manages credit risk, which ensures that debt collection procedures are respected and coordinates credit limits for international customers. Credit insurance has been taken out with a reputable insurer for the majority of the European and Asian entities.

Aged analysis of net trade receivables

(€ thousands)	31 December 2016	31 December 2015
Not due	47,588	44,534
Outstanding:		
for less than 30 days	6,864	3,859
31 to 60 days	748	725
61 to 90 days	658	309
91 to 180 days	(33)	89
Total	55,825	49,517

There were no other significant unpaid, non-written down financial assets at 31 December 2016.

17.2.4 Management of interest rate risk

The Group's exposure to fluctuations in interest rates is mainly due to its financial debt. The Group uses interest rate swaps to reduce this risk.

Sensitivity to movements in interest rates

At 31 December 2016, variable-rate financial debt corresponded mainly to the €5 million credit line taken out in 2012, whose interest rate is based on Euribor 3 months hedged by a fixed rate against variable rate swap until 18 July 2016.

Short-term receivables and liabilities are not exposed to interest rate risk.

As part of its policy of hedging against interest rate risk exposure, Radiall has implemented the following transactions:

(€ thousands)	Maturity	Fixed rate	Nominal	Market value
Interest rate swap Variable/ Fixed (on lease contract)	September 2022	3.25%	1,203	(127)

17.2.5 Management of liquidity and capital structure risks

The Group seeks to reduce its financial structure risks to a minimum. It favours self-financing for its expansion whenever possible and only has recourse to borrowings when strictly necessary. The financial management's targets and objectives have remained the same for numerous financial years.

Note 18 - Income tax

18.1 Analysis of income tax charge

The income tax charge is analysed as follows:

(€ thousands)	31 December 2016	31 December 2015
France	(1,820)	(2,007)
International	(12,804)	(10,351)
Tax payable	(14,624)	(12,358)
France	(160)	262
International	1,488	3
Deferred tax	1,328	264
Tax gain (charge)	(13,296)	(12,093)

The Group's effective tax rate decreased from 29.2% at 31 December 2015 to 27.9% at 31 December 2016. The decrease in the recognised tax charge is linked to a 50% reduction in the amounts withheld at source on the payment of foreign dividends.

18.2 Reconciling the theoretical and effective tax charges

The reconciling items are as follows:

(€ thousands)	31 December 2016	31 December 2015
Profit before tax	47,739	41,444
Theoretical tax at the rates in force in each country	(14,077)	(12,147)
Impact of equity-accounted entities	(146)	(206)
Change in deferred tax recognised on losses carried forward	1,120	1,150
Effect of usage of tax losses carried forward not previously recognised		
Impact of non-deductible charges and non-taxable income	(601)	(736)
Deferred taxes not recognised on losses for the period	(17)	(38)
Research tax credit	413	593
Competitiveness and employment tax credit	495	488
Other tax credits	65	7
Taxes without base (**)	(624)	(1,290)
Additional contribution	(143)	(136)
Reduced rate taxation	64	147
Other	156	75
Total	(13,296)	(12,093)

** The line "Taxes without base" includes €580 K withholding tax on dividends recognised for Radiall SA

18.3 Net deferred tax position

(€ thousands)	31 December 2016	31 December 2015
Deferred tax assets	5,401	4,564
Deferred tax liabilities	(5,320)	(5,236)
Net deferred taxes	81	(671)

18.4 Main deferred consolidated tax assets and liabilities

(€ thousands)	31 December 2016	31 December 2015
Effect of losses brought forward	3,321	4,759
Tax effect of temporary differences related to:		
- Other non-current assets	(6,492)	(9,113)
- Inventories	(1,166)	2,027
- Other current assets	911	157
- Provisions for liabilities	4,658	3,836
- Other liabilities	967	843
- Other	97	4
Tax impact of temporary differences	(1,024)	(2,245)
Gross deferred tax assets (liabilities)	2,297	2,514
Provision for impairment of deferred tax assets	(2,216)	(3,185)
Net deferred taxes	81	(671)

Unrecognised deferred tax assets mainly concern losses from the tax consolidation scheme in France. Deferred taxes on losses can be carried forward indefinitely. Deferred tax on non-current assets primarily includes deferred tax on Radiall SA and IDMM accelerated amortisation/depreciation, and deferred tax recognised on Radial USA's intangible assets.

18.5 Breakdown of current tax in the balance sheet

(€ thousands)	31 December 2016	31 December 2015
Tax receivable	10,959	8,606
(advance payments and tax credit)		
Total under balance sheet assets	10,959	8,606
Tax liabilities	(1,583)	(957)
Total under balance sheet liabilities	(1,583)	(957)

Note 19 - Headcount and payroll

(€ thousands)	31 December 2016	31 December 2015
External staff	18,447	18,189
Salaries *	71,192	67,942
Social contribution *	22,980	21,939
Total	112,619	108,069
France	75,754	72,508
International	36,865	35,561
Total	112,619	108,069

* Bonuses and profit-sharing have been reclassified from payroll expenses to the "Salaries" item.

Pursuant to the recommendation of Autorité des Normes Comptables, CICE income of €1,484 K was deducted from payroll costs. Note that the CICE income was €1,465 K for the 2015 financial year.

(average headcount)	2016		2015	
	internal	external	internal	external
France	1,197	205	1,187	202
International	633	940	604	916
Total	1,830	1,145	1,791	1,118

Note 20 - Research and development costs

(€ thousands)	31 December 2016	31 December 2015
Non-capitalised costs	23,917	21,295
Amortisation of capitalised development costs	95	
Total costs incurred	24,012	21,295

The amortisation of capitalised expenses corresponds to the amortisation of the expenditure activated as a result of in-house developments relating to the implementation of our new ERP.

Note 21 - Other operating income and expenses

(€ thousands)	31 December 2016	31 December 2015
Foreign exchange losses	(295)	282
Capital gain/(loss) on asset disposals	(49)	(110)
Grants	391	1,006
Other income and expenses	67	(107)
Total	114	1,070

The net foreign exchange income includes proceeds of €239 thousand resulting from the unwinding of forward foreign exchange hedging transactions.

Note 22 - Impairment of non-current assets

Impairment

Impairment of non-current assets only applies to amortisation and depreciation charges for intangible assets and property, plant and equipment.

Note 23 - Writedown of current assets and provision charges

	31 December 2016	31 December 2015
<i>(€ thousands)</i>		
Writedown of inventories	(2,270)	(1,371)
Writedown of current assets	54	(36)
Provisions for liabilities	234	(227)
Total	(1,982)	(1,634)

In 2016, inventory writedowns were mainly incurred by Radiall SA and Radiall USA.

Note 24 - Non-recurring income and expenses

	31 December 2016	31 December 2015
<i>(€ thousands)</i>		
Goodwill impairment		(586)
Total		(586)

Note 25 - Other financial income and expenses

	31 December 2016	31 December 2015
<i>(€ thousands)</i>		
Foreign exchange gain on intragroup financing and bank balances	2,491	525
Financial instrument gains	144	516
Other financial income	2	33
Total other financial income	2,636	1,073
Foreign exchange loss on intragroup financing and bank balances	(1,218)	(1,310)
Financial instrument expense	(2,079)	(1,801)
Other financial expenses	(1,784)	(3)
Total other financial expenses	(5,082)	(3,115)
Total	(2,446)	(2,042)

Note 26 - Statutory Auditors' fees

<i>(€ thousands)</i>	MAZARS				FIDUS			
	Amount (excl. tax)		%		Amount (excl. tax)		%	
	2016	2015	2016	2015	2016	2015	2016	2015
- Statutory Audit, certificates, parent company and consolidated financial statements								
Radiall	114	114	34%	27%	56	56	71%	74%
Fully-consolidated subsidiaries	193	193	58%	46%	19	19	24%	25%
- Services other than audit of the financial statements								
Radiall	19	84	6%	20%	4	1	5%	1%
Fully-consolidated subsidiaries	7	27	2%	6%				
TOTAL	333	418	100%	100%	79	76	100%	100%

Note 27 - Off-balance sheet commitments

The commitments for managing foreign exchange and interest rate risks are described in Note 17 on financial instruments.

27.1 Commitments relating to undrawn confirmed credit lines

At 31 December 2016, the Group was entitled, under a financing contract signed in July 2011, to draw down €84 million, €15 million of which as revolving credit and €69 million intended mainly for specific transactions, in particular mergers and acquisitions.

Compliance with covenants at 31 December 2016:

Based on the Radiall Group's consolidated financial statements at 31 December 2016, the ratios in the Financing Agreement were complied with.

27.2 Commitments relating to financial lease agreements

(€ thousands)		31 Dec. 2016	31 Dec. 2015
Property	Maturity		
	<= 1 year	344	326
	1 to 5 years	1,512	1,456
	More than 5 years	2,275	2,676
	Total	4,131	4,458
Other non-current assets	Maturity		
	<= 1 year	1,067	1,051
	1 to 5 years	2,154	2,867
	More than 5 years		
	Total	3,221	3,918

27.3 Commitments relating to operating lease agreements

(€ thousands)		31 Dec. 2016	31 Dec. 2015
Property	Maturity <= 1 year	2,090	2,779
	1 to 5 years	3,351	5,520
	More than 5 years	243	0
	Total	5,683	8,299
Other non-current assets	Maturity <= 1 year	254	338
	1 to 5 years	432	431
	More than 5 years	-	98
	Total	687	867

The main lease contract pertains to Radiall USA, which was party to a lease agreement in November 2008 for the extension of the Obregon site in Mexico, which was signed between IMMOBILIARIA TRENTO, SA DE CV and SONORA S. PLAN, SA DE CV.

The term of the lease is ten years and firstly provides the possibility of withdrawing from the contract at the end of the fifth year in return for the payment of a penalty, and secondly, the possibility of acquiring the said premises when the contract expires or renewing the lease for an additional ten-year term.

Under this lease, Radiall USA, jointly with its parent company Radiall America Inc., granted a guarantee to the lessor, IMMOBILIARIA TRENTO, SA DE CV, to guarantee SONORA S. PLAN, SA DE CV's undertakings under this lease for the premises that the Company occupies exclusively.

27.4 Commitment relating to the put option on Malucemi

The shareholders of the two Van-System companies acquired by Radiall, who are also the sole shareholders in the property company Malucemi, which owns Van-System's industrial site in Baranzate, hold, according to the terms and conditions of the acquisitions of both companies by Radiall, a put option on Malucemi in relation to Radiall, initially exercisable at the end of January 2017 and extended to the end of July 2017. The exercise of the option remaining uncertain at 31 December 2016, and the sales price being close to market conditions, this option, which is considered as an off-balance sheet commitment, was not specifically recognised in the financial statements at 31 December 2016.

Note 28 - Information on related parties

28.1 Related party concept

The Group identifies its related parties in accordance with the provisions of paragraph 9 of IAS 24 revised "Related party disclosures".

28.2 Hodiall and Société d'Investissement Radiall (S.I.R.)

At 31 December 2016, 54.7% of Radiall's capital was held by Hodiall and 34.7% by SIR. These two companies have notable influence on the Group and as such are entities related to Radiall.

The transactions between Hodiall and Radiall are governed by a service provision agreement. This agreement stipulates that Hodiall shall supply assistance and advice to Radiall for the following operations: Group strategy, financial and tax services, financial management and communication, corporate management, legal assistance, legal secretarial duties, administrative services and management of insurance policies. The amount of this agreement is €1,900 thousand for the 2016 financial year.

Radiall SA bought back 34,000 Radiall shares from its minority shareholder Hodiall.

The transactions between Radiall SA and these related parties were detailed as follows at 31 December 2016:

(€ thousands)	Hodiall	S.I.R.
Trade receivables		
Current account	111	
Total Assets	111	
Trade payables		
Financial debt		
Total Liabilities		
Sales	76	
Purchases	(2,254)	
Total Profit/(Loss) from recurring operations	(2,178)	
Financial interest	68	
Dividends paid by Radiall S.A.	2,372	733

28.3 Raydiall

At 31 December 2016, 50% of Raydiall's capital was held by Radiall. As such, Raydiall is a related party to Radiall. Transactions between Radiall and Raydiall are detailed as follows:

(€ thousands)	Raydiall
Trade receivables	184
Current account	1,660
Total Assets	1,844
Trade payables	(2)
Financial debt	
Total Liabilities	(2)
Sales	575
Purchases	(5)
Total Profit/(Loss) from recurring operations	571
Financial interest	26

28.4 Compensation and other benefits granted to senior management

Radiall Group's senior management includes the members of the Executive and Strategic Committee (ESC) and the directors. The ESC had 5 members in 2016, unchanged from 2015.

The table hereafter summarises the amounts paid by the Group (including compensation received via Hodiall) in respect of gross compensation of any nature and other benefits granted to serving members of the Executive and Strategic Committee at the balance sheet date of each financial year presented, including executive corporate officers.

	31 December 2016	31 December 2015
Short-term benefits excl. employer contributions	1,522	1,658
Bonuses	76	75
Employer contributions	651	699
Post-employment benefits (*)		
Other long-term benefits (**)		
Share-based payments		
Other items		
Total	2,249	2,432

(*) Past service cost

(**) Other compensation vested but due in the long term.

At 31 December 2016, the total amount of retirement commitments due in respect of members of the ESC was €233 K compared with €206 K at 31 December 2015. The amount of directors' fees paid to members of the Supervisory Board totalled €165 thousand for 2016 and €162 thousand for 2015.

Chapter IV of the Financial Report details the different remuneration and benefits of the Group's main senior executives.

Note 29 - Post-balance sheet events

No event has taken place between the financial statement reporting date for the year ended 31 December 2016, and the date the Supervisory Board approved the financial statements.

2. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Financial year ended 31 December 2016

To the Shareholders,

In compliance with the assignment entrusted to us at your General Meeting, we hereby present our report for the year ended 31 December 2016, on:

- our audit of the accompanying RADIALL consolidated financial statements,
- the justification of our assessments,
- the specific legal verification.

The consolidated financial statements have been prepared by the Executive Board. Our role is to express an opinion on the basis of our audit.

I - Opinion on the consolidated financial statements

We have conducted our audit in accordance with French generally accepted auditing standards. These standards require that we plan to obtain reasonable assurance on whether the consolidated financial statements are free from material misstatement. An audit includes the examination, on a test basis or other method of selection, of evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements for the financial year, prepared in accordance with IFRS as adopted in the European Union, provide a true and fair view of the consolidated financial position, assets and liabilities and net profit of the entities included in the consolidation.

II - Justification of assessments

Paris and Courbevoie, 19 April 2017,
The Statutory Auditors

MAZARS

FIDUS

Pursuant to the provisions of Article L. 823-9 of the Commercial Code relative to the justification of our assessments, we bring to your attention the following matters:

- At each balance sheet date, the Company tests goodwill and assets with an indefinite useful life for impairment, and assesses whether there is an indication that long-term assets may have been impaired, in accordance with the methods described in Note 2.9 to the consolidated financial statements. We examined the manner of implementation of these impairment tests as well as the cash flow forecasts and assumptions used and we verified that Note 5.3 provides appropriate information.
- Note 2.12 to the consolidated financial statements specifies the terms and conditions of the recognition and valuation of deferred tax assets. Our work consisted of appraising the consistency of the assumptions underlying the prospects for the recovery of such assets, of verifying the translation of these assumptions into figures and of reviewing on this basis the reasonableness of the estimates used.

These assessments were made within the framework of our audit, which focuses on the consolidated financial statements as a whole, and accordingly contributed to the issue of our opinion in the first part of this report.

III - Specific verification

We have also performed, in accordance with accepted professional standards in France, the specific verification required by law regarding the information provided in the Group's Management Report.

We have no comments to make concerning the fairness of this information and its consistency with the consolidated financial statements.

GAEL LAMANT

ERIC LEBEGUE

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1. PARENT COMPANY FINANCIAL STATEMENTS

BALANCE SHEET AT 31 DECEMBER 2016 – RADIALL S.A.

Assets (€ thousands)	31 December 2016			31 December 2015
	Gross	Amort., Depr. &	Net	
Fixed assets				
Intangible assets	10,467	6,003	4,464	3,661
Research and development costs	344	344	0	0
Patents & licences	715	598	117	98
Software	8,531	4,991	3,540	1,046
Business goodwill	132	70	62	62
Intangible assets in progress	745		745	2,455
Property, plant and equipment	90,664	66,239	24,425	25,256
Land	432		432	432
Buildings	18,405	12,858	5,547	5,597
Plant and machinery	60,755	49,017	11,738	10,907
Other PPE	5,518	4,364	1,154	1,119
Property, plant and equipment in progress	5,323		5,323	6,846
Advance payments	231		231	355
Financial investments	54,392	6,808	47,584	58,870
Participating interests	54,015	6,678	47,337	48,836
Other long-term securities	130	130	0	0
Other financial investments	247		247	10,034
Total fixed assets	155,523	79,050	76,473	87,787
Current assets				
Inventories and work in progress	35,129	4,057	31,072	27,528
Raw materials and supplies	25,242	3,470	21,772	18,933
Work in progress goods and services	2,248		2,248	2,749
Semi-finished and finished products	7,639	587	7,052	5,846
Trade receivables	42,209	48	42,161	29,184
Other current assets	19,907	584	19,323	15,201
Prepayments on orders	29		29	31
Other receivables	19,878	584	19,294	15,170
Cash and cash equivalents	62,167	0	62,167	47,978
Treasury shares	0		0	0
Marketable securities	9,851		9,851	39,036
Cash	52,316		52,316	8,942
Total current assets	159,412	4,689	154,723	119,891
Prepaid expenses	660		660	691
Bond issue expenses to be amortised	357		357	461
Foreign exchange differences	168		168	316
Total assets	316,120	83,739	232,381	209,146

BALANCE SHEET AT 31 DECEMBER 2016 – RADIALl S.A.

Equity and liabilities <i>(€ thousands)</i>	31 December 2016	31 December 2015
Equity		
Share capital	2,648	2,817
Share, merger and contribution premiums	5,629	21,897
Legal reserve	339	339
Statutory and contractual reserves	42,099	41,822
Retained earnings	72,787	46,504
Profit for the financial year	30,834	30,903
Regulated provisions	8,323	8,355
Total equity	162,659	152,637
Provisions		
for liabilities	629	1048
for charges	9,748	9,026
Total provisions	10,377	10,074
Liabilities		
Financial debt	13,731	8,749
Bank borrowings	5,572	5,538
Other financial debt	8,159	3,211
Trade payables	18,713	15,530
Other liabilities	26,457	21,802
Prepayments on orders	836	8
Tax and social security liabilities	20,791	20,134
Liabilities on fixed assets	1,277	667
Other liabilities	3,553	993
Total liabilities	58,901	46,081
Foreign exchange differences	444	354
Total equity and liabilities	232,381	209,146

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016 – RADIALl S.A.

(€ thousands)	2016	2015
Operating revenue		
Sales of goods	153,915	149,140
Sales of services	2,952	2,250
Total sales	156,867	151,390
Change in inventories (own work)	1,115	(649)
Own work capitalised	717	288
Operating grants	276	451
Provision reversals and charges transferred	3,066	4,815
Other revenue	17,553	14,782
Total operating revenue	179,594	171,077
Operating expenses		
Purchase of raw materials and other supplies	62,126	55,751
Change in inventory	(2,915)	(1,564)
Other purchases and external charges	40,544	40,091
Taxes and duties	3,748	3,643
Payroll costs	43,952	42,385
Social contributions	18,527	18,217
Charges:		
- fixed asset amortisation and depreciation	4,008	3,920
- amortisation of loan issue costs	105	88
- provisions for current assets	764	670
- provisions for liabilities and charges	1,752	355
Other expenses	247	294
Total operating expenses	172,858	163,850
Operating profit	6,736	7,227
Financial income		
Financial income	26,403	25,987
Positive foreign exchange differences	3,687	2,734
Total financial income	30,090	28,721
Financial expenses		
Financial expenses	2,368	1,026
Negative foreign exchange differences	3,296	4,107
Total financial expenses	5,664	5,133
Net financial income	24,426	23,588
Pre-tax profit	31,162	30,815
Non-recurring income	4,627	2,441
Non-recurring expenses	4,541	2,476
Net non-recurring income	86	(35)
Income tax charge (refund)	414	(123)
Net profit	30,834	30,903

CASH FLOW STATEMENT AT 31 DECEMBER 2016 – RADIALl S.A.

(€ thousands)	2016	2015
Net profit	30,834	30,903
Share of minority interests in net profit	0	0
Share of profit of equity-accounted subsidiaries	0	0
Amortisation and depreciation charges	4,008	3,920
Net change in provisions	1,860	(850)
Capital gains/losses on disposals	(108)	41
Provisions recognised as other operating income and expenses		
Interest expense	418	494
Income tax charge	1,648	1,654
Self-financing capacity	38,660	36,162
Change in inventories	(3,544)	(1,119)
Change in trade receivables	(12,977)	(1,096)
Change in trade payables	3,183	177
Change in other assets and liabilities	6,342	(3,919)
Change in working capital requirements	(6,996)	(5,957)
Interest paid	(419)	(505)
Tax paid	(2,746)	(381)
Cash flow from operating activities (A)	28,499	29,319
Acquisition of intangible assets	(1,344)	(2,147)
Acquisition of property, plant, and equipment	(4,858)	(6,339)
Acquisition of financial assets	(164)	(11,030)
Disposal of property, plant, and equipment	2,982	633
Disposal of financial assets	12	(142)
Net cash from acquisitions/disposals of subsidiaries	0	0
	0	0
Cash flow from investment activities (B)	(3,372)	(19,025)
Dividends paid to RADIALl SA shareholders	(4,342)	(4,527)
Purchase and sale of treasury shares	(6,630)	(7,800)
Proceeds from new borrowings		
Repayment of borrowings	(200)	(202)
Cash flow from financing activities (C)	(11,172)	(12,529)
Change in cash and cash equivalents (A+B+C+D)	13,955	(2,235)
Cash and cash equivalents at the beginning of the period	47,860	50,095
Cash reclassifications	0	0
Cash and cash equivalents at the end of the period	61,815	47,860

Notes to the parent company financial statements at 31 December 2016

Note 1 - Significant events

Radiall SA cancelled the treasury shares purchased as part of the buy-back programme during the 2016 financial year. Following this transaction, the share capital was decreased by €169,429,27 to €2,648,025.67. The difference between the repurchase value of the cancelled shares and their face value was charged to the available premiums, in a total amount of €16,268,314.87.

Note 2 - Accounting principles

Radiall's parent company financial statements have been prepared in accordance with the French Chart of Accounts approved by the Order of 8 September 2014.

2.1 Principles and methods of evaluation

The basic method used for assessing the information provided in the financial statements is the historical cost method. If applicable, fixed assets are recognised at their acquisition cost at the entry date.

2.2 Research and development costs

Research and study costs cannot be capitalised.

Development costs are recognised as fixed assets when the company can demonstrate:

- The intention, financial capacity and technical capacity to carry the development project through to its completion;
- That it is probable that the future economic benefits resulting from the development costs will flow to the company;
- That the cost of this asset can be reliably estimated.

Development costs are amortised in accordance with the quantities of products delivered, based on the initial contracts.

Other research and development costs are recorded as expenses in the financial year during which they were incurred.

2.3 Intangible assets

Intangible assets are amortised on a straight-line basis over a useful life of between 3 and 10 years.

2.4 Property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their useful lives:

- Buildings and fixtures: 10 to 20 years
- Machinery and equipment and tools: 3 to 20 years
- IT hardware: 3 years
- Other PPE: 3 to 15 years

The difference between the actual useful life and the probable useful life is recorded as accelerated depreciation.

Provisions for impairment of fixed assets are recorded as soon as there is any indication of loss of value. This test is performed at least once a year on assets with an indefinite life, a category that is limited to goodwill and trademarks within the Group.

Accelerated depreciation applies to several depreciation categories over the following terms:

- Licences, patents and software: 1 to 5 years
- Buildings fixtures: 10 years
- Machinery, equipment and tools: 3 to 7 years
- IT hardware: 3 to 5 years

2.5 Equity securities

Equity securities are valued at their acquisition cost. If this amount is greater than the value in use, a provision for writedown is established for the difference. Value in use is the share of equity that the securities represent. This figure is adjusted, if necessary, to take into account projected growth and profits.

2.6 Inventories and work in progress

Inventories are valued at the lower of their cost and their net realisable value. The cost of inventories is calculated using the weighted average cost method. It incorporates direct and indirect production charges on the basis of a normal level of business activity. Borrowing costs are not included in the cost of inventories. Inventory writedowns are most often recorded as a result of product obsolescence or reduced sales prospects.

2.7 Receivables and payables

Receivables and payables are recognised at nominal value and are revalued at the rate on the closing date. Receivables are amortised through provisions if there is a risk of non-collection. The Company has taken out credit insurance to limit its exposure to unpaid receivables.

2.8 Marketable securities, treasury shares and cash

The net cash position consists of treasury shares, marketable securities less provisions and cash, less overdrafts and short-term credit lines.

Net marketable securities and cash are valued at the lower of their purchase cost and market value.

Treasury shares held for cancellation or other various objectives are recorded in the balance sheet under "financial assets".

2.9 Provisions for liabilities and charges

2.9.1 Provisions for retirement benefits

Retirement benefits payable to French employees are valued based on an actuarial simulation. Commitments are valued using the projected unit credit method. According to this method, each period of service results in an additional unit of benefit rights and each of these units is valued separately in order to obtain the final obligation. This final obligation is then discounted.

These calculations mainly include:

- An assumption of the retirement date,
- A financial discount rate,
- Assumptions of increases in salaries and staff turnover,
- An inflation rate, which is incorporated into the discount rate and the salary revaluation rate;

These evaluations are made every year except if changes to the assumptions require more frequent estimations.

2.9.2 Other provisions for liabilities and charges

These provisions are used to cover liabilities and charges that are probable due to events that have occurred or are in process.

2.10 Financial instruments

The Group uses insurance policies or financial instruments to manage, reduce or limit its exposure to the risk of movements in exchange rates and interest rates. If necessary; losses and gains relating to these operations are recognised as financial transactions.

Note 3 - Other information

Post-balance sheet events

There were no post-balance sheet events.

Note 4 - Change in fixed assets

Intangible assets

(€ thousands)	31 Dec. 2015	Acquisitions	Transfers	Disposals	31 Dec. 2016
Research and development costs	344				344
Patents, licences, software	6,482	599	2,461	296	9,246
Business goodwill	132				132
Intangible assets in progress	2,455	745	(2,455)		745
Total	9,413	1,344	6	296	10,467

Property, plant and equipment

(€ thousands)	31 Dec. 2015	Acquisitions	Transfers	Disposals	31 déc. 2016
Land	432				432
Buildings	17,896	443	66		18,405
Plant and equipment	58,580	2,216	1,059	1,100	60,755
Other PPE	5,099	489	2	72	5,518
PPE under construction	6,846	2,024	(714)	2,833	5,323
Advance payments	355	295	(419)		231
Total	89,208	5,467	(6)	4,005	90,664

Note 5 - Change in amortisation and depreciation of fixed assets

Amortisation of intangible assets

(€ thousands)	31 Dec. 2015	Charges	Reversals	31 Dec. 2016
Research and development costs	344			344
Patents, licences, software	5,338	547	296	5,589
Business goodwill	70			70
Total	5,752	547	296	6,003

Depreciation of property, plant and equipment

(€ thousands)	31 Dec. 2015	Charges	Reversals	31 Dec. 2016
Buildings	12,299	590	31	12,858
Plant and equipment	47,673	2,415	1,071	49,017
Other PPE	3,980	456	72	4,364
Total	63,952	3,461	1,174	66,239

At 31 December 2016, a €347 thousand provision for impairment of property, plant and equipment was recorded in addition to depreciation charges.

Note 6 - Change in financial assets

(€ thousands)	31 Dec. 2015	Charges	Reversals	31 Dec. 2016
Participating interests	54,014	1		54,015
Other financial investments	10,034	6,793	16,450	377
Total gross	64,048	6,794	16,450	54,392

Transactions involving participating interests:

- Radiall purchased 9,607 shares in Aidall Technologies Private Ltd for €1 thousand as part of a joint-venture agreement signed between Aidin Technologies Private Ltd and Radiall SA in 2015. Following this transaction, Radiall held a 49% interest in this new entity, compared with a 51% interest held by Aidin Technologies Private Ltd.

Changes in other financial assets:

- Radiall SA bought back 34,000 treasury shares from Hodiall as part of the buy-back programme on 18 February 2016, thereby increasing the number of treasury shares to 111,138, or 6.01% of the share capital.

- Radiall SA subscribed to 32,500 bonds issued by E-Blink as part of the issue of a bond loan on 19 February 2016. The cost of this subscription was €130 thousand.

- On 19 October 2016, Radiall SA cancelled the 111,138 treasury shares purchased as part of the buy-back programme. Following this transaction, the share capital was decreased by €169,429,27 to €2,648,025.67. The difference between the repurchase value of the cancelled shares and their par value was charged to the available premiums for a total of €16,268,314.87.

Provisions for writedown of financial assets:

(€ thousands)	31 Dec. 2015	Charges	Reversals	31 Dec. 2016
Provision for writedown of participating interests	5,178	1,650	150	6,678
Provisions for writedown of other financial assets		130		130
Total	5,178	1,780	150	6,808

- Due to the court-ordered liquidation proceedings for E-Blink, which were opened via a decision dated 7 November 2016, a €1,780 thousand provision for impairment was recorded on the shares in this company held by Radiall during the 2016 financial year, as well as on the bonds subscribed during the 2016 financial year. This provision amounted to the entire value of these assets at 31.12.2016.

- The reversal of a provision of €78 thousand was recognised on Radiall Ventures securities following the improvement in the net worth of IDMM, a subsidiary wholly-owned by Radiall Ventures.

- The reversal of a provision amounting to €72 K on the shares in Radial India Private Ltd was recognised during the 2016 financial year.

Note 7 - Change in inventories

7.1 Inventories

(€ thousands)	31 Dec. 2015	31 Dec. 2016	Change
Raw materials and supplies	21,898	25,242	3,344
Work in progress goods and services	2,749	2,248	(501)
Semi-finished and finished products	6,452	7,639	1,187
Total gross values	31,099	35,129	4,030

7.2 Provision for inventory writedowns

(€ thousands)	31 Dec. 2015	Charges	Reversals	31 Dec. 2016
Provisions for raw materials and supplies	2,965	656	151	3,470
Provisions for finished products	606	90	109	587
Total provisions	3,571	746	260	4,057

Note 8 - Trade receivables

This item corresponds to the amount of trade receivables and bills received. Bills totalled €303 thousand. These are due in less than one year.

Note 9 - Detail of other receivables

(€ thousands)	31 December 2016			31 December 2015		
	< 1 year	> 1 year	Total	< 1 year	> 1 year	Total
Income tax	2,402	6,156	8,558	1,284	6,177	7,461
Other receivables from the State	6,382		6,382	3,538		3,538
Subsidiaries current accounts	4,639		4,639	4,381		4,381
Receivables on litigation in process	61		61	0		0
Receivables from suppliers	46		46	47		47
Sundry accruals	192		192	327		327
TOTAL	13,722	6,156	19,878	9,577	6,177	15,754

The income tax receivable of €8,558 thousand corresponds mainly to a research tax credit of €5,910 thousand which is expected to be refunded in 2017, 2018, 2019 and 2020, and a competitiveness and employment tax credit of €2,754 thousand, which is to be refunded in 2017, 2018, 2019 and 2020.

Other receivables from the State, amounting to €6,382 thousand, mainly include VAT receivables of €5,752 thousand, grants pending of €455 thousand and deductions at source of €174 thousand.

Note 10 - Inventory of marketable securities

No treasury share is classified as marketable securities.

Accrued interest not yet due at 31 December 2016 relates to certificates of deposits valued at €1 thousand. Unrealised capital gains of €260 thousand have been recorded on investment products.

(€ thousands)	
Certificates of deposit	: 9,091
Investment in short-term mutual funds	: 760
Provision for writedowns	: -
Total	: 9,851

Note 11 - Statement of changes in equity

(€ thousands)	31 Dec. 2015	Increase	Decrease	31 Dec. 2016
Share capital	2,817		169	2,648
Share premium	21,897		16,268	5,629
Legal reserve	339			339
Statutory or contractual reserves	41,822	277		42,099
Retained earnings	46,504	26,283		72,787
Profit for the year	30,903	30,834	30,903	30,834
Regulated provisions	8,355	1,614	1,646	8,323
Total equity	152,637	59,008	48,986	162,659

Dividends distributed by Radiall in 2016 totalled €4,620 thousand, including €278 thousand in dividends attributable to treasury shares and allocated to reserves.

- On 19 October 2016, Radiall SA cancelled 111,138 treasury shares purchased as part of the buy-back programme. The share capital was reduced by €169 thousand following this transaction.

The difference between the repurchase value of the cancelled shares and their par value was charged to the available premiums, for a total of €16,268 thousand.

At 31 December 2016, the Company's share capital totalled €2,648,025.67. It comprised 1,736,986 shares. Double voting rights are attached to registered shares that have been held for at least four years.

Note 12 - Shareholding structure

	31 Dec. 2016		31 Dec. 2015	
	% of shares	% of voting rights	% of shares	% of voting rights
- Société d'Investissement Radiall *	34.7	37.2	32.6	35.8
- Hodiall *	54.7	55.6	53.2	57.5
- Pierre Gattaz	2.8	3.0	2.7	2.9
- General public and others **	7.8	4.2	11.5	3.8

* Holding grouping together the Gattaz family's interests in RADIALL.

** Shares directly or indirectly held by staff represent less than 0.1% of the total.

Radiall is fully consolidated by Hodiall.

Note 13 - Provisions for liabilities and charges

13.1 Change in provisions

(€ thousands)	31 Dec. 2015	Increases	Used reversals	Unused reversals	31 Dec. 2016
Exchange rate risks	316	167	316		167
Technical and commercial risks	325		154	171	0
Miscellaneous risks	407	220	64	101	462
Total provisions for liabilities	1,048	387	534	272	629
Provisions for restructuring	0				0
Retirement benefits *	9,026	1,532	810	0	9,748
Total provisions for liabilities	9,026	1,532	810	0	9,748

(*) Including the impact of the ANC recommendation n° 2013-02

13.2 Retirement benefits

ASSUMPTIONS	2016	2015
Retirement age:		
- Born before 1951	60	60
- Born between 1951 and 1956	63	63
- Born after 1956	65	65
Rate of salary increase:	2.74%	2.74%
Discount rate:	1.31%	2.03%
Turnover:		
- 16 to 39 years old	6.17%	6.17%
- 40 to 49 years old	2.48%	2.48%
- 50 to 54 years old	0.61%	0.61%
- 55 to 65 years old	0.00%	0.00%
Employer contribution rate:		
- executives	49.50%	47.13%
- other	44.10%	45.74%
Mortality table:		
Male	TH00-02	TH00-02
Female	TF00-02	TF00-02

Note 14 - Debt maturity schedule

(€ thousands)	31 Dec. 2016				31 Dec. 2015			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Convertible bonds				0				0
Bank borrowings	572	5,000		5,572	338	5,200		5,538
Other financial debt	73	654	23	750	88	550	112	750
Intra-group current accounts	7,409			7,409	2,461			2,461
Bills of exchange payable	1,740			1,740	1,624			1,624
Trade payables	18,250			18,250	14,573			14,573
Advance payments	836			836	8			8
Tax and social security liabilities	20,791			20,791	20,134			20,134
Other	2,397	1,156		3,553	194	799		993
Total	52,068	6,810	23	58,901	39,420	6,549	112	46,081

During the 2016 financial year, a fourth instalment of €200 thousand was repaid on the €1,000 thousand credit facility contracted in 2011 to finance the acquisition of the Radiall INDIA securities from minority shareholders.

At 31 December 2016, the outstanding balance of loans contracted by Radiall with financial institutions totalled €5,200 thousand. Miscellaneous financial debt consists of €750 thousand in repayable advances, which were granted by BPI (banque pour l'investissement), and relate to various research projects.

The other liabilities maturing in over one year include €545 thousand in prepaid income attached to sales and subsidies amounting to €355 thousand.

Note 15 – Statement of accrued income and deferred charges

15.1 Accrued income

<i>(€ thousands)</i>	31 Dec. 2016	31 Dec. 2015
Accrued interest receivable	1	20
Trade receivables - unissued invoices	7,382	2,008
Trade payables - accrued credit notes	26	32
Accrued royalties receivable	154	97
Withholding tax	174	243
Miscellaneous accrued income	75	16
Total accrued income	7,812	2,416

15.2 Deferred charges

<i>(€ thousands)</i>	31 Dec. 2016	31 Dec. 2015
Accrued interest payable	18	78
Trade receivables - unissued credit notes	2,303	103
Trade payables - accrued invoices	2,446	2,870
Accrued royalties payable	15	11
Accrued social contributions and taxes payable	17,479	16,283
Miscellaneous deferred charges	68	65
Total deferred charges	22,329	19,410

Note 16 – Information on related parties

(€ thousands)	31 Dec. 2016	31 Dec. 2015
Participating interests (gross)	52,365	52,364
Trade receivables	24,447	17,562
Other receivables and current accounts in debit	4,639	4,381
Sundry financial liabilities (current accounts in credit)	(7,409)	(2,461)
Trade payables	(4,261)	(2,502)
Other receivables	-	5
Other liabilities	(2,143)	(97)
Financial expenses	20	12
Financial income	25,731	25,219

Related-party transactions concern all Group subsidiaries (see the Table of subsidiaries and participating interests) and cash flows with HODIAL S.A.).

Note 17 - Off-balance sheet commitments

Hedge instruments implemented

The Company has set up the following transactions as part of its exchange rate risk hedging policy:

	Nominal (currency thousands)	Fair value - Cash Flow Hedge (€ thousands)	Fair value - Trading (€ thousands)
Futures (USD put option)	12,000	(559)	(39)
Options (zero-premium collar) (USD put option)	24,000		(1,460)
Knock-out barrier instruments (USD put option)	34,400		(803)
Total	70,400	(559)	(2,302)

As part of its operations, Radiall is exposed to a wide spectrum of financial risks. The main risks are foreign exchange exposure, credit risk and to a lesser extent, interest rate risk. Foreign exchange risks and interest rate risks are centrally managed by the Group.

The liquidity position of all entities is monitored regularly on a monthly basis.

Short and long-term financing activities are managed at head office and are subject to prior agreement from both the Executive Board and the Supervisory Board.

In order to manage and reduce its exposure to changes in interest and foreign exchange rates, Radiall uses various derivative instruments. All these instruments are used for hedging purposes and any that may be deemed of a speculative nature are prohibited.

All the Group's financial transactions are only contracted with partners with a first-class rating from a specialised agency.

As part of its policy of hedging against interest rate risk exposure, Radiall has implemented the following transactions:

(€ thousands)	Maturity	Fixed rate	Nominal	Market value
Interest rate swap Variable/ Fixed (on lease contract)	Sept. 22	3.25%	1,203	(127)

Lease commitments

(€ thousands)	< 1 year	1 to 5 years	> 5 years	31 Dec. 2016
Property leases (Voreppe)	213	869	222	1,304
Equipment leases	311	750	0	1,061

In 2010, RADIALL built a new building at the Voreppe site. The property was sold for €2,354 thousand under a sale and leaseback contract in December 2010. Lease payments of €211 thousand were paid during 2016.

In July 2012, Radiall signed an equipment lease contract valued at €625 thousand over a period of 84 months. This relates to the leasing of production equipment at the Voreppe site. Lease payments of €100 thousand were paid during 2016.

In January 2015, Radiall signed an equipment lease contract valued at €196 thousand over a period of 60 months. This relates to the leasing of production equipment at the Voreppe site. Lease payments of €40 thousand were paid during 2016.

In July 2015, Radiall signed an equipment lease contract valued at €848 thousand over a period of 60 months. This relates to the leasing of a metal finishing line at the Voreppe site. Lease payments of €171 thousand were paid during 2016.

Commitments relating to operating lease agreements

(€ thousands)	< 1 year	1 to 5 years	> 5 years	31 Dec. 2016
Property	681	1,200	0	1,881
Other PPE (motor vehicles)	186	296	0	482

Commitments relating to undrawn confirmed credit lines

At 31 December 2016, the Group was entitled, under a financing contract signed in July 2011 and amended by three addenda, to draw down €84 million, €15 million of which as revolving credit and €69 million primarily intended for specific merger and acquisition transactions.

Compliance with covenants at 31 December 2016:

Based on the Radiall Group's consolidated financial statements at 31 December 2016, the ratios in the Financing Agreement were complied with.

Commitment to pay an earn-out relating to the acquisition of the shares in Van System Srl (Italy):

On 29 July 2015, Radiall acquired 100% of the share capital and voting rights in Van-System srl (Italy) and Van-System Swiss SA. The Van-System Group designs and manufactures electrical connectors for professional applications. The acquisition price was determined by taking into account the fair value of the consideration transferred at 31 December 2015 (€3,780 thousand) and the fair value of commitments given in relation to the payment of an earnout to be paid during the 2018 financial year. The determination of the amount of this earnout depends in particular on Van-System Srl and Van-System Swiss SA performance conditions until the financial year ending 31 December 2017. The amount of this commitment was estimated at €937 thousand at 31 December 2016.

Commitment relating to the put option on the Baranzate building

The shareholders of the two Van-System companies acquired by Radiall, who are also the sole shareholders in the property company Malucemi, which owns Van-System's industrial site in Baranzate, hold, according to the terms and conditions of the acquisitions of both companies by Radiall, a put option on Malucemi in relation to Radiall, initially exercisable at the end of January 2017 and extended to the end of July 2017. The exercise of the option remaining uncertain at 31 December 2016, and the sales price being close to market conditions, this option is considered as an off-balance sheet commitment.

Note 18 - Sales

(€ thousands)	2016	2015
France	34,346	30,546
- With related companies	595	654
- Other	33,751	29,892
International	122,521	120,844
- With related companies	73,209	76,522
- Other	49,312	44,322
Total	156,867	151,390

Note 19 - Payroll costs, headcount and employee profit-sharing

Average headcount changed as shown below:

	2016	2015
Employees/workers	443	468
Technicians/supervisors	330	318
Managers and senior executives	294	275
Total	1,067	1,061

Note 20 - Corporate officers' remuneration

(€) FY 2016	Gross remuneration (1) (2)	Attendance or directors' fees (2)
Total	556,970	164,658

(1) Over the term of office, including benefits in kind.

(2) Paid by RADIALL.

Note 21 - Net financial income

Financial income for the year 2016 mainly comprises dividends collected from subsidiaries totalling €25,605 thousand. It also includes a €78 thousand reversal of a provision on the Radiall Ventures equity securities and a €72 thousand reversal of a provision on the Radiall India equity securities.

Financial expense includes a €1,650 thousand addition to provisions on the equity securities in E-Blink, as well as a €130 thousand provision for impairment of the E-Blink bonds.

The foreign exchange gain was €391 thousand for the 2016 financial year.

Note 22 - Non-recurring income and expenses

(€ thousands)	31 Dec. 2016	31 Dec. 2015
Exceptional income on management transactions		6
Proceeds from the sale of fixed assets	2,981	632
Reversals of risk provisions		
Reversals of accelerated depreciation	1,646	1,803
Total non-recurring income	4,627	2,441
Non-recurring expenses for management operations	54	10
Net book value of fixed assets sold	2,873	673
Accelerated depreciation charges	1,614	1,793
Total non-recurring expenses	4,541	2,476

Note 23 - Income tax

This year, the Company recorded a research tax credit of €1,234 thousand. In addition, the Company benefited from a competitiveness tax credit of €1,296 thousand recognised under personnel costs.

Breakdown of income tax

(€ thousands)	Before tax	After tax
Profit from ordinary activities	31,162	30,777
Net non-recurring income	86	57
Income tax	(414)	
Profit for the year	30,834	30,834

In December 2007, Radiall opted for the tax consolidation in France of the Group, including Radiall (consolidating parent company). At year end, the following French subsidiaries were included in the tax consolidation: IDMM, Radiall Systems, and Radiall Ventures.

The provisions of the tax consolidation agreement between the parties provides for the subsidiaries to share the tax among them as if they had been taxed separately and there had been no consolidation. At 31 December 2016, the Group consolidated by Radiall had cumulative tax losses of €9,066 thousand, which can be carried forward indefinitely.

At 31 December 2016 Radiall no longer had any tax losses accumulated prior to the tax consolidation.

At 31 December 2016, Radiall had a taxable net profit of €7,052 thousand before tax consolidation.

Note 24 - ELEMENTS LIABLE TO INCREASE OR REDUCE FUTURE TAX LIABILITIES

(€ thousands)	31 Dec. 2015	Charges	Reversals	31 Dec. 2016
Regulated provisions and expenses to be added back at a later stage				
Accelerated depreciation and amortisation	8,355	1,614	1,646	8,323
Investment grants				
Future tax base	8,355	1,614	1,646	8,323
Future taxation				
(based on a tax rate of 33.33%)	2,785			2,774
Non-tax deductible expenses in the year				
Provisions and charges temporarily not deducted	9,342	1,699	1,126	9,915
Organic contribution	225	277	225	277
Employee profit-sharing				
Base for taxes paid in advance	9,567	1,976	1,351	10,192
Future tax savings				
(based on a tax rate of 33.33%)	(3,189)			(3,397)

Accumulated tax losses of €9,066 thousand represent a future tax saving of €3,022 thousand.

Note 25 - Research and development

No research and development costs were capitalised in 2016.

2. TABLE OF SUBSIDIARIES AND PARTICIPATING INTERESTS AT 31 DECEMBER 2016

	Share capital (1)	Additional paid-in capital	% interest	Book value of securities		2016 net sales	2016 net profit / (loss) (1)	Dividends paid to Radiall S.A.
				Gross	Net			
France								
Radiall Ventures (Aubervilliers (93))	1,000	279	100.00	10,462	7,857	-	(28)	-
Raydiall (Voinon (38))	8,000	42	50.00	4,000	4,000	17,159	787	-
Radiall Systems (Aubervilliers (93))	37	(516)	100.00	3	-	-	(8)	-
INTERNATIONAL								
Radiall GmbH (Germany)	486	430	100.00	228	228	11,899	76	432
Radiall Srl (Italy)	257	628	100.00	596	596	742	45	-
Radiall BV (Netherlands)	16	300	100.00	11	11	2,140	378	300
Radiall AB (Sweden)	31	167	100.00	47	47	634	48	-
Van System (Italy)	50	1,571	100.00	3,691	3,691	7,910	411	-
Van System Swiss (Switzerland)	93	136	100.00	274	274	1,471	114	-
Radiall America (US)	14,705	12,813	100.00	13,526	13,526	-	16,788	16,914
Radiall Asia (Hong Kong)	37	854	55.00	18	18	4,162	1,183	928
Radiall do Brasil (Brazil)	186	(240)	99.85	754	-	-	(13)	-
Radiall Ltd. (UK)	260	124	100.00	2,128	462	797	52	-
Radiall India Private Ltd. (India)	330	2,987	100.00	3,350	3,350	5,573	310	-
Aidiall Technologies Private (India)	3	-	49.00	1	1	-	-	-
Nihon Radiall KK (Japan)	361	239	100.00	397	397	4,359	102	297
Shanghai Radiall (China)	11,442	13,852	95.95	12,878	12,878	53,150	8,378	5,807
Radiall Int. Ltd. (Hong Kong)	1	2,568	100.00	1	1	18,305	555	927

For foreign subsidiaries, amounts in local currencies have been converted at the closing rate for the relevant items in the balance sheet (capital and reserves) and at the average rate for items in the income statement

Main currencies used

	Closing rate (€)	Average (€)
US Dollar	1.054	1.102
Hong Kong Dollar	8.175	8.554
Pound Sterling	0.856	0.820
Swedish Krona	9.553	9.478
Indian Rupee	71.594	74.142
Japanese Yen	123.400	120.255
Chinese Yuan	7.320	7.338
Brazilian Real	3.431	3.822

3. COMPANY FINANCIAL PERFORMANCE OVER THE PAST FIVE FINANCIAL YEARS

(€)	2012	2013	2014	2015	2016
Financial position at year-end					
a. Share capital	2,817,455	2,817,455	2,817,455	2,817,455	2,648,025
b. Number of shares issued	1,848,124	1,848,124	1,848,124	1,848,124	1,736,986
Comprehensive income from actual transactions					
a. Net sales	132,990,433	136,953,545	151,876,123	151,390,113	156,867,190
b. Earnings before tax, profit sharing and amort., depr. and prov. charges	19,346,227	17,307,570	26,243,835	33,657,651	37,656,341
c. Income tax	(289,222)	(891,830)	(471,322)	(122,963)	413,602
d. Earnings after tax, before profit sharing and amort., depr and prov. charges	19,635,449	18,199,400	26,715,157	33,780,614	37,242,739
e. Net profit	14,460,308	14,917,615	21,270,042	30,902,761	30,834,331
f. Dividends	2,125,343	2,772,186	4,620,310	4,620,310	4,342,465 *
Earnings per share					
a. Earnings per share after tax, before amort., depr. and prov. charges	10.62	9.85	14.46	18.28	21.44
b. Net earnings per share	7.82	8.07	11.51	16.72	17.75
c. Dividend paid per share	1.15	1.50	2.50	2.50	2.50 *
Workforce					
a. Employees (average headcount)	974	987	1,033	1,061	1,067
b. Total payroll costs	31,418,877	33,352,349	36,094,572	38,270,939	39,343,516
c. Employee benefits	14,210,402	15,400,205	17,574,881	18,216,857	18,527,325

* Subject to approval at the Ordinary General Meeting held to approve the financial statements for the year ended 2016 and not subject to approval of the exceptional dividend at the Ordinary General Meeting.

4. STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

Financial year ended 31 December 2016

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting, we hereby present our report for the year ended 31 December 2016, on:

- our audit of the accompanying parent company financial statements of RADIALL,
- the justification of our assessments,
- the specific verifications and information required by law.

The annual financial statements have been prepared by the Executive Board. Our role is to express an opinion on these financial statements based on our audit.

I - Opinion on the parent company financial statements

We conducted our audit in accordance with accepted professional standards in France; these standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes the examination, on a test basis or by other means of selection, of evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, in light of French accounting principles and methods, the annual financial statements provide a true and fair view of the financial position, assets and liabilities and net profit of the company from the transactions for the financial year then ended.

II - Justification of assessments

Pursuant to the provisions of Article L. 823-9 of the Commercial Code relative to the justification of our

assessments, we bring to your attention the following matters:

We reviewed the methods used to assess participating interests, as described in Notes 2.5 to the parent company financial statements. Our work consisted in assessing the fairness of the data and assumptions on which these items are based and in reviewing the calculations made by the Company.

These assessments were made within the framework of our audit, which focuses on the annual financial statements as a whole, and accordingly contributed to the issue of our opinion issued in the first part of this report.

III - Specific verifications and information

We have also performed the specific verifications required by law, in accordance with professional standards applicable in France.

We have no comments to make concerning the fairness and consistency of the annual financial statements with the information provided in the Management Report of the Executive Board and in the documents sent to the shareholders concerning the financial position and the annual financial statements.

Concerning the information provided in accordance with the provisions of Article L. 225-102-1 of the Commercial Code on remuneration and benefits paid to the corporate officers as well as commitments made in their favour, we have verified their consistency with the financial statements or with the data used in the preparation of these financial statements and, where appropriate, with data collected by your company from its parent company(ies) or subsidiaries. On the basis of this work, we confirm the accuracy and the fairness of this information.

Paris and Courbevoie, 19 April 2017,

The Statutory Auditors

MAZARS

FIDUS

GAEL LAMANT

ERIC LEBEGUE

5. STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

General Meeting to approve the financial statements for the year ended 31 December 2016

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby submit our report on regulated agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the characteristics and essential procedures as well as the reasons proving the interest for the Company of the agreements and commitments of which we have been informed or that we may have discovered during our assignment, without expressing an opinion on their usefulness or merits or looking for the existence of other agreements or commitments. Under the terms of Article R. 225-58 of the Commercial Code, it is your duty to assess the benefits resulting from these agreements and commitments prior to their approval.

Furthermore, it is our duty, where applicable, to inform you of the information required under Article R. 225-58 of the Commercial Code relative to the performance, during the financial year just ended, of the agreements and commitments already approved by the General Meeting.

We have performed those procedures that we considered necessary in accordance with the professional guidelines issued by the Compagnie Nationale des Commissaires aux Comptes relating to this assignment. These guidelines require us to verify the consistency of the information provided to us with the source documents.

A/ AGREEMENTS AND COMMITMENTS SUBJECT TO THE APPROVAL OF THE GENERAL MEETING

Pursuant to Article L. 225-88 of the Commercial Code, we have been advised that the following agreements and commitments have received the prior authorisation of your Supervisory Board.

• Amendment n°22 to the support and advisory agreement with Hodiall, a Radiall shareholder

Individuals concerned: Pierre Gattaz (Chairman of the Executive Board of Radiall SA and Chairman of the Executive Board of Hodiall), Guy de Royer (Member of the Executive Board of Radiall SA and Member of the Executive Board of Hodiall), Yvon Gattaz (Chairman of the Supervisory Board of Radiall SA and Chairman of the Supervisory Board of Hodiall), Bruno Gattaz (Vice-Chairman of the Supervisory Board of Radiall SA and Vice-Chairman of the Supervisory Board of Hodiall), Roselyne Gattaz (Member of the Supervisory Board of Radiall SA and Member of the Supervisory Board of Hodiall).

Nature and purpose

Hodiall provides its assistance and advice to your Company in the performance of the following: Group strategy, financial and tax services, financial management and communication, corporate management, legal support, legal secretarial duties, administrative services and management of insurance policies.

Terms and conditions

On 7 December 2016, your Supervisory Board gave its prior authorisation to the signing of this new amendment 22 relating to the remuneration paid to HODIALL up to a maximum of €2 million for 2017. The above-mentioned amendment was signed on 10 January 2017.

Reasons your Company entered into this commitment

The Supervisory Board considers that the signing of this amendment is motivated by the experience and expertise of HODIALL's salaried providers, who are very well acquainted with RADIALL.

B/ AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED BY THE GENERAL MEETING

In application of Article R. 225-57 of the Commercial Code, we were notified that the performance of the following agreements and commitments, already approved by the General Meeting during previous financial years, remained in effect during the financial year just ended.

• Amendment n°21 to the support and advisory agreement with Hodiall

Individuals concerned: Pierre Gattaz (Chairman of the Executive Board of Radiall SA and Chairman of the Executive Board of Hodiall), Guy de Royer (Member of the Executive Board of Radiall SA and Member of the Executive Board of Hodiall), Yvon Gattaz (Chairman of the Supervisory Board of Radiall SA and Chairman of the Supervisory Board of Hodiall), Bruno Gattaz (Vice-Chairman of the Supervisory Board of Radiall SA and Vice-Chairman of the Supervisory Board of Hodiall), Roselyne Gattaz (Member of the Supervisory Board of Radiall SA and Member of the Supervisory Board of Hodiall).

Nature and purpose

Hodiall provides its assistance and advice to your Company in the performance of the following: Group strategy, financial and tax services, financial management and communication, corporate management, legal support, legal secretarial duties, administrative services and management of insurance policies.

Terms and conditions

On 3 December 2015, your Supervisory Board gave its prior authorisation to the signing of this new amendment 21 relating to the remuneration paid to HODIALL up to a maximum of €2 million for 2016. The amount of services invoiced by HODIALL to your Company in 2016 was €1.9 million before tax. The above-mentioned amendment was signed on 6 January 2016.

Paris and Courbevoie, 19 April 2017,

The Statutory Auditors

MAZARS

Gael Lamant

FIDUS

Eric Lebegue

IV - GENERAL MEETINGS AND MANAGEMENT BODIES

1. GENERAL MEETING

I – RESOLUTIONS SUBJECT TO THE APPROVAL OF THE ORDINARY GENERAL MEETING

FIRST RESOLUTION

(Approval of the parent company financial statements for the year ended 31 December 2016)

The General Meeting, acting under the quorum and majority conditions required for ordinary general meetings, having heard the Executive Board's management report and the Statutory Auditors' general report, approves the parent company financial statements for the year ended 31 December 2016, as they have been prepared and presented, and the transactions recorded therein and summarised in these reports which show a net profit after tax of €30,834,330.72.

SECOND RESOLUTION

(Approval of the consolidated financial statements for the year ended 31 December 2016)

The General Meeting, acting under the quorum and majority conditions required for ordinary general meetings, having heard the Executive Board's Group management report, the Chairman of the Supervisory Board's report and the Statutory Auditors' report, approves the consolidated financial statements for the year ended 31 December 2016, as they have been prepared and presented, and the transactions recorded therein and summarised in these reports.

THIRD RESOLUTION

(Allocation of profit and setting of the ordinary dividend at €2.50 per share)

The General Meeting, acting under the quorum and majority conditions required for ordinary general meetings, notes that the net profit for the 2016 financial year totalled €30,834,330.72 and that, taking into account retained earnings of €72,787,148.34, distributable profits to be allocated are €103,621,479.06.

Consequently, in approving the Executive Board's proposal, the General Meeting decides to allocate distributable profits for the 2016 financial year as follows:

- Ordinary dividend of €2.50 per share: €4,342,465.00⁵
- Allocation to retained earnings: €26,491,865.72

The retained earnings after distribution will be €99,279,014.06.

The General Meeting consequently decides to pay a gross ordinary dividend of €2.50 (two euros and fifty cents) per share, a total of €4,342,465 (four million three hundred and forty-two thousand four hundred and sixty-five euros), the number of existing shares being 1,736,986 (one million seven hundred and thirty-six thousand nine hundred and eighty-six).

The ex-dividend date will be 24 May 2017 and the ordinary

dividend will be payable from 26 May 2017.

It should be noted that, as the shares held by the Company are non-dividend bearing, the sum corresponding to the unpaid dividend on these treasury shares will be allocated to the General Reserve account at the time of payment.

It is also noted that:

- In respect of personal income tax, the dividend will be eligible, for beneficiaries satisfying the required conditions, for the tax relief provided for in Article 158-3. 2° of the General Tax Code,
- The dividend, when paid to individuals who are resident in France for tax purposes and whose shares or company interests are not registered in a PEA (French personal equity plan), will be subject to deduction at source in respect of social security contributions,
- The same beneficiaries will be subject to the 21% withholding tax without discharging effect on income tax.

The General Meeting notes that dividends paid in respect of the last three financial years were as follows:

<i>FY</i>	<i>Number of shares</i>	<i>Net dividend (€)</i>
2013	1,848,124	1.50
2014	1,848,124	2.50
2015	1,848,124	2.50

All the amounts stated in the table above are eligible for the 40% relief provided for in Article 158-3-2° of the General Tax Code.

FOURTH RESOLUTION

(Distribution of an exceptional dividend of €1.30)

The General Meeting, acting under the quorum and majority conditions required for ordinary general meetings, approves the distribution of an exceptional dividend of €1.30 in accordance with the Company Press Release dated 22 December 2016 in which the Company stated its intention to share with all its shareholders the satisfaction of seeing the culmination of the efforts made over almost seven years to secure its delisting from Euronext Paris. This distribution will take place on the date of choosing of the Executive Board, according to the effective date of the Company's delisting.

FIFTH RESOLUTION

(Approval of the agreements governed by Article L. 225-86 of the Commercial Code)

The General Meeting, acting under the quorum and majority conditions required for ordinary general meetings, ruling on the Statutory Auditors' special report on the agreements governed

⁵ Subject to allocation to the general reserve of dividends on shares that may be held by the Company at the time of payment.

by Articles L. 225-86 and subsequent of the Commercial Code, takes note of this report and approves the transactions and agreements presented in this report.

SIXTH RESOLUTION
(Determination of attendance fees paid to the Supervisory Board)

The General Meeting, acting under the quorum and majority conditions required for ordinary general meetings, decides to allocate to the members of the Supervisory Board, in remuneration of their duties, in the form of attendance fees, a total annual sum of forty thousand six hundred (40,600) euros for the year ended 31 December 2016, it being specified that the total sum is to be divided between its members by the Supervisory Board itself.

SEVENTH RESOLUTION
(Authorisation granted to the Executive Board to trade in the Company's shares as part of the implementation of a share buyback programme)

The General Meeting, acting under the quorum and majority conditions required for ordinary general meetings, having heard the Executive Board report and the items in the description of the programme drafted in accordance with Articles 241-1 and subsequent of the AMF's General Regulations, authorises the Executive Board, with the power to delegate in the conditions set out by law, in accordance with the provisions of Article L. 225-209 of the Commercial Code, with European Regulation n°2273/2003 of 22 December 2003, and the AMF's General Regulations, to trade in Radiall shares on the stock exchange or otherwise, as part of the implementation of a share buyback programme, for the purposes of:

- Using the shares bought back to facilitate or enable the purchase of a whole number of shares as part of reverse split share transactions in the Company,
- Cancelling all or part of the shares bought back under the conditions set out by law in order to reduce the share capital, in particular to optimise the financial management of the Company and the management of its assets and liabilities, as part of and subject to the adoption of the extraordinary eleventh resolution hereinafter presented,
- Honouring the obligations related to the issue of shares giving access to the share capital, to share purchase option plans, to the allocation of free shares to members of staff and corporate officers, to the allocation or sale of shares to employees as part of profit-sharing schemes, employee shareholding schemes or company savings schemes,
- Using the shares purchased in order to retain them and allocate them in payment or exchange or otherwise as part of any of Company's acquisition transactions,
- And, more generally, to carry out any transaction authorised either now or in the future by law or any market practice that may be approved by the AMF, it being specified that the Company would duly inform its shareholders through a notice.

The purchase, sale or transfer of these shares may be carried out by any means on stock markets, multilateral trading facilities or over-the-counter markets, including through the acquisition or sale of blocks of shares, under the conditions permitted by the law or applicable regulations. To this end, these means include the use of any derivative financial instrument and the use of put or call options.

The Company reserves the option to continue implementing the current share buyback programme during a public takeover bid or exchange offering involving its equity shares solely

within the framework of the provisions of Article 231-40 of the AMF's General Regulations.

The maximum price that the Company may pay as part of its share buyback programme is two hundred and forty euros (€240).

The maximum number of shares that may be bought under this authorisation may not exceed 10% of the total number of shares that comprise the share capital, in the knowledge that this amount will, where necessary, be adjusted to take into account transactions affecting the share capital subsequent to this General Meeting.

This authorisation is granted for a maximum period of eighteen (18) months from the date of this General Meeting, irrespective of the date of the Company's delisting. It cancels and replaces the unused portion of the authorisation granted by the Combined General Meeting of 12 May 2016.

In order to ensure the implementation of this authorisation, all necessary powers are vested in the Executive Board which may delegate the aforementioned powers, and specifically, to determine the appropriateness of launching a buyback programme and to determine the terms thereof, to place any order on the stock market, conclude any agreement, to allocate or reallocate the shares purchased to the various permitted purposes, to file any necessary documents, to perform all formalities, and in general do all that shall be useful and necessary.

EIGHTH RESOLUTION
(Advisory opinion on the items of compensation due or allocated in respect of the 2016 financial year to members of the Executive Board)

The General Meeting, acting under the quorum and majority conditions required for ordinary general meetings, having read the Executive Board's report stating the reasons for which the latter sought to consult it, issued a favourable opinion on the items of compensation due or allocated to members of the Executive Board, as included in the Management Report for the financial year ended on 31 December 2016.

NINTH RESOLUTION
(Appointment of Gabrielle Gauthey to the Supervisory Board)

The General Meeting acting under the quorum and majority conditions required for ordinary general meetings, having noted that the term of office of Didier Lombard is expiring today, decides to appoint Gabrielle Gauthey as member of the Supervisory Board, in application of the provisions of Article L. 225-75 of the Commercial Code and in accordance with Article 13 of the Articles of Association, for a period of six (6) years expiring at the end of the Ordinary General Meeting of shareholders called in 2023 to approve the financial statements for the financial year ending 31 December 2022.

Gabrielle Gauthey has declared that she accepts her appointment and that she is not subject to any measure likely to disqualify her from exercising this role.

TENTH RESOLUTION
(Remuneration policy for Supervisory Board members, Executive Board members and the Chief Executive Officer)

– Approval of the principles and criteria for the determination, distribution and allocation of the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind payable to Supervisory Board members, Executive Board members and the Chief Executive Officer in respect of the 2017 financial year)

The General Meeting, acting under the quorum and majority conditions required for ordinary general meetings, having read the report provided for in Article L.225-82-2 of the French Commercial Code, approves the principles and criteria principles and criteria for the determination, distribution and

allocation of the fixed, variable and exceptional elements comprising the total remuneration and benefits of any kind presented in the abovementioned report and payable to members of the Supervisory Board, members of the Executive Board and to the Chief Executive Officer as a result of their respective terms of office in relation to the 2017 financial year.

II – RESOLUTIONS SUBJECT TO THE APPROVAL OF THE EXTRAORDINARY GENERAL MEETING

ELEVENTH RESOLUTION

(Authorisation granted to the Executive Board to reduce the share capital by cancelling treasury shares, pursuant to the provisions of Articles L.225-204, L.225-207 and L. 225-209 and subsequent of the Commercial Code)

The General Meeting, acting under the quorum and majority conditions required for extraordinary general meetings, having heard the Executive Board's report and the Statutory Auditors' special report, in accordance with the provisions of Article L. 225-209 and subsequent of the Commercial Code and the provisions of Articles L. 225-204 and L. 225-207 of the same Code, authorises the Executive Board, with the option of delegating under the conditions set out by law:

- to cancel at any time, without any further formalities, on one or more occasions, shares in the Company acquired as a result of buybacks effected as part of any authorisation given by the General Meeting in application of Article L. 225- 209 of the Commercial Code,
- to cancel Company shares which may have been acquired previously as part of a buyback offer open to all shareholders, in accordance with Articles L. 225-204 and L. 225-207 of the French Commercial Code.
- to reduce the capital accordingly, by ascribing the difference between the buyback value of the cancelled shares and their par value to the premiums and reserves available,
- and to amend the Articles of Association accordingly and to perform all necessary formalities.

The maximum number of Company shares that may be eligible to be cancelled under this authorisation may not exceed 15%

of the shares making up the capital of the Company per twenty-four (24) month period, it being stipulated that this limit applies to a number of shares that will, where applicable, be adjusted to take into account transactions affecting the share capital subsequent to the date of this General Meeting.

This authorisation is granted for eighteen (18) months from the date of this General Meeting, and cancels and replaces, for any unused amounts, any prior authorisation with the same purpose.

TWELFTH RESOLUTION

(Statutory changes subsequent to the delisting of the Company)

The General Meeting, acting under the quorum and majority conditions required for extraordinary general meetings, decides, pursuant to Article 23 of the Articles of Association of the Company, to amend the Articles of Association to adapt to the new situation which will result from the delisting: the terms "or bearer" which appear in Article 10, the last three paragraphs of Article 11, as well as Paragraphs 6 and 7 of Article 21, will all therefore be removed from the new version of the Articles of Association which will come into force on the date the Company is delisted.

2. MANAGEMENT BODIES

Supervisory Board

Yvon Gattaz	Chairman of the Supervisory Board
Bruno Gattaz	Vice-Chairman of the Supervisory Board
Roselyne Gattaz	Member of the Supervisory Board
Didier Lombard	Member of the Supervisory Board
Marc Ventre	Member of the Supervisory Board
Alicia Gattaz	Member of the Supervisory Board
Mathieu Gattaz	Member of the Supervisory Board

Executive Board

Pierre Gattaz	Chairman of the Executive Board
Dominique Buttin	Chief Operating Officer and member of the Executive Board
Guy de Royer	Executive Vice-President – Chief Financial Officer and member of the Executive Board

Executive and Strategic Committee

Pierre Gattaz	Chairman of the Executive Board
Dominique Buttin	Chief Operating Officer and member of the Executive Board
Guy de Royer	Executive Vice-President – Chief Financial Officer and member of the Executive Board
Dominique Pellizzari	Executive Vice President – Sales & Business Development,
André Hartmann	Executive Vice President – Human Resources & Support Functions.

Principal Statutory Auditors

MAZARS

Exaltis - 61 rue Henri Regnault
92 075 La Défense Cedex

FIDUS

12, rue de Ponthieu
75008 Paris

Alternate Statutory Auditor:

David Chaudat

Jean-Michel Thierry

Financial communication:

Guy de Royer

Tel: +33 1 49 35 35 51
Guy.deroyer@radiall.com

3. INFORMATION ON CORPORATE OFFICERS

- [Yvon Gattaz](#)

Chairman of the Supervisory Board

- Date of first appointment: 17 December 1993.
- Current term of office expires: 2021.
- Also Chairman of the Supervisory Board of Hodiall and Manager of Société d'Investissement Radiall.

- [Bruno Gattaz](#)

Member of the Supervisory Board

- Date of first appointment: 17 December 1993.
- Current term of office expires: 2018.
- Also Vice-Chairman of the Supervisory Board of Hodiall.

- [Roselyne Gattaz](#)

Member of the Supervisory Board

- Date of first appointment: 16 May 2006.
- Current term of office expires: 2018.
- Also member of the Supervisory Board of Hodiall.

- [Alicia Gattaz](#)

Member of the Supervisory Board

- Date of first appointment: 20 May 2014.
- Current term of office expires: 2020.

- [Mathieu Gattaz](#)

Member of the Supervisory Board

- Date of first appointment: 20 May 2014.
- Current term of office expires: 2020.

- [Marc Ventre](#)

Member of the Supervisory Board

- Date of first appointment: 7 December 2010.
- Current term of office expires: 2021.
- Also Chairman of the Board of Directors of Airbus Safran Launchers, Director of ORTEC Expansion
- Chairman of GIM, Director of Fives Inc, USA.

- [Didier Lombard](#)

Member of the Supervisory Board

- Date of first appointment: 20 May 2003.
- Current term of office expires: 2017.
- Also Chairman of the Board of Directors of Technicolor and Vice-Chairman of the Supervisory Board of STMicroelectronics since June 2014.

- [Pierre Gattaz](#)

Chairman of the Executive Board

- Date of first appointment: 4 January 1994.
- Current term of office expires: 2018.
- Also, in France, Chairman of the Executive Board of Hodiall and member of the Board of Directors of Raydiall, and Manager of Société d'Investissement Radiall.
- In Asia, Director of Radiall India Private Limited.

- [Dominique Buttin](#)

Chief Operating Officer and member of the Executive Board

- Date of first appointment: 12 December 2012
- Current term of office expires: 2019
- In France, also Chairman of IDMM.
- In Europe, also Chairman of Van System Srl and Director of Radiall Aktiebolag.
- In Asia, Director of Radiall Electronics Asia Ltd., Shanghai Radiall Electronics Co. Ltd. and Radiall India Private Limited.
- In the Americas, Chairman of the Board of Directors of Radiall USA Inc. and Chairman of Radiall America Inc.

- [Guy de Royer](#)

Member of the Executive Board

- Date of first appointment: 17 November 2009.
- Current term of office expires: 2018.
- In France, also Member of the Executive Board of Hodiall, Chairman of Radiall Systems and Radiall Ventures and member of the Board of Directors of Raydiall.
- In Europe, also Director of Radiall Aktiebolag, Radiall Elettronica SRL, Van System Srl and Radiall Ltd, and Manager of Radiall GmbH.
- In Asia, Director of Radiall India Private Limited, Nihon Radiall KK, Radiall Electronics Asia Ltd., Radiall International Ltd and Shanghai Radiall Electronics Co. Ltd.
- In the Americas, Chairman of the Board of Directors of Radiall America Inc. and Chief Financial Officer and Corporate Secretary of Radiall USA Inc.

➤ Summary table of gross remuneration (including benefits in kind) and options and shares allocated to each corporate officer

	FY 2016	FY 2015
Pierre Gattaz (Chairman of the Executive Board)		
Remuneration paid in respect of the financial year	504,895	498,539
Value of options granted during the financial year	No options allocated in 2016	No options allocated in 2015
Value of performance shares granted during the financial year	No performance shares allocated in 2016	No performance shares allocated in 2015
TOTAL	504,895	498,539
Dominique Buttin (Member of the Executive Board)		
Remuneration paid in respect of the financial year *	335,910	391,893
Value of options granted during the financial year	No options allocated in 2016	No options allocated in 2015
Value of performance shares granted during the financial year	No performance shares allocated in 2016	No performance shares allocated in 2015
TOTAL	335,910	391,893
Guy de Royer (Member of the Executive Board)		
Remuneration paid in respect of the financial year*	271,075	299,676
Value of options granted during the financial year	No options allocated in 2016	No options allocated in 2015
Value of performance shares granted during the financial year	No performance shares allocated in 2016	No performance shares allocated in 2015
TOTAL	271,075	299,676

* bonuses included

Executive corporate officers 31 December 2016	Employment contracts		Supplementary pension scheme**		Compensation or benefits due or liable to be due as a result of termination or change of role		Compensation relating to a non-compete clause	
	yes	no	yes	no	yes	no	yes	no
Pierre GATTAZ Chairman of the Executive Board 20/04/2012 AGM 2015 financial statements		X*	X			X		X
Dominique BUTTIN Chief Executive Officer 18/07/2013 AGM 2015 financial statements	X		X			X		X
Guy de ROYER Chief Financial Officer 20/04/2012 AGM 2015 financial statements	X		X			X		X

* Pierre Gattaz's remuneration is exclusively in respect of his duties as corporate officer of Hodiall and Radiall.

** Supplementary pension according to Article 83 of the French General Income Tax Code.

➤ Breakdown of the gross remuneration (including benefits in kind) paid during 2015 and 2016 to corporate officers by Radiall, its subsidiaries or its controlling companies:

Summary table of each corporate officer's remuneration *

	FY 2015		FY 2016	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Pierre Gattaz Chairman of the Executive Board				
Fixed remuneration	328,660	328,660	334,267	334,267
Variable remuneration	165,684	164,935	168,169	165,684
Bonuses				
Director's fees				
Benefits in kind	4,944	4,944	4,944	4,944
TOTAL	499,288	498,539	507,380	504,895
Dominique Buttin Member of the Executive Board and Chief Executive Officer				
Fixed remuneration	227,392	227,392	231,808	231,808
Variable remuneration	82,068	143,306	99,696	82,166
Bonuses	19,020	18,774	19,308	19,020
Director's fees				
Benefits in kind	2,421	2,421	2,916	2,916
TOTAL	330,901	391,893	353,728	335,910
Guy de Royer Member of the Executive Board and Chief Financial Officer				
Fixed remuneration	189,713	189,713	195,650	195,650
Variable remuneration	53,968	88,861	62,388	54,077
Bonuses	19,020	18,774	19,308	19,020
Director's fees				
Benefits in kind	2,328	2,328	2,328	2,328
TOTAL	265,029	299,676	279,674	271,075

* For their term of office.

The variable part of the remuneration paid to the members of the Executive Board in March 2017 corresponded to the personalised targets relating to the collective and individual results achieved during the 2016 financial year (growth, profitability, operational excellence, etc.).

Attendance fees and other remuneration received by non-executive corporate officers

Non-executive corporate officers	Amounts paid during the financial year 2015	Amounts paid during the financial year 2016
Yvon Gattaz		
Attendance fees	5,400	5,500
Other remuneration *	122,916	124,758
Bruno Gattaz		
Attendance fees	5,400	5,500
Other remuneration		
Roselyne Gattaz		
Attendance fees	5,400	5,500
Other remuneration		
Alicia Gattaz		
Attendance fees	2,500	2,700
Other remuneration		
Mathieu Gattaz		
Attendance fees	2,500	2,700
Other remuneration		
Didier Lombard		
Attendance fees	8,900	9,000
Other remuneration		
Marc Ventre		
Attendance fees	8,900	9,000
Other remuneration		

* Compensation for the position of Chairman of the Supervisory Board of Radiall.

➤ **Table of financial delegations granted to the Executive Board by the General Meeting of 12 May 2016**

Date of AGM	Decision reference	Nature of the delegation	Maximum amount of the delegation	Duration of the delegation	Use of the delegation
Combined General Meeting of 21 May 2015	Resolution n°6	Authorisation granted to the Executive Board to purchase or sell Radiall shares, as part of the implementation of a share buyback programme.	10% of the total number of Radiall shares on the date of the transaction.	18 months	5 February 2016
Combined General Meeting of 12 May 2016	Resolution n°6	Authorisation granted to the Executive Board to purchase or sell Radiall shares, as part of the implementation of a share buyback programme.	10% of the total number of Radiall shares on the date of the transaction.	18 months	NIL
Combined General Meeting of 12 May 2016	Resolution n°8	Authorisation granted to the Executive Board to reduce the share capital through cancellation, on one or more occasions, of all or part of Radiall shares, and to carry out share capital reductions resulting from the cancellation transactions.	10% of the total number of Radiall shares on the date of the transaction, for a period of 24 months.	18 months	6 October 2016

4. EXECUTIVE BOARD SPECIAL REPORT ON SHARE WARRANTS

In accordance with the provisions of Article L. 225-184 of the Commercial Code providing for the allocation of share subscription options for the benefit of employees and executives, we inform you that, during the 2016 financial year, the Executive Board did not grant any share warrants.

5. EXECUTIVE BOARD SPECIAL REPORT ON SHARE TRANSACTIONS BY EXECUTIVES

In accordance with the provisions of Article L. 621-18-2 of the Monetary and Financial Code regarding corporate shares and Article 222-14 of the AMF Regulations, we inform you that, during the 2016 financial year, no share transactions were carried out by executives.

area offices
local contacts

Our most
important
connection
is with you.™

It's not just a slogan. It's a statement of our earnest desire to put you at the forefront of all our business practices. As part of Radiall's mission to be available and accessible, we make it a priority to have local offices around the globe ready and able to assist you – wherever you are, whenever you need us.

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