



*Our Most Important
Connection is with You.™*



2015 Financial Report

Radiall 



2015 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)



Radiall's growth levels off in 2015

Questions for Pierre Gattaz, Chairman of the Management Board, and Dominique Buttin, CEO.

Following a financial year of strong growth in 2014, how did Radiall perform in 2015?

Pierre Gattaz (P.G.): "It is true that 2014 was exceptional in terms of growth and profitability. It benefited from both the favourable development of several major aeronautical programmes and the strong growth of the Telecoms market in China. In 2015, the growth of our activity and results has levelled off. This is something we had anticipated given the near completion of certain aeronautical programmes and the general climate of a downturn in the connector market. Despite this less favourable context than in 2014, the Group's performance remained solid, thanks in particular to our robust business model and a more favourable currency effect than in 2014.

Three of our four market segments contributed to sales growth in 2015: the Civil Aeronautics segment, despite an unfavourable effect of some customers stockpiling, which was more than offset by a particularly positive currency effect, and the Industrial and Defence and Space segments, which both posted slight growth over the financial year. Following its record growth in 2014, the Telecoms business declined significantly over the year, given its volatility and an unfavourable base effect. Lastly, although it is not consolidated in our sales, we should highlight the remarkable growth of our subsidiary Raydiall in the automotive market.

International sales continued to grow thanks in particular to the favourable impact of the US dollar, and now represent more than 88% of sales, almost of half of which came from North America.

Our profitability has held up well, as evidenced by our margin from recurring operations which stood at 15.2% of sales, within a continuing climate of high R&D expenditure. Lastly, our balance sheet remains strong with an increase in equity and a net cash position of €61.7 million despite numerous investments, including mergers and acquisitions, and minority interest buyouts.

Although they did benefit from a favourable dollar/euro exchange rate, these results again demonstrate the quality and strength of our business model.

Finally, in 2015 we were particularly proud to receive the Airbus Group innovation award for developing a rapid assembly connector, and the Nokia Group quality award for delivering millions of connectors fault free, thanks to a highly innovative automation strategy."

Was 2015 a new phase in getting Radiall ready for a new growth cycle?

Dominique Buttin (D.B.): "Absolutely. This past year, we have made every effort to prepare the Group for its future successes. There have been numerous pre-sales, R&D and industrial projects (7.3% of sales), some of which will be realised as early as 2016. The development of ever more innovative solutions for our customers will therefore enable us to strengthen our positioning in our markets.

Lastly, the acquisition of Van-System in Italy provides Radiall Group with power connector expertise, opening doors into new industrial market segments, such as the rail industry."

And so, what do you expect to see in 2016 and beyond?

D.B.: "The highly uncertain economic environment and the structural volatility of some of our markets, such as Telecoms, lead us to be cautious. But we remain confident in our ability to grow more quickly than the connector market and to deliver strong results. Radiall is positioned in areas of societal need that are long-term growth drivers - such as transport, communications and security. Aircraft manufacturers have record order backlogs, the roll-out of 4G telephone networks is accelerating, with 5G on the horizon, and defence markets are starting to grow again. Nevertheless, within a very uncertain economic environment, Radiall's business could be adversely affected by unforeseen events.

Confident in our strategy, we mean to plan for the future by pursuing a sustained programme of investments intended to prepare for the development and innovation cycles of future years. We are also aware of the radical transformation of our companies as a result of the place taken by digital. Last June, we launched a major transformation project called Radiall 2025, whose aim is to mobilise our teams and transform the Group into an ever more agile organisation."

What are the Group's strengths to continue its development in 2016 and beyond?

P.G.: "To succeed in our next challenges, the continued commitment and the excellence of our teams for which we are deeply thankful, as well as the recognition of our performance by our customers, remain Radiall's greatest assets to be able to continue its development.

It is therefore with this ambition and by relying on our historical expertise, our innovation strategy based on both client proximity and operational excellence, our unique culture, humanistic values and the ongoing transformation of our Group based on our Radiall 2025 programme, that we are going to continue to ensure Radiall's long-term and profitable growth."



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 2016



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 3G (UMTS), 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

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 | Telecoms | Industrial and other |
|---|--|---|
| <ul style="list-style-type: none"> - Labinal (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) - Alcatel-Lucent (Europe, USA and 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 2015, the Group's top ten customers, all business segments included, accounted for 45.6% of revenue. The Company extended its credit insurance in 2015 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.

3. ORGANISATION CHART

2.3 Competitive position

| Company name | Country | Markets | 2015 sales * | Listing | Market cap 12/2015 |
|---|-------------|--------------------------|--------------|------------|--------------------|
| Main competitors | | | | | |
| Huber & Suhner | Switzerland | All | CHF 706.3 M | Zürich | CHF 902 M |
| Amphenol | USA | Aeronautics and military | USD 5,569 M | NYSE | USD 16,100 M |
| Rosenberger | Germany | Telecom and Industrial | Unavailable | Not listed | N/A |
| TE Connectivity (primarily AMP and Deutsch) | USA | All | USD 12,233 M | NYSE | USD 26,350 M |
| Souriau (Esterline) | France | Aeronautics and military | Unavailable | Not listed | N/A |

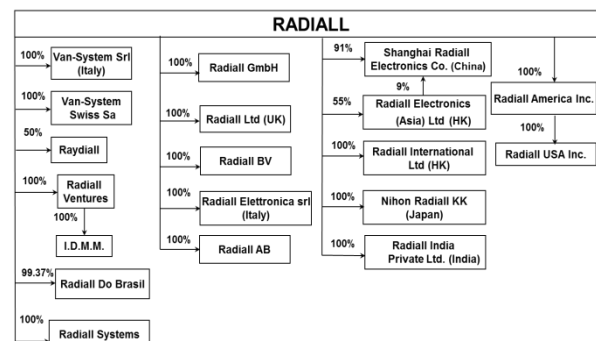
* Source: Company press release.

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.

3.1 Presentation of company subsidiaries

The diagram below shows the organisation chart of the Company's subsidiaries at 31 December 2015:



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 aeriels 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 2015, 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 Béridot, entered in the Grenoble Trade and Companies Register under number 537.387.193.
- 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 Dole (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.

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. was merged into Radiall USA Inc. on 1 June 2009.

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.

Japan (sales office)

- 100% of Nihon Radiall KK, a Japanese company with capital of JPY 44,500,000, with its head office located at Kohgetsu Building 4F, Room n° 405 – 1 – 5 – 2 Ebisu Shibuya-ku – 150-0013, Tokyo, Japan and registered under number 0110 – 0 – 046762.

4. PROPERTY, PLANT AND EQUIPMENT

| Address | Use | Surface area | Status | Comments | Group headcount 2015 including temporary staff and on-site service providers (average 2015) |
|---|-------------------------------------|---|---|--|---|
| 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 | 72 |
| 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. | | 409 |
| 641 rue Emile Romanet – 38340 Voreppe – France | Factory and storage | 1,340 m ² | Commercial lease dated 1 September 2009 for a term of 9 years. | | 406 |
| 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 | | 346 |
| 13 rue Henri Jeanrenaud 39100 Dole - 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. | | 162 |
| ZI Champfeuillet 30 rue Léon Béridot 38500 Voiron – France | Factory and sales office | 1,310 m ² | Lease agreement for a term of 30 years beginning on 25 July 2010 | Site of joint venture Raydiall | 58 |
| 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 | 18 |
| Via Borromini 20, 6850 Mendriosio - Switzerland | Factory | 580 m ² | Lease contract | Swiss site of Van- System Swiss SA, acquired on 9 July 2015 | 3 |
| 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. | | 167 |
| 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) | 429 |
| 90 and 104 John W. Murphy Drive, New Haven, Connecticut, USA | Factory | 7,233 acre site (approx. 29,271 m ²) and 65,066 square feet facilities (approx. 8,000 m ²) | Owned | | 126 |
| 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 | 708 |
| 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. | | 41 |

The Château-Renault, Isle d'Abeau (Saint Quentin Fallavier) and Voreppe sites report to Radiall, Dole 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 Baranzate site in Milan to Van-System srl.

The average number of temporary staff and on-site service providers for the year represented 1,121 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) | 2015 | 2014 | 2013 |
|---------------|--------|--------|--------|
| R&D costs * | 21,295 | 19,232 | 17,107 |
| % of sales | 7.3% | 6.9% | 7.4% |

* Amounts before research tax credit.

The consistently high research expenditure in 2015 reflects the Company's commitment to maintaining a high level of research and development, given R&D's strategic importance to innovation and, thus, the Group's competitive edge in the future. 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 2015, previously 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 2015, the Research Tax Credit provided to Radiall SA totalled €1,778 thousand and related to Radiall SA. In 2014, this amounted to €1,462 thousand.

5.2 Intellectual property

5.2.1 Patents

The Company owns 61 unregistered inventions and 138 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 24 March 2016, and chaired by Pierre Gattaz, approved the consolidated financial statements for the year 2015.

6.1 Key figures

| (€ thousands) | 2015 | 2014* | Change 2015 - 2014* |
|--|----------|----------|------------------------|
| Sales | 289,941 | 279,255 | 3.8% |
| Profit from recurring operations | 43,998 | 45,515 | -3.3% |
| Margin from recurring operations | 15.2% | 16.3% | |
| Other operating income and expenses | (586) | (751) | -21.9% |
| Operating profit | 43,412 | 44,764 | -3.0% |
| Net cost of financial debt | 74 | (137) | -153.7% |
| Other financial income and expenses | (2,042) | (1,209) | 68.9% |
| Income tax | (12,093) | (9,456) | 27.9% |
| Net profit | 29,351 | 33,963 | -13.6% |
| Net margin | 10.1% | 12.2% | |
| Cash flow from operating activities | 33,300 | 44,759 | -25.6% |
| Equity (including minority interests) | 207,948 | 188,745 | 10.2% |
| Net financial debt | (61,691) | (65,787) | -6.2% |

* Data restated in application of interpretation IFRIC 21 as of 1 January 2015.

6.2 Sales driven by a stronger dollar

The Group's consolidated sales amounted to €289,941 thousand in 2015, compared to €279,255 thousand in 2014, representing an increase of 3.8% compared with 2014. Business greatly benefited from the effects of a far more favourable dollar/euro exchange rate than in 2014 and the consolidation of Van-System's business over five months. At constant exchange rates and consolidation scope, sales for the financial year were down 7.7%.

2014, which achieved strong growth of 20.9%, was driven by favourable procurement cycles and the increasing pace of several aeronautical programmes, as well as by the significant development of the Telecoms market in China. In comparison with 2014, organic activity contracted in 2015, primarily as a result of the volatility of sales with certain Telecoms customers, and the other markets reaching a plateau in terms of sales.

Sales growth by quarter

| (€ thousands) | 2015 | 2014 | Change 2015 - 2014 |
|-------------------------|----------------|----------------|-----------------------|
| 1 st quarter | 77,196 | 68,766 | +12.3% |
| 2 nd quarter | 70,078 | 66,969 | +4.6% |
| 3 rd quarter | 69,558 | 70,319 | -1.1% |
| 4 th quarter | 73,110 | 73,201 | -0.1% |
| FY total | 289,941 | 279,255 | +3.8% |

Following an excellent first quarter, sales over the remaining three quarters of the financial year stood at a similar level to those reached in 2014.

Sales by geographic region and market:

| (€ thousands) | 2015 | 2014 |
|----------------------------------|----------------|----------------|
| BY MARKET | | |
| Telecoms | 44,052 | 51,739 |
| Military, Aeronautics, Space | 209,286 | 191,740 |
| Industrial | 36,602 | 35,776 |
| BY GEOGRAPHIC REGION | | |
| France | 33,601 | 34,318 |
| European Union, excluding France | 40,296 | 39,944 |
| Americas | 126,927 | 112,835 |
| Asia and rest of the world | 89,117 | 92,159 |
| TOTAL GROUP | 289,941 | 279,255 |

The Americas region achieved significant growth as a result of the favourable impact of the dollar, Europe excluding France grew slightly due to the contribution to sales of Van-System over five months, with France in decline. A sharp drop in sales was seen in Asia, primarily as a result of lower sales to certain Telecoms customers in China.

Overall, international sales grew 4.7%, and represented 88.4% of the Group's sales over 2015 as a whole, a higher level than the previous year (87.7%).

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.

Civil Aeronautics, which throughout the year benefited from a far more favourable Euro/Dollar exchange rate than in 2014, made a very positive contribution to Group growth. Despite picking up slightly during the fourth quarter, the Telecoms business suffered a very substantial decline over the full year. The Industrial segment - which includes two months' worth of business for Van-System, whose sales have been consolidated since 1 August 2015 - as well as that of Defence and Space, posted slight growth over the financial year.

The defence segment remained at a relatively low level of activity overall. Only China achieved growth, but this market remains very difficult for foreign companies to access. After years of stagnation, the Indian market started to rise again at the end of the year. In the very cyclical space market, invoicing in 2015 remained at a high level, similar to that seen in 2014, however ordering fell, suggesting a poor first half of 2016, whilst the work schedule promises to be higher over the second half of the year. Overall, the defence and space market achieved growth of 0.9% in 2015.

Sales in civil aeronautics, benefiting from the stronger dollar, posted growth of 14.0% in 2015, representing a slight decline at constant exchange rates. The year was not marked by increases in pace, and Radiall suffered from stockpiling as a result of early procurement by customers in 2014. We did however receive initial orders for the Chinese C919 and Japanese MRJ programmes. 2016 as a whole is expected to see slight growth, despite pressure on prices. 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 growth over the new few years.

After record growth in 2014, sales in the telecoms market fell 14.9% in 2015 as a result of certain OEM customers overstocking in 2014 and a delay in the roll-out of 4G networks in China lasting several months. In addition, the expected recovery in the fourth quarter in China proved to be weaker than expected. The telecoms market should be a contributor to Group growth in 2016, given the continued 4G/LTE investments across all continents, following the growing demand for "very high bandwidth" access services for mobile terminals. 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 2.3%, following the five-month consolidation in Sales of Van-System, acquired on 1 August 2015. Excluding this acquisition, sales fell slightly, particularly in the "Tests and Measurements" market, the growth driver for which is connected with sales of smartphones. The acquisition of Van-System enabled Radiall to unlock opportunities in new market segments, such as the rail and events sectors. This acquisition forms part of Radiall's strategic commitment to balance its markets. 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.

The automotive business of the joint venture Raydiall, which has been equity accounted since 1 January 2014, posted a 29.5% increase in sales. Raydiall continued on its path, with strong growth driven by the healthy momentum of the automotive market and good competitiveness in the face of the market's leading players. 2016 will be the year of Raydiall's international expansion with the launch of connector production in North America and China, building on the structures of its two shareholders, Radiall and A.Raymond.

6.3 Good level of profitability maintained

Within a sustained context of investments, profit from recurring operations, which benefited from the favourable effect of the stronger US dollar, dipped 3.3% to €43,998 thousand, representing 15.2% of Sales, due to the increase in structure costs, notably R&D and exceptional costs, mainly connected with the development of new projects, and the protection of our intellectual property. In 2014, Group profit from recurring operations totalled €45,515 thousand or 16.3% of sales.

R&D expenditure rose significantly, and stood at €21,295 thousand, equating to 7.3% of 2015 sales as against €19,232 thousand in 2014 (6.9 %).

Following recognition of an exceptional loss of €586 thousand concerning the goodwill impairment relating to the Indian subsidiary, operating profit totalled €43,412 thousand, a fall of 3.0% in comparison with 2014.

Net financial expense was €1,968 thousand, compared with a net expense of €1,346 million in 2014, mainly due to unfavourable exchange rate movements. The income tax charge stood at €12,093 thousand, against €9,456 thousand in 2014. It represents an overall tax rate for the Group of 29.2%, compared with 21.8% in 2014. As such, the 2015 Group share of net profit totalled €28,880 thousand, a fall of 7.3% in relation to the previous financial year and equating to 10.0% of sales.

6.4 Headcount

| CHANGE IN HEADCOUNT | 31 December 2015 | 31 December 2014 | Change 2015 - 2014 |
|---------------------------|------------------|------------------|--------------------|
| France * | 1,371 | 1,386 | -15 |
| Europe (excl. France) | 81** | 34 | +47 |
| North America and Mexico* | 852 | 954 | -102 |
| Asia | 614 | 613 | 1 |
| Total | 2,918 | 2,987 | -69 |

* Includes Hodiell (6 employees at the end of 2015, 6 at the end of 2014) and temporary and on-site service provider staff of the Mexican maquiladora.

** Europe excluding France includes the 48 employees of the Van-System companies acquired on 29 July 2015.

The organic decline in sales led to a 2.3% reduction in headcount, being 69 fewer staff members between December 2014 and December 2015, primarily in Mexico and in France. This fall consisted mainly of on-site service providers and temporary staff (126 people), with the total number of permanent contracts having increased by 51 and the number of fixed-term contracts by 6, primarily due to the acquisition of the Van-System entities.

6.5 Self-financing capacity, net cash position and equity

Following significant cash flow generation over the 2014 financial year, with a self-financing capacity of €56.5 million, 2015 self-financing capacity stood at the slightly lower level of €52.1 million or 18.0% of sales.

Excluding currency and scope effects, working capital requirement grew €4.4 million, primarily due to an increase in inventories of €1.7 million following in particular the introduction of safety reserves, and a reduction in supplier credit and other assets and liabilities up to a limit of €3.7 million, operating receivables falling by €1.0 million.

After the impact of the change in working capital requirements, and tax and interest payments of €14.4 million, the cash flow generated by the business during the financial year totalled €33.3 million, compared with €44.8 million generated over the previous financial year.

Investment disbursements of €22.7 million over the financial year significantly exceeded those of 2014 (€10.3 million). They included industrial equipment intended for customer products, or led to improvements or increases in industrial capabilities corresponding to investments of €12.1 million, as well as several one off investments, including the acquisition of Van-System, and the purchase of the minority stake in Radiall Shanghai for a cumulative amount of €10.8 million.

A total of €14.7 million was recognised under cash flow related to financing operations in 2015, far higher than the €5.2 million recorded in 2014. In addition to the payment of dividends to Radiall and to minority shareholders, it included the repayment of Van-System loans and the buyback of treasury shares for €7.8 million.

After these transactions and the impact of other changes in cash flow worth €3.0 million, total cash flow used over the financial year stood at €1.1 million as against €30.2 million generated in 2014.

As a result of these changes, available cash was stable at €78.0 million at 31 December 2015. It was €79.1 million at 31 December 2014.

Bank debts, primarily long-term, amounted to €16.3 million, including €0.7 million taken out by Van-System, an increase in comparison with the €13.3 million recognised at the end of December 2014. The net cash surplus shrunk from €65.8 million at the end of December 2014 to €61.7 million at the end of December 2015.

After allocation of 2015 profits, equity stood at €207,948 thousand.

6.6 Other highlights of the financial year

In 2015, we also continued to progress in our operational performance with in particular, the rollout of our LEAP project which, by reducing implementation cycles, aims to transform our flow management and our production methods to be an ever more agile business, capable of adapting to an increasingly fluctuating demand. In June 2015, we also launched the programme Radiall 2025, involving Radiall's young "digital natives", in order to deepen our understanding of the impact of the digital revolution on Radiall's business model, thereby aiming to transform the Group into an organisation capable of adapting to future changes. These programmes will be continued in 2016, as well as the launch of the rollout in Europe in 2016 of the SAP system following its successful installation in the United States in late 2014.

Over the course of this year, the Group has continued to nurture the long-term proximity it has maintained with its customers, by supporting them in all the development stages of their projects. The measure of the quality of this proximity is notably reflected in the regular recognition shown by our customers, as was the case in 2015 with Airbus, who gave Radiall the "Supplier Innovation Award 2015", and Nokia, who gave the "Supplier Excellence Award 2015".

6.7 Parent company results

2015 sales were stable compared with the previous financial year at €151,390 thousand, of which just over half related to intercompany flows. These sales were maintained as a result of the parity in the €/€ exchange rate which offset an organic decrease seen over the period.

Operating profit in 2015 totalled €7,227 thousand, versus €4,851 thousand in 2014.

Net financial income represented €23,588 thousand in 2015, compared with €14,853 thousand in 2014. This increase was the result of dividend levels that were higher than in 2015. After recognition of a net non-recurring expense of €35 thousand, the net profit was €30,903 thousand, against a net profit of €21,270 thousand in 2014.

At 31 December 2015, equity amounted to €152,637 thousand and the net cash position declined from €50,149 thousand to €47,918 thousand.

| KEY FIGURES (€ thousands) | 2015 | 2014 | Change 2015 / 2014 |
|------------------------------------|----------------|----------------|-----------------------|
| Sales | 151,390 | 151,876 | -0.3% |
| Operating profit | 7,227 | 4,851 | 49.0% |
| Operating margin | 4.8% | 3.2% | |
| Net financial income | 23,588 | 14,853 | 58.8% |
| Profit from ordinary activities | 30,815 | 19,704 | 56.4% |
| Net non-recurring income/(expense) | (35) | 1,095 | n.s. |
| Income tax | (123) | (471) | -73.9% |
| Net profit | 30,903 | 21,270 | 45.3% |
| Equity | 152,637 | 126,272 | 20.9% |
| Net cash and cash equivalents * | 47,918 | 50,149 | -4.5% |

*Cash + Marketable securities + Treasury shares – 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 2015 and the date the Supervisory Board approved these financial statements.

6.8 2016 Outlook

Radiall is entering the new financial year with confidence. With an offer that is keenly competitive, a business heading in the right direction and the launch of numerous projects, the Group anticipates, despite significant pressure on prices, moderate growth in its sales at constant exchange rates based on the continuation of an aeronautics business which should remain strong, and slight growth in sales in other sectors.

The Group nevertheless remains cautious, given the highly uncertain economic environment and the structural volatility of some of its markets, such as Telecoms, particularly in China. 2016 will also be marked by the implementation of a sustained programme of investments aimed at preparing for the industrial and commercial development cycles of future years.

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 2014, the Group had on its books several optional Euro/USD contracts exercisable in 2015 for a total of USD 20.7 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 2015 comprises €7.1 million payable in under 30 days and €5.9 million payable between 30 and 45 days from the end of the month.

The schedule for French supplier invoices at 31 December 2014 comprised €5.6 million payable in under 30 days and €6.3 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)* |
|-------------|---------------|---------------|---------------|--------------------|
| 2009 | 48.50 | 34.01 | 43.10 | (6.40) |
| 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 |

* Net earnings per share in accordance with IFRS.

| Share capital ownership | 31 December 2015 | | 31 December 2014 | |
|-----------------------------------|------------------|-----------------|------------------|-----------------|
| | % shares | % voting rights | % shares | % voting rights |
| Société d'Investissement Radiall* | 32.6 | 35.8 | 32.6 | 35.3 |
| Hodiall * | 53.2 | 57.5 | 51.4 | 55.7 |
| Pierre Gattaz | 2.7 | 2.9 | 2.7 | 2.9 |
| General public and other | 11.5 | 3.8 | 13.3 | 6.1 |

*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 2015, Radiall held 77,138 treasury shares recorded as financial assets, representing 4.17% of the share capital.

Stock option plans at 31 December 2015

No stock option plans were in effect during the year 2015.

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 and none were exercised in 2015. For the record, no options issued in previous financial years remained exercisable at 31 December 2015.

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 2015. For the record, no options issued in previous financial years remained exercisable at 31 December 2015.

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 |

Draft resolution to the Ordinary General Meeting for the year 2015

The General Meeting, ruling under the conditions of quorum and majority required for ordinary general meetings, acknowledges that the net profit for the year 2015 totals €30,902,760.68.

Taking into account retained earnings carried forward of €46,504,697.66, distributable profits total €77,407,458.34.

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 2015 as follows:

- to dividends, being €2.50 per share: €4,620,310^(a)
- the balance, to retained earnings: €26,282,450.68

(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 €72,787,148.34. Dividend will be payable from 26 May 2016.

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

Application of IFRIC 21 interpretation "Levies". This text makes it mandatory to recognise taxes at the date of their obligating event and no longer progressively, except if the obligating event is progressive. The main taxes covered by this new text are the French *contribution sociale de solidarité des entreprises* (C3S, a tax based on the sales of French companies) and land taxes.

6.14 Equity interests acquired during the financial year

On 21 July 2015, Radiall acquired the equity interest held by Feilo Shanghai Co Ltd in the share capital of Shanghai Radiall Electronics Co Ltd (20%). On 29 July 2015, Radiall acquired 100% of the share capital and voting rights of Van-System Srl (Italy) and Van-System Swiss SA.

6.15 Corporate Officers' remuneration

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

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 24 March 2016, 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 2015, the Supervisory Board comprised seven (7) members, two (2) of which are independent.

The Company took note of the entry into force of Law no. 2011-103 of 27 January 2011 on the balanced representation of women and men on company boards and professional equality, which requires that the proportion of members of each gender on boards of directors and supervisory boards not be less than 20% at the end of the first ordinary General Meeting held after 1 January 2014. This law applies to companies whose shares are traded on a regulated market.

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.

Similarly, 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 five times in 2015. 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 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 2015 Financial Report.

Content of the Supervisory Board meetings:

The main items discussed in 2015 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.

• 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 2015 Financial Report.

The Executive Board is convened by the Chairman or two of its members. The Executive Board met seven times in 2015. All members were present at the meetings.

Content of the meetings of the Executive Board:

The main items discussed in 2015 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.

• 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, replacing the previous Operational Departments Committee, 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 ESC at 31 December 2015:

- 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 2014.

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.

- *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 and IT Department;
- Sales Department;
- Industrial Department;
- Research and Technology Department;
- Finance and Legal Affairs Department.

➤ *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

➤ *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.

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.

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.

2016 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 2016. These recommendations focus on the following areas:

- Audit of mechanisms for protecting Intellectual Property (Strategy, portfolio, location, etc.).
- Audit of one or several legal entities or industrial sites.
- Strengthening of the role and practices of internal audit.

Aubervilliers, 27 March 2016

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 2015 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 2015.

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, 18 April 2016,

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

The strategic priorities of the Corporate and Social Responsibility (CSR) policy is defined in its ethics and corporate charter. 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, having assumed his duties 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. 2015 | 1,266 | 153 | 411 | 1,830 |
| % women | 47% | 47% | 37% | 45% |
| Permanent staff at 31 Dec. 2015 (of which part-time) | 1,172 | 153 | 210 | 1,535 |
| % women | 48% | 47% | 35% | 46% |
| Fixed-term at 31 Dec. 2015 | 94 | 0 | 201 | 295 |
| % women | 37% | 0% | 39% | 39% |

*

Change in headcount over the last financial years

| | Europe * | Americas | Asia | TOTAL |
|-------------|--------------|------------|------------|--------------|
| 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 |
| 2011 | 1,187 | 220 | 413 | 1,820 |

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

| | Europe | Americas | Asia | TOTAL |
|------------------|------------|------------|------------|--------------|
| TOTAL | 206 | 710 | 205 | 1,121 |
| On-site | 1 | 708 | 1 | 710 |
| Temporary | 205 | 2 | 204 | 411 |

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

| | Europe | Americas | Asia | TOTAL |
|--|--------|----------|------|-------|
|--|--------|----------|------|-------|

| | | | | |
|-------------|------------|------------|------------|--------------|
| 2015 | 206 | 710 | 205 | 1,121 |
| 2014 | 210 | 712 | 265 | 1,187 |
| 2013 | 209 | 557 | 206 | 972 |

Gender equality:

Women represented 45% of the Group's salaried headcount at 31 December 2015.

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 5 December 2011.

As part of the gender equality policy and through measures focused on one of its offices, Radiall is involved in the "Mon métier c'est sans cliché" ["My Job is Cliché-Free"] initiative whose aims are as follows:

- To introduce supposedly "male" occupations to young women and "female" ones to young men,
- To limit the influence of gender based stereotypes on education and career choices,
- To reach a gender balance in occupations.

Changes in headcount (excluding transfers)

| | France | Europe (excl. France) | Americas | Asia | TOTAL |
|--------------|-----------|-----------------------------|------------|-----------|-----------|
| Recruitments | 130 | 49 | 12 | 56 | 247 |
| Departures | -107 | -7 | -36 | -42 | -192 |
| TOTAL | 23 | 42 | -24 | 14 | 55 |
| Permanent | 23 | 40 | -24 | 2 | 41 |
| Fixed-term | 0 | 2 | 0 | 12 | 14 |

Information on Radiall's total operations in France:

| | | Salaried headcount 31 Dec. 2015 | Salaried headcount 31 Dec. 2014 |
|---------------------|---------------------------|---------------------------------------|---------------------------------------|
| Radiall | Radiall Paris (93) | 66 | 65 |
| | Château-Renault (37) | 342 | 321 |
| | St-Quentin Fallavier (38) | 286 | 294 |
| | Centr'Alp (38) | 366 | 364 |
| I.D.M.M. | Dôle (39) | 131 | 124 |
| TOTAL France | | 1,191 | 1,168 |

Details of departures and transfers in France:

| | Permanent | Fixed-term | TOTAL |
|--|-----------|------------|------------|
| Resignation | 6 | 2 | 8 |
| Redundancy for economic reasons | - | - | - |
| Contractual termination | 5 | - | 5 |
| Early termination of fixed-term contract | - | 1 | 1 |
| Redundancy for other reasons | 7 | - | 7 |
| Other (death, etc.) | - | - | - |
| Retirement | 15 | - | 15 |
| End of trial period | 4 | 1 | 5 |
| End of contract | - | 47 | 47 |
| Conversion into permanent contract | - | 19 | 19 |
| Transfer | 3 | - | 3 |
| Total France | 40 | 70 | 110 |

Internal geographic mobility

| France towards France | Abroad towards France |
|-----------------------|-----------------------|
| 3 | 0 |

Breakdown of headcount by age

| 2015 | Europe | Americas | Asia | TOTAL |
|-------------------------|--------|----------|------|-------|
| -26 years old | 104 | 5 | 32 | 141 |
| % women | 21% | 1% | 6% | 28% |
| 26-30 years old | 115 | 7 | 79 | 201 |
| % women | 23% | 0.5% | 16% | 39% |
| 31- 50 years old | 685 | 81 | 257 | 1,023 |
| % women | 33% | 3% | 10% | 47% |
| 51 + years old | 362 | 60 | 43 | 465 |
| % women | 40% | 7% | 2% | 49% |

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: | 664 |
| Number of trainees: | 1,244 |
| Number of hours worked by trainees: | 15,253 |

Training budget

The total expenditure for the year allocated to the Radiall training plan, in addition to contributions and obligatory payments, represented 2.70 % of the payroll, i.e. €1,034,608.

Training beneficiaries

| | Number of hours of training | Number of employees |
|-------------------------------|-----------------------------|---------------------|
| Executives: | 41% | 39% |
| Supervisors/ employees | 34% | 38% |
| Workers | 25% | 23% |

| Training areas | Features |
|------------------------------|--|
| Jobs/Tools | <input checked="" type="checkbox"/> Ongoing training to enhance skills related to product innovation, processes and operating procedures <input checked="" type="checkbox"/> Increase versatility <input checked="" type="checkbox"/> Strengthen expertise in key processes <input checked="" type="checkbox"/> Continuing LEAN culture |
| Communication and management | <input checked="" type="checkbox"/> Support new managers <input checked="" type="checkbox"/> Support our managers in their role and strengthen team spirit |
| Foreign languages | <input checked="" type="checkbox"/> Develop the foreign language skills of people working at an international level <input checked="" type="checkbox"/> Provide technical support to the other Radiall sites worldwide (English/Spanish) |
| Safety / Environment | <input checked="" type="checkbox"/> Continue to raise awareness of RSI, arduous work |
| Project management | <input checked="" type="checkbox"/> Reliability of our manufacturing processes |
| IT | <input checked="" type="checkbox"/> Maintain up to date knowledge levels for design tools, office automation and programming |

9.2.3 Organisation of working time in France

Principle

The organisation of working time 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.

| | Overall absenteeism rate | Absenteeism rate Illness |
|------|--------------------------|--------------------------|
| 2015 | 4.09% | 3.23% |
| 2014 | 4.25% | 3.94% |
| 2013 | 4.00% | 3.67% |

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 great 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". Many "school" trainees are also received each year across all the company's sites.

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.

With its website Centr'Alp, Radiall is involved in the "Mon Métier C'est Sans Cliché" (My Career is Cliché Free) initiative, whose aim is to enable young people to find out about careers in the industry and to overcome gender stereotypes in educational and career choices.

Integration of disabled workers

The Company is taking measures to meet its obligation to employ disabled workers with a disability through recruitment and sub-contracting services. In respect of 2015, the employment obligation is for 66 units. In order to fulfil its obligations of 58.43 units and its use of sub-contracting services to the Etablissements et Services d'Aide par le Travail (sheltered employment organisation), the Company made a compensatory financial contribution of €56,910.

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 |
|------|-----------------------|---|
| 2015 | 14 | 1.62% |
| 2014 | 14 | 1.76% |
| 2013 | 18 | 1.84% |

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 |
|--------|-----------------------------|----------------------------|
| 2015 | 7.19% | 0.26% |
| 2014 | 8.39% | 0.27% |
| 2013 | 12.28% | 1.84% |

| Abroad (2015) | Frequency rate of accidents | Severity rate of accidents |
|---------------|-----------------------------|----------------------------|
| China | 12.88% | 0.15% |
| Americas | 3.94% | 0.00% |
| India | 0% | 0.00% |

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 2015.

9.2.5 Annual payroll

Annual payroll

| (€) | 2015 | 2014 | 2013 |
|----------------|------------|------------|------------|
| Gross Radiall | 38,270,939 | 36,087,527 | 33,352,349 |
| Gross I.D.M.M. | 3,999,690 | 3,705,825 | 3,450,651 |

Compensation and change in compensation

In 2014, the cycle and scope of negotiations were reviewed. 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 2015-2016, the total amount allocated to increases in overall remuneration was 2.4%.

Profit sharing and bonuses

€4,432,000, excluding charges, was budgeted at 31 December 2015 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 2015, Radiall SA negotiated an agreement on profit sharing, an amendment to the collective pension plan (PERCO), complementary health insurance, mandatory annual negotiations, renewal of the terms of office of the WC/employee representatives and the CWC.

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 2015 covering a Group wide scope and an action plan was launched 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 2015.

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. To date, Radiall is not involved in external operations to develop biodiversity (reforestation, etc.).

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

29,034 m³ of water were consumed at Group level for industrial use, a fall of around 10% at Group level. There is a single water point of 2.5 m³ 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 Dole sites, and washing at the Dole site.

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

Tap water consumption stood at 25,687 m³ for the entire Group, a decrease of 12%.

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 (trichloroethylene, 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.

Greenhouse gas emissions

In accordance with Article 75 of the Grenelle 2 Law, Radiall carried out a greenhouse gas assessment relating to its operations in France.

The scope of this assessment extends to direct greenhouse gas emissions and to indirect energy related emissions, with Radiall not implementing the non-mandatory items for the time being.

The last greenhouse gas emissions assessment dates from 2015 with 2014 data. Measures have been implemented to limit air emissions and are detailed in the previous paragraph.

Radiall's greenhouse gas emissions assessment for 2014, the year of reference, recorded 2,179 tonnes of CO₂ equivalent (up 7% compared with the latest assessment: 2,033 tonnes in 2011). 96% of these emissions was generated by the combustion of natural gas and fuel for heating and emissions related to the production of electricity.

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 Dole 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 353 metric tons of non-hazardous industrial waste (NHIW), representing a 6% decrease compared with 2014.

This waste comprises paper, cardboard, scrap metal, shavings, scrap plastic and waste from the Company restaurants, and is processed by approved waste collectors.

An average of 60 % of this waste is recycled.

*Hazardous waste (HW) represented **765 tonnes**, up 36% in relation to 2014 which was due to an increase 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 886 tonnes of industrial waste in 2015, including 384 tonnes of hazardous waste, a significant proportion of which was recycled.

In total, the Group's waste generated represents 2,112 tonnes, including 1,149 tonnes of hazardous waste.

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 32 GWh, including 5.8 GWh of natural gas and 26.2 GWh of electricity. This consumption grew due to an increase in activity and a colder winter.

Energy efficiency has improved on certain sites through changes in lighting (LED), the introduction of lighting sensors and a waste heat recovery system, and the switching off of compressors during holidays and weekends.

Renewable energies are not yet taken into account on the different industrial sites. An energy audit was carried out in 2015 in compliance with the regulations covering Radiall France, with the areas for improvement identified to be investigated in 2016.

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 founders 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. The company Hodiall is excluded from the reporting scope.

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) and the business activity of the Raydiall subsidiary in France (Voiron).

It is compiled from 2015 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.

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.

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.

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 is calculated based on the average workforce in 2015 (permanent and fixed-term contracts) for the French sites.

Training

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

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.

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 | 25 |
| Compensation and change in compensation | Compensation and change in compensation | 29 |
| Organisation of working hours | Organisation of working hours in France | 29 |
| 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 | 29 |
| Overview of collective agreements | Overview of collective agreements in France | 29 |
| Health and safety conditions at work | Health and safety conditions at work in France | 29 |
| 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 | 27 |
| Number of hours of training | Total number of hours' training in France | 28 |
| Measures taken to promote gender equality | Measures taken to promote gender equality | 28 |
| Measures taken to promote the employment and integration of disabled people | Measures taken to promote the employment and integration of disabled people in France | 29 |
| Anti-discrimination policy | Anti-discrimination policy | 25 |
| 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 |
| Measures to prevent, recycle and eliminate waste | Measures to prevent, recycle and eliminate 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 | 30 |
| 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 | 32 |

| 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 | 30 |
| Territorial, economic and social impact of the activity regarding employment and regional development | Vocational integration | 28 |
| On neighbouring or local populations | | 28 |
| 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 | 25 |
| Absenteeism | Absenteeism in France | 29 |
| Accidents at work, particularly their frequency and severity, as well as occupational diseases | Frequency of accidents at work in France | 29 |
| 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 | 25 |
| Elimination of discrimination in relation to employment and occupation | Elimination of discrimination in relation to employment and occupation | 25 |
| Elimination of forced or compulsory labour | Elimination of forced or compulsory labour | 25 |
| Abolition of child labour | Abolition of child labour | 25 |
| Amount of provisions and guarantees for environmental risks | Resources deployed for the prevention of environmental risks and pollution | 30 |
| Land usage | Conditions for land usage | 31 |
| Adapting to the consequences of climate change | Adapting to the consequences of climate change | 31 |
| 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 | 25 |
| Action taken to prevent corruption | Action taken to prevent corruption | 25 |
| Measures taken to improve consumer health and safety | Measures taken to improve consumer health and safety | 25 |

Given the Group's activities, information relating to combatting food waste (Law n°2016-138 of 11 February 2016) was not deemed to be significant and will not be published for the 2015 financial year.

Information regarding measures taken by the company in connection with the circular economy is addressed from the viewpoint of recycling waste and preserving natural resources.

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

Financial year ended 31 December 2015

To the Shareholders,

In our capacity as independent third party body, member of the Mazars network and Radiall's Statutory Auditors, accredited by COFRAC 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 2015 (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 comprehensive quality control system including documented policies and procedures to ensure compliance with ethical codes, professional standards 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 2016 and March 2016, over a period of approximately three weeks.

Our work was carried out, in accordance with the professional standards applicable in France 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 of the CSR information, 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 presented in the Management Report 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 five 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 an average of 35% of the workforce and between 36% and 61% 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, 18 April 2016

The Independent third party body,

| | |
|----------------------|---|
| | MAZARS SAS |
| Gaël LAMANT | Partner |
| Emmanuelle RIGAUDIAS | 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 Obregon site for information relating to total workforce, energy consumption and total water consumption.

II. CONSOLIDATED FINANCIAL STATEMENTS

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1. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position at 31 December 2015

| | Notes | 31 December 2015 | 31 December 2014 * |
|--|----------------|------------------|--------------------|
| <i>(€ thousands)</i> | | | |
| Intangible assets | Note 5 | 11,637 | 9,398 |
| Goodwill | Note 5 | 12,631 | 8,450 |
| Property, plant and equipment | Note 6 | 63,703 | 58,145 |
| Securities held in associates and joint ventures | Note 7 | 2,074 | 1,444 |
| Financial assets | Note 8 | 1,983 | 1,763 |
| Deferred tax assets | Note 18 | 4,564 | 3,651 |
| NON-CURRENT ASSETS | | 96,592 | 82,851 |
| Inventories | Note 9 | 57,329 | 51,612 |
| Trade receivables | Note 10 | 49,517 | 44,776 |
| Other receivables | Note 11 | 14,272 | 13,864 |
| Income tax | Note 18 | 8,606 | 6,738 |
| Other cash management financial assets | Note 12 | 5,009 | 9,409 |
| Cash and cash equivalents | Note 12 | 73,025 | 69,683 |
| CURRENT ASSETS | | 207,758 | 196,083 |
| TOTAL ASSETS | | 304,350 | 278,934 |
| Share capital | | 2,817 | 2,817 |
| Share premium | | 11,929 | 11,929 |
| Group reserve | | 146,040 | 127,002 |
| Exchange differences | | 16,099 | 6,772 |
| Net profit – Group share | | 28,880 | 31,169 |
| Minority interests | | 2,183 | 9,055 |
| SHAREHOLDERS' EQUITY | Note 13 | 207,948 | 188,745 |
| Deferred tax liabilities | Note 18 | 5,236 | 4,133 |
| Long-term financial debt | Note 15 | 14,087 | 12,248 |
| Non-current provisions | Note 14 | 10,383 | 10,398 |
| NON-CURRENT LIABILITIES | | 29,706 | 26,779 |
| Short-term financial debt | Note 15 | 2,256 | 1,057 |
| Trade payables | | 27,621 | 25,912 |
| Other liabilities | Note 16 | 34,854 | 35,354 |
| Current provisions | Note 14 | 1,009 | 784 |
| Income tax | Note 18 | 957 | 303 |
| CURRENT LIABILITIES | | 66,697 | 63,410 |
| TOTAL LIABILITIES | | 304,350 | 278,934 |

* Restatements (which relate to the application of the IFRIC 21 interpretation) are explained in the section "Comparability of accounting periods"

Consolidated income statement for the year ended 31 December 2015

| | Notes | 31 December 2015 | 31 December 2014 * |
|---|---------|------------------|--------------------|
| <i>(€ thousands)</i> | | | |
| Sales | Note 4 | 289,941 | 279,255 |
| Other operating revenue | | | |
| Revenue from ordinary activities | | 289,941 | 279,255 |
| Materials | | (78,623) | (79,642) |
| Change in work-in-progress and finished goods inventories | | 41 | 4,219 |
| Payroll costs | Note 19 | (108,069) | (103,446) |
| External charges | | (45,868) | (40,679) |
| Taxes and duties | | (3,037) | (2,880) |
| Other trading income and expenses | Note 21 | 1,070 | 1,162 |
| Impairment of non-current assets | Note 22 | (10,441) | (10,081) |
| Impairment of current assets and provision charges | Note 23 | (1,634) | (2,497) |
| Share of profit of associates | | 618 | 104 |
| Profit from recurring operations | | 43,998 | 45,515 |
| Profit from recurring operations as % of sales | | 15.17% | 16.30% |
| Other non-recurring operating income and expenses | Note 24 | (586) | (751) |
| Operating profit | | 43,412 | 44,764 |
| Operating profit as % of sales | | 14.97% | 16.03% |
| Income from cash and cash equivalents | | 801 | 507 |
| Gross cost of financial debt | | (727) | (644) |
| Net cost of financial debt | | 74 | (137) |
| Other financial income and expenses | Note 25 | (2,042) | (1,209) |
| Income tax | Note 18 | (12,093) | (9,456) |
| Net profit | | 29,351 | 33,963 |
| Attributable to minority interests | | 471 | 2,794 |
| Net profit – Group share | | 28,880 | 31,169 |
| Earnings per share (€) | Note 13 | 16.01 | 17.20 |
| Diluted earnings per share (€) | Note 13 | 16.01 | 17.20 |

* Restatements (which relate to the application of the IFRIC 21 interpretation) are explained in the section "Comparability of accounting periods"

Consolidated statement of comprehensive income

| | 31 December 2015 | 31 December 2014 * |
|---|------------------|--------------------|
| Net profit for the period | 29,351 | 33,963 |
| Recognition of actuarial gains and losses on pension commitments in items of other comprehensive income | 455 | (2,155) |
| Deferred tax on actuarial gains and losses recognised | (152) | 718 |
| Items not recyclable through the income statement | 303 | (1,436) |
| Gains and losses resulting from the fair value measurement of interest rate hedge instruments | 762 | (469) |
| Deferred tax on the fair value measurement of financial instruments | (254) | 156 |
| Exchange difference | 8,514 | 9,389 |
| Items recyclable through the income statement | 9,022 | 9,076 |
| Total items of other comprehensive income | 9,325 | 7,640 |
| Total income and expenses recognised during the period | 38,675 | 41,603 |
| Attributable to | | |
| - Radiall SA shareholders | 38,154 | 37,970 |
| - Minority interests | 521 | 3,633 |

* Restatements (which relate to the application of the IFRIC 21 interpretation) are explained in the section "Comparability of accounting periods"

Consolidated cash flow statement

| | 31 December 2015 | 31 December 2014 * |
|--|------------------|--------------------|
| <i>(€ thousands)</i> | | |
| Net profit – Group share | 28,880 | 31,169 |
| Share of minority interests in consolidated net profit | 471 | 2,794 |
| Retained earnings of associates | (618) | (104) |
| Net provision charges | 10,576 | 9,651 |
| Net change in provisions | (240) | 1,104 |
| Change in fair value of ineffective hedges | (516) | 698 |
| Capital gains/losses on disposals | 110 | 336 |
| Provisions recognised in other operating income and expenses | 586 | 751 |
| Interest expense | 727 | 644 |
| Income tax charge (including deferred tax) | 12,093 | 9,456 |
| Self-financing capacity | 52,070 | 56,498 |
| Change in inventories | (1,652) | (3,340) |
| Change in trade receivables | 996 | 1,276 |
| Change in trade payables | (2,115) | (990) |
| Change in other assets and liabilities | (1,628) | 6,484 |
| Change in working capital requirements | (4,399) | 3,429 |
| Interest paid | (738) | (634) |
| Tax paid | (13,634) | (14,533) |
| Cash flow from operating activities | 33,300 | 44,759 |
| Acquisition of intangible assets | (2,198) | (443) |
| Acquisition of property, plant, and equipment | (10,263) | (10,068) |
| Acquisition of financial assets | (183) | (1,504) |
| Disposal of property, plant, and equipment and intangible assets | 787 | 1,666 |
| Disposal and refund of financial assets | 38 | 67 |
| Net cash from acquisition / disposal of subsidiaries | (10,849) | |
| Cash flow from investing activities | (22,668) | (10,282) |
| Dividends paid to RADIALl's shareholders | (4,527) | (2,716) |
| Dividends paid to minority shareholders | (306) | (455) |
| Purchase and sale of treasury shares | (7,800) | 90 |
| Proceeds from new borrowings | | 750 |
| Repayment of borrowings | (2,064) | (2,905) |
| Cash flow from financing activities | (14,697) | (5,236) |
| Impact of changes in exchange rates | 3,007 | 915 |
| Change in cash and cash equivalents | (1,058) | 30,157 |
| Cash and cash equivalents at the beginning of the period | 79,092 | 48,935 |
| Cash and cash equivalents at the end of the period | 78,034 | 79,092 |
| <i>of which Other cash management financial assets</i> | <i>5,009</i> | <i>9,409</i> |
| <i>of which Cash and cash equivalents</i> | <i>73,025</i> | <i>69,683</i> |

* Restatements (which relate to the application of the IFRIC 21 interpretation) are explained in the section "Comparability of accounting periods"

Statement of changes in equity

| | Number of shares | Share capital | Share premium | Consolidated reserves | Exchange differences | Group share | Minority interests | Total shareholders' equity |
|--|------------------|---------------|---------------|-----------------------|----------------------|----------------|--------------------|----------------------------|
| <i>(€ thousands)</i> | | | | | | | | |
| Equity published at 31/12/2013 | 1,848,124 | 2,817 | 11,929 | 131,213 | (1,779) | 144,180 | 5,877 | 150,058 |
| Impact of the application of IFRIC 21 interpretation | | | | 168 | | 168 | | 168 |
| Equity at 31/12/2013* | 1,848,124 | 2,817 | 11,929 | 131,381 | (1,779) | 144,348 | 5,877 | 150,226 |
| Items of other comprehensive income | | | | (1,749) | 8,549 | 6,800 | 840 | 7,640 |
| Net profit for the period | | | | 31,143 | | 31,143 | 2,794 | 33,937 |
| Dividends | | | | (2,716) | | (2,716) | (455) | (3,170) |
| Treasury shares | | | | 90 | | 90 | 0 | 90 |
| Change in scope | | | | (5) | 2 | (3) | 0 | (3) |
| Impact of the application of IFRIC 21 interpretation | | | | 26 | | 26 | | 26 |
| 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 |

* Restatements (which relate to the application of the IFRIC 21 interpretation) are explained in the section "Comparability of accounting periods"

Comparability of accounting periods

The IFRIC 21 interpretation, the application of which is mandatory for financial years starting on or after 1 January 2015, covers the recognition of tax liabilities. This text makes it mandatory to recognise taxes at the date of their obligating event and no longer progressively, except if the obligating event is progressive. The main taxes covered by this new text are the French *contribution sociale de solidarité des entreprises* (C3S, a tax based on the sales of French companies) and land taxes.

Since application of the interpretation is retrospective, the financial statements presented for comparative periods have been restated. The impact on the previously published balance sheet items is as follows:

| (€ thousands) | 31 December 2013 published (2014 Annual Report) | 1 st application IFRIC21 | 1 January 2014 restated | 31 December 2014 published | IFRIC21 impact | 31 December 2014 restated |
|--------------------------------|---|--|----------------------------|-------------------------------|----------------|------------------------------|
| SHAREHOLDERS' EQUITY | 150,058 | 168 | 150,226 | 188,551 | 194 | 188,745 |
| NON-CURRENT LIABILITIES | 26,309 | 84 | 26,393 | 26,682 | 97 | 26,779 |
| CURRENT LIABILITIES | 52,875 | (252) | 52,623 | 63,701 | (291) | 63,410 |
| TOTAL LIABILITIES | 229,243 | | 229,243 | 278,934 | | 278,934 |

The impact on the previously published income statement is as follows:

| (€ thousands) | 31 December 2014 | IFRIC21 impact | 31 December 2014 restated |
|---|------------------|----------------|------------------------------|
| Sales | 279,255 | | 279,255 |
| Revenue from ordinary activities | 279,255 | | 279,255 |
| Profit from recurring operations | 45,476 | 39 | 45,515 |
| Profit from recurring operations as % of sales | 16.28% | | 16.30% |
| Operating profit | 44,725 | 39 | 44,764 |
| Operating profit as % of sales | 16.02% | | 16.03% |
| Income tax | (9,443) | (13) | (9,456) |
| Net profit | 33,937 | 26 | 33,963 |
| Attributable to minority interests | 2,794 | | 2,794 |
| Net profit – Group share | 31,143 | 26 | 31,169 |
| Earnings per share (€) | 17.20 | | 17.20 |
| Diluted earnings per share (€) | 17.20 | | 17.20 |

The impact on the previously published cash flow statement is as follows:

| (€ thousands) | 31 December 2014 published | IFRIC21 impact | 31 December 2014 restated |
|---|-------------------------------|----------------|------------------------------|
| Self-financing capacity | 56,459 | 39 | 56,498 |
| Change in working capital requirements | 3,468 | (39) | 3,429 |
| Interest paid | (634) | | (634) |
| Tax paid | (14,533) | | (14,533) |
| Cash flow from operating activities | 44,759 | | 44,759 |
| Cash flow from investing activities | (10,282) | | (10,282) |
| Cash flow from financing activities | (5,236) | | (5,236) |
| Impact of changes in exchange rates | 915 | | 915 |
| Change in cash and cash equivalents | 30,157 | | 30,157 |
| Cash and cash equivalents at the beginning of the period | 48,935 | | 48,935 |
| Cash and cash equivalents at the end of the period | 79,092 | | 79,092 |
| of which Other cash management financial assets | 9,409 | | 9,409 |
| of which Cash and cash equivalents | 69,683 | | 69,683 |

Notes to the consolidated financial statements at 31 December 2015

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 24 March 2016.

Note 2 - Accounting principles

2.1 Accounting principles

Pursuant to EU Regulation n°1606/2002 of 19 July 2002 on international accounting standards, the 2015 consolidated financial statements have been prepared in accordance with IAS/IFRS international financial reporting standards and IFRIC-IC interpretations applicable at 31 December 2015, as approved by the European Union.

2.2 Standards and interpretations applied

2.2.1 Mandatory for financial years starting after 1 January 2015

The Group applies the following standards, amendments and interpretations:

- IFRIC 21 interpretation "Levies": The impact of the application of the IFRIC 21 interpretation on the Group's financial statements are specified in the section Comparability of accounting periods.

- Annual improvements to IFRS 2011-2013: The annual improvements to IFRS 2011-2013 applicable to financial years starting on or after 1 January 2015 had no material impact on the Group's consolidated financial statements.

2.2.2 Mandatory for financial years starting after 1 January 2015

The Group did not opt for the early application of the following texts published by the IASB but the application of which is not mandatory in 2015 in accordance with IFRS as adopted by the European Union:

- 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,

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

- IFRS 15 "Revenue from contracts with customers", applicable from 1 January 2018,
- IFRS 9 "Financial instruments", applicable from 1 January 2018,
- 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.

The impact of these texts on the Group's financial statements is being assessed.

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 2015 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).

| | 2015 | | 2014 | |
|-----|--------------|--------------|--------------|--------------|
| | Closing rate | Average rate | Closing rate | Average rate |
| USD | 1.089 | 1.110 | 1.214 | 1.329 |
| CNY | 7.061 | 6.973 | 7.536 | 8.188 |
| GBP | 0.734 | 0.726 | 0.779 | 0.806 |
| HKD | 8.438 | 8.602 | 9.417 | 10.305 |
| JPY | 131.070 | 134.286 | 145.230 | 140.377 |
| INR | 72.022 | 71.175 | 76.719 | 81.069 |

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: 4 to 8 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: 20 years
- Machinery, equipment and tools: 3 to 20 years
- IT hardware: 3 to 4 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.

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. Cash deposits with an investment period of between three and twelve months are presented in **Other cash management financial assets**.

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

Acquisition of Van-System

On 29 July 2015, Radiall acquired 100% of the share capital and voting rights of 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. Its fair value at 31 December 2015 was estimated at €1,070 thousand and recorded under long-term financial debt pursuant to IFRS 3R.

The consolidated statement of financial position includes 100% of the fair value of assets and liabilities of Van-System Srl and Van-System Swiss SA acquired and assumed. The acquisition cost and its allocation, as well as the valuation of the two companies' intangible assets, will be finalised within 12 months from the closing date prescribed by the accounting standards and will correspond to the Group's best valuation at this closing date.

In order to comply with the Group's impairment rules, a provision for inventory impairment of €698 thousand net of deferred tax was recorded in the opening balance sheet of Van-System Srl.

The acquisition expenses related to this transaction totalled €185 thousand and were recorded in the consolidated income statement at 31 December 2015.

In light of the non-material nature of the contributions of Van-System Srl and Van-System Swiss SA to both consolidated sales and net profit, the preparation of “retrospective” and “prospective” pro forma financial statements as required by IFRS 3 did not appear necessary.

Purchase of minority interests in Shanghai Radiall Electronics Co Ltd

On 21 July 2015, Radiall acquired the equity interest held by Feilo Shanghai Co Ltd in the share capital of Shanghai Radiall Electronics Co Ltd (20%) for RMB 45.66 million.

In accordance with the provisions of IFRS 10, the transaction was treated as a shareholder-to-shareholder transaction from an accounting perspective. The difference of €204 thousand between the amount of the transaction and the net book value of the minority interests was recorded under Group equity. The cash payment for the shares was recognised under cash flow from financing activities in the consolidated statement of cash flow for the financial year.

| At 29 July 2015 | | | |
|--------------------------------|---|---|--------------|
| (€ thousands) | Net assets at book value before acquisition | Net assets revalued at fair value at the acquisition date | Variance |
| Non-current assets | 637 | 936 | 299 |
| Current assets | 6,128 | 5,131 | (997) |
| Total Assets (A) | 6,764 | 6,066 | (698) |
| Non-current liabilities | 2,195 | 2,195 | 0 |
| Current liabilities | 3,072 | 3,072 | 0 |
| Total Liabilities (B) | 5,267 | 5,267 | 0 |
| Net Assets (A-B) | 1,497 | 799 | (698) |
| Provisional goodwill | | 4,051 | |
| Acquisition cost | | 4,850 | |

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

| | Raydiall | |
|----------------------------------|----------|--------|
| (€ thousands) | 2015 | 2014 |
| Sales | 14,980 | 11,544 |
| Share of consolidated net profit | 618 | 104 |
| Non-current assets | 4,409 | 3,600 |
| Current assets | 6,948 | 5,956 |
| Non-current liabilities | 390 | 433 |
| Current liabilities | 6,818 | 6,236 |

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 customers. 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 region

| 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 |

| 2014* | France | Europe (excl. France) | Americas | Asia | Intragroup eliminations | Total |
|---|----------------|-----------------------|----------------|---------------|-------------------------|----------------|
| (€ thousands) | | | | | | |
| Sales (non-Group) | 85,622 | 22,612 | 112,641 | 58,381 | | 279,255 |
| Interregional sales | 88,272 | 2,390 | 11,662 | 26,362 | (128,686) | |
| Total | 173,894 | 25,002 | 124,302 | 84,743 | (128,686) | 279,255 |
| Other non-recurring operating income and expenses | (273) | | | (478) | | (751) |
| Operating profit | 9,951 | 1,250 | 20,340 | 13,224 | | 44,764 |
| Income tax | 324 | (347) | (7,276) | (2,157) | | (9,456) |
| Net profit – Group share | 8,476 | 914 | 13,080 | 8,699 | | 31,169 |
| Impairment of non-current assets | (6,499) | (9) | (2,503) | (1,069) | | (10,081) |
| Purchase of intangible assets | 356 | | | 88 | | 443 |
| Purchase of property, plant and equipment | 6,387 | 2 | 1,759 | 1,921 | | 10,068 |

* Restatements (which relate to the application of the IFRIC 21 interpretation) are explained in the section "Comparability of accounting periods"

Note 5 - Goodwill and intangible assets

5.1 Change in goodwill

(€ thousands)

| | |
|-------------------------|---------------|
| 31 December 2014 | 8,450 |
| Increases | |
| Decreases | |
| Writedowns | (586) |
| Translation adjustment | 716 |
| Change in scope | 4,051 |
| Other | |
| 31 December 2015 | 12,631 |

5.2 Breakdown of goodwill (net value)

(€ thousands)

| | 31 December 2015 | 31 December 2014 |
|------------------|-------------------------|-------------------------|
| Radiall Shanghai | 1,683 | 1,576 |
| Radiall USA | 5,502 | 4,934 |
| Radiall India | | 545 |
| Van-System | 4,051 | |
| I.D.M.M. | 1,395 | 1,395 |
| TOTAL | 12,631 | 8,450 |

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

In 2015, 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 2.10.

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 | |
|--------|------------------|-------------------------|-------|-------------------------|------|
| | | 2015 | 2014 | 2015 | 2014 |
| US | Radiall USA | 11.3% | 11.0% | 2% | 2% |
| | AEP brand | 11.3% | 11.0% | 2% | 2% |
| Europe | I.D.M.M. | 8.6% | 11.6% | 2% | 2% |
| China | Radiall Shanghai | 12.0% | 10.4% | 2% | 2% |
| India | Radiall India | 16.4% | 14.3% | 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 2015 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 2015, with the exception of:

- the goodwill of Radiall India Ltd, for which analyses highlighted indications of impairment leading to the recognition of a writedown of €586 K at 31 December 2015. This writedown was recognised under "other non-recurring operating income and expenses".

5.4 Intangible assets

| Gross value | Development costs | Patents and licences | Goodwill | Other intangible assets | Total |
|-------------------------|-------------------|----------------------|-----------|-------------------------|---------------|
| (€ thousands) | | | | | |
| 31 December 2014 | 344 | 13,348 | 70 | 7,920 | 21,682 |
| Acquisitions | | 357 | | 1,841 | 2,198 |
| Decreases | | (11) | | | (11) |
| Translation adjustment | | 724 | | 798 | 1,523 |
| Change in scope | | 12 | | | 12 |
| Other | | 150 | | (96) | 54 |
| 31 December 2015 | 344 | 14,580 | 70 | 10,464 | 25,458 |

| Amortisation and writedowns | Development costs | Patents and licences | Goodwill | Other intangible assets | Total |
|-----------------------------|-------------------|----------------------|-------------|-------------------------|-----------------|
| (€ thousands) | | | | | |
| 31 December 2014 | (344) | (10,017) | (70) | (1,852) | (12,284) |
| Acquisitions | | (853) | | (78) | (931) |
| Decreases | | 11 | | | 11 |
| Translation adjustment | | (485) | | (128) | (613) |
| Change in scope | | (3) | | | (3) |
| Other | | | | | |
| 31 December 2015 | (344) | (11,346) | (70) | (2,059) | (13,819) |
| Net value 2014 | | 3,331 | | 6,068 | 9,398 |
| Net value 2015 | | 3,233 | | 8,405 | 11,637 |

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 2014 | 1,214 | 34,795 | 110,126 | 7,865 | 6,609 | 160,609 |
| Acquisitions | | 743 | 5,756 | 800 | 5,592 | 12,891 |
| Disposals | | (505) | (1,721) | (531) | (570) | (3,326) |
| Translation adjustment | 35 | 745 | 3,540 | 158 | 142 | 4,620 |
| Change in scope | | | 2,740 | 244 | 8 | 2,991 |
| Other | | 214 | 2,227 | 82 | (2,576) | (53) |
| 31 December 2015 | 1,249 | 35,995 | 122,666 | 8,621 | 9,203 | 177,733 |

| Depreciation and writedowns (€ thousands) | Land | Buildings | Industrial facilities | Other PPE | Assets under construction | Total |
|--|--------------|-----------------|-----------------------|----------------|---------------------------|------------------|
| 31 December 2014 | | (20,796) | (75,666) | (6,000) | | (102,465) |
| Charges | | (1,536) | (7,569) | (562) | | (9,668) |
| Disposals | | 625 | 1,567 | 398 | | 2,590 |
| Translation adjustment | | (345) | (1,858) | (95) | | (2,298) |
| Change in scope | | | (1,963) | (229) | | (2,192) |
| Other | | (1) | 3 | (2) | | 3 |
| 31 December 2015 | | (22,054) | (85,487) | (6,490) | | (114,030) |
| Net value 2014 | 1,214 | 13,999 | 34,460 | 1,865 | 6,609 | 58,145 |
| Net value 2015 | 1,249 | 13,941 | 37,179 | 2,131 | 9,203 | 63,703 |

6.2 Lease-financed assets

| (€ thousands) | Land | Buildings | Industrial facilities | Other PPE | Total |
|-----------------------|------------|--------------|-----------------------|-----------|--------------|
| Net value 2014 | 351 | 4,716 | 3,445 | | 8,511 |
| Net value 2015 | 351 | 4,281 | 5,247 | | 9,879 |

Note 7 – Securities held in associates and joint ventures

| (€ thousands) | |
|--|--------------|
| 1 January 2014 | 1,359 |
| Share of net profit | 104 |
| Income and expenses accounted for under equity | (19) |
| 31 December 2014 | 1,444 |
| Share of net profit | 618 |
| Income and expenses accounted for under equity | 12 |
| 31 December 2015 | 2,074 |

Note 8 - Other financial assets

| (€ thousands) | |
|-------------------------|--------------|
| 31 December 2014 | 1,763 |
| Acquisitions | 183 |
| Disposals | (38) |
| Translation adjustment | 5 |
| Change in scope | 70 |
| Other | |
| 31 December 2015 | 1,983 |

Note 9 - Inventories

| (€ thousands) | 31 December 2015 | 31 December 2014 |
|---|------------------|------------------|
| Raw materials and supplies | 42,268 | 36,556 |
| Work in progress of goods and services | 6,080 | 5,573 |
| Finished products | 16,641 | 16,319 |
| Gross value | 64,990 | 58,447 |
| Provisions for raw materials and supplies | (5,062) | (5,282) |
| Provisions for work-in-progress | (18) | |
| Provisions for finished products | (2,581) | (1,553) |
| Provisions | (7,661) | (6,835) |
| Net value | 57,329 | 51,612 |

Fully provided inventories totalling €1,783 thousand were scrapped during the financial year.

Note 10 - Trade receivables

| (€ thousands) | 31 December 2015 | 31 December 2014 |
|------------------------|------------------|------------------|
| Trade receivables | 49,824 | 45,259 |
| Writedowns | (307) | (483) |
| Writedowns as % | 0.62% | 1.07% |
| Net value | 49,517 | 44,776 |

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 2015 | 31 December 2014 |
|-------------------------------------|------------------|------------------|
| Tax and social security receivables | 10,182 | 9,534 |
| Prepaid expenses | 1,505 | 629 |
| Other miscellaneous receivables | 2,585 | 3,702 |
| Total other receivables | 14,272 | 13,864 |

Note 12 - Cash and cash equivalents

| (€ thousands) | 31 December 2015 | 31 December 2014 |
|--|---------------------|---------------------|
| Other cash management financial assets | 5,009 | 9,409 |
| Investments maturing in less than three months | 34,027 | 33,638 |
| Cash | 38,998 | 36,046 |
| Total cash and cash equivalents | 73,025 | 69,683 |
| Available cash* | 78,034 | 79,092 |

* 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 2015, the Company's share capital totalled €2,817,454.94, comprising 1,848,124 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.

13.2 Treasury shares

| (€ thousands) | 31 December 2015 | 31 December 2014 |
|---|---------------------|---------------------|
| Opening balance | 37,139 | 37,841 |
| Shares purchased | 40,000 | |
| Shares sold | (1) | |
| Shares cancelled during the year | | (702) |
| Closing balance | 77,138 | 37,139 |
| As part of the market stimulation objective | | |
| For various other purposes | 77,138 | 37,139 |

13.3 Earnings per share

| (number of shares) | 31 December 2015 | 31 December 2014 * |
|---|---------------------|-----------------------|
| Net profit - Group share (€) | 28,879,519 | 31,169,000 |
| Weighted average number of shares outstanding during the period | 1,848,124 | 1,848,124 |
| Weighted average number of treasury shares during the period | 43,805 | 37,553 |
| Number of shares used in calculation | 1,804,319 | 1,810,571 |
| Earnings per share (€) | 16.01 | 17.20 |

* Restatements (which relate to the application of the IFRIC 21 interpretation) are explained in the section "Comparability of accounting periods"

13.4 Proposed dividend

The Executive Board and the Supervisory Board, at the meeting held on 24 March 2016, 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 12 May 2016.

Note 14 - Provisions

14.1 Change in current asset provisions

| (€ thousands) | 31 December 2014 | Writedowns | Reversals | Translation adjustment | Change in scope | 31 December 2015 |
|---------------------------------------|---------------------|--------------|--------------|---------------------------|--------------------|------------------|
| Provisions for bad debt | (483) | (84) | 298 | (10) | (29) | (307) |
| Provisions for inventory writedowns | (6,835) | (624) | 1,036 | (241) | (997) | (7,661) |
| Total current asset provisions | (7,318) | (708) | 1,334 | (251) | (1,026) | (7,968) |

14.2 Change in current and non-current provisions

| (€ thousands) | 31 December 2014 | Charges | Used reversals | Unused reversals | Foreign exchange differences | Reclassifi- cations | Change in scope | 31 December 2015 |
|--|---------------------|------------|-------------------|---------------------|------------------------------------|------------------------|--------------------|---------------------|
| Retirement benefits | 10,244 | 21 | | (824) | 0 | | 709 | 10,149 |
| Other non-current provisions | 154 | 60 | | | 17 | | | 232 |
| Non-current provisions | 10,398 | 81 | | (824) | 17 | | 709 | 10,383 |
| Provision for technical and commercial risks | 199 | 553 | | (199) | 4 | | 25 | 582 |
| Provision for other risks | 586 | 35 | (35) | (161) | 3 | | | 427 |
| Current provisions | 784 | 588 | (35) | (360) | 7 | | 25 | 1,009 |

14.3 Retirement benefit commitments

Assumptions used for retirement benefits

| | 31 Dec. 2015 | 31 Dec. 2014 |
|-----------------------------------|--------------|--------------|
| 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% | 2.80% |
| Discount rate | 2.03% | 1.70% |
| 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 | 47.13% | 47.13% |
| - Non executives | 45.74% | 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 | 312 | (299) |
| 0.25 pps change in the salary increase rate | (298) | 309 |
| 20% change in the turnover rate | 193 | (179) |

The information provided in this note only applies to Radiall and IDMM. The only other Group subsidiary having a significant retirement benefit commitment is Van-System Srl. This commitment will be revised as part of the provision for retirement benefits valuation for the 2016 financial year. 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 2015 | 31 December 2014 |
|--|------------------|------------------|
| Past service costs at start of period | 10,244 | 7,807 |
| Cost of services provided during the year | (130) | 405 |
| Benefits paid during the year | (421) | (335) |
| Actuarial losses (gains) generated during the year | (446) | 2,126 |
| Financial costs for the year | 162 | 241 |
| Total | 9,409 | 10,244 |

Plan assets

There were no plan assets at 31 December 2015.

Note 15 – Financial debt

| 31 December 2015 (€ thousands) | Current < 1 year | Non-current 1 to 5 years | > 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 |

| 31 December 2014 (€ thousands) | Current < 1 year | Non-current 1 to 5 years | > 5 years | Total |
|-----------------------------------|---------------------|-----------------------------|--------------|---------------|
| Repayable loans | 19 | 548 | 186 | 734 |
| Bonds | | | | |
| Other financial debt | 231 | 5,470 | | 5,470 |
| Lease finance agreements | 807 | 2,977 | 3,067 | 6,043 |
| Total | 1,057 | 8,995 | 3,253 | 12,248 |
| Liabilities in EUR | 1,057 | 8,995 | 3,253 | 12,248 |
| Liabilities in USD | | | | |
| Liabilities in other currencies | | | | |
| Total | 1,057 | 8,995 | 3,253 | 12,248 |

Note 16 - Other liabilities

| (€ thousands) | 31 December 2015 | 31 December 2014* |
|-------------------------------------|------------------|-------------------|
| Downpayments on orders | 845 | 1,120 |
| Tax and social security liabilities | 30,391 | 29,454 |
| Fixed asset suppliers | 924 | 677 |
| Derivative financial instruments | 501 | 1,779 |
| Miscellaneous liabilities | 1,239 | 1,575 |
| Accruals | 955 | 750 |
| Total other liabilities | 34,854 | 35,354 |

* Restatements (which relate to the application of the IFRIC 21 interpretation) are explained in the section "Comparability of accounting periods"

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 December 2015 | | 31 December 2014 * | |
|-------------------------------------|---------|------------------|------------|--------------------|------------|
| | | Book value | Fair value | Book value | Fair value |
| Assets | | | | | |
| Other financial assets | N/A | 1,983 | 1,983 | 1,763 | 1,763 |
| Trade and other current receivables | N/A | 49,111 | 49,111 | 44,776 | 44,776 |
| Derivative financial instruments | Level 2 | | | | |
| Cash and cash equivalents | Level 1 | 78,034 | 78,034 | 79,092 | 79,092 |
| Total | | 129,128 | 129,128 | 125,632 | 125,632 |
| Liabilities | | | | | |
| Financial debt | N/A | 16,343 | 16,343 | 13,305 | 13,305 |
| Derivative financial instruments | Level 2 | 501 | 501 | 1,779 | 1,779 |
| Total | | 16,844 | 16,844 | 15,084 | 15,084 |

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 2015, the Group also applied hedge accounting to cover exchange rate risks.

sheet

| (€ thousands) | 2015 | | 2014 | |
|---|----------|--------------|----------|----------------|
| | Asset | Liability | Asset | Liability |
| Management of interest rate risk | 0 | (384) | 0 | (664) |
| Management of foreign exchange risk | 0 | (117) | 0 | (1,115) |
| Derivative financial instruments | 0 | (501) | 0 | (1,779) |

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) | 2015 |
|------------------|----------|
| Sales | (18,343) |
| Impact on equity | (7,664) |

17.2.1 Value of derivative instruments in the balance

(foreign exchange differences)

Hedge instruments in place

At 31 December 2015, these instruments represented a cumulative total of USD 31,575 thousand, to be converted in monthly instalments from January to June 2016 based on a USD/EUR conversion rate of 1.0170 to 1.2000, and knock-out options effective in the event that the cumulative difference reaches USD 0.15.

| | Nominal (currency thousands) | Fair value - Cash Flow Hedge (€ thousands) | Fair value - Trading (€ thousands) |
|---|------------------------------------|--|--|
| Futures (USD put option) | 1,000 | | (1) |
| Options (zero-premium collar) (USD put option) | 14,000 | 105 | (139) |
| Knock-out barrier instruments (USD put option) | 16,575 | | (82) |
| Total | 31,575 | 105 | (222) |

The fair value movement in the intrinsic value presented under "Cash flow hedge" was a positive €105 K for 2015 and a negative €537 K in 2014, and is recorded as a positive €642 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 €222 K in 2015 and a negative €578 K in 2014, and was recorded in net financial income as an income of €356 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 2015 | 31 December 2014 |
|-----------------------|---------------------|---------------------|
| Not due | 44,534 | 40,930 |
| Outstanding: | | |
| for less than 30 days | 3,859 | 3,639 |
| 31 to 60 days | 725 | 304 |
| 61 to 90 days | 309 | (3) |
| 91 to 180 days | 89 | (94) |
| Total | 49,517 | 44,776 |

There were no other significant unpaid, non-written down financial assets at 31 December 2015.

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 2015, 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 its repayment.

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 credit facility) | July 2016 | 1.565% | 10,000 | (228) |
| Interest rate swap Variable/Fixed (on lease contract) | September 2022 | 3.25% | 1,398 | (156) |

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 2015 | 31 December 2014* |
|--------------------------|------------------|-------------------|
| France | (2,007) | (1,222) |
| International | (10,351) | (10,080) |
| Tax payable | (12,358) | (11,301) |
| France | 262 | 1,546 |
| International | 3 | 299 |
| Deferred tax | 264 | 1,845 |
| Tax gain (charge) | (12,093) | (9,456) |

* Restatements (which relate to the application of the IFRIC 21 interpretation) are explained in the section "Comparability of accounting periods"

The Group's effective tax rate rose from 21.8% at 31 December 2014 to 29.2% at 31 December 2015.

18.2 Reconciling the theoretical and effective tax charges

The reconciling items are as follows:

| (€ thousands) | 31 December 2015 | 31 December 2014* |
|---|------------------|-------------------|
| Profit before tax | 41,444 | 43,419 |
| Theoretical tax at the rates in force in each country | (12,147) | (12,445) |
| Impact of equity-accounted entities | (206) | 35 |
| Change in deferred tax recognised on losses carried forward | 1,150 | 1,774 |
| Effect of usage of tax losses carried forward not previously recognised | | 1,094 |
| Impact of non-deductible charges and non-taxable income | (736) | (997) |
| Deferred taxes not recognised on losses for the period | (38) | (6) |
| Research tax credit | 593 | 489 |
| Competitiveness and employment tax credit | 488 | 487 |
| Other tax credits | 7 | 21 |
| Taxes without base (**) | (1,290) | 51 |
| Additional contribution | (136) | (94) |
| Reduced rate taxation | 147 | 61 |
| Other | 75 | 74 |
| Total | (12,093) | (9,456) |

* Restatements (which relate to the application of the IFRIC 21 interpretation) are explained in the section "Comparability of accounting periods"

** The line "Taxes without base" includes €1,137 thousand withholding tax on dividends recognised for Radiall SA

18.3 Net deferred tax position

| (€ thousands) | 31 December 2015 | 31 December 2014* |
|---------------------------|------------------|-------------------|
| Deferred tax assets | 4,564 | 3,651 |
| Deferred tax liabilities | (5,236) | (4,133) |
| Net deferred taxes | (671) | (482) |

* Restatements (which relate to the application of the IFRIC 21 interpretation) are explained in the section "Comparability of accounting periods"

18.4 Main deferred consolidated tax assets and liabilities

| (€ thousands) | 31 December 2015 | 31 December 2014* |
|---|------------------|-------------------|
| Effect of losses brought forward | 4,759 | 4,523 |
| Tax effect of temporary differences related to: | | |
| - Other non-current assets | (9,113) | (9,254) |
| - Inventories | 2,027 | 1,416 |
| - Other current assets | 157 | 1,190 |
| - Provisions for liabilities | 3,836 | 4,106 |
| - Other liabilities | 843 | 674 |
| - Other | 4 | (41) |
| Tax impact of temporary differences | (2,245) | (1,909) |
| Gross deferred tax assets (liabilities) | 2,514 | 2,615 |
| Provision for impairment of deferred tax assets | (3,185) | (3,097) |
| Net deferred taxes | (671) | (482) |

* Restatements (which relate to the application of the IFRIC 21 interpretation) are explained in the section "Comparability of accounting periods"

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 2015 | 31 December 2014 |
|---|---------------------|---------------------|
| Tax receivable (advance payments and tax credit) | 8,606 | 6,738 |
| Total under balance sheet assets | 8,606 | 6,738 |
| Tax liabilities | (957) | (303) |
| Total under balance sheet liabilities | (957) | (303) |

Note 19 - Headcount and payroll

| (€ thousands) | 31 December 2015 | 31 December 2014 |
|-------------------------------|------------------|------------------|
| External staff | 18,189 | 17,295 |
| Salaries | 57,493 | 52,248 |
| Social security contributions | 32,387 | 33,904 |
| Total | 108,069 | 103,446 |
| France | 72,508 | 72,557 |
| International | 35,561 | 30,889 |
| Total | 108,069 | 103,446 |

Pursuant to the recommendation of Autorité des Normes Comptables, CICE income of €1,465 K was deducted from payroll costs. Note that the CICE income was €1,460 K for the 2014 financial year.

| (Average headcount) | 2015 | | 2014 | |
|---------------------|--------------|--------------|--------------|--------------|
| | internal | external | internal | external |
| France | 1,187 | 202 | 1,066 | 301 |
| International | 604 | 916 | 412 | 1,174 |
| Total | 1,791 | 1,118 | 1,479 | 1,475 |

Note 20 - Research and development costs

| (€ thousands) | 31 December 2015 | 31 December 2014 |
|---|---------------------|---------------------|
| Non-capitalised costs | 21,295 | 19,232 |
| Amortisation of capitalised development costs | | |
| Total costs incurred | 21,295 | 19,232 |

Note 21 - Other operating income and expenses

| (€ thousands) | 31 December 2015 | 31 December 2014 |
|--|---------------------|---------------------|
| Foreign exchange losses | 282 | 313 |
| Capital gain/(loss) on asset disposals | (110) | (332) |
| Grants | 1,006 | 631 |
| Other income and expenses | (107) | 551 |
| Total | 1,070 | 1,162 |

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 2015 | 31 December 2014 |
|-----------------------------|------------------|------------------|
| (€ thousands) | | |
| Writedown of inventories | (1,371) | (2,232) |
| Writedown of current assets | (36) | 56 |
| Provisions for liabilities | (227) | (321) |
| Total | (1,634) | (2,497) |

In 2015, inventory writedowns were mainly incurred by Radiall SA and I.D.M.M.

Note 24 - Non-recurring income and expenses

| | 31 December 2015 | 31 December 2014 |
|--|------------------|------------------|
| (€ thousands) | | |
| Goodwill impairment | (586) | (871) |
| Net book value of non-current assets sold | | (768) |
| Proceeds on disposal of non-current assets | | 888 |
| Total | (586) | (751) |

Other non-recurring expenses include goodwill impairment of €586 K in relation to Radiall India.

Note 25 - Other financial income and expenses

| | 31 December 2015 | 31 December 2014 |
|---|------------------|------------------|
| (€ thousands) | | |
| Foreign exchange gain on intragroup financing and bank balances | 525 | 213 |
| Financial instrument gains | 516 | 0 |
| Other financial income | 33 | 4 |
| Total other financial income | 1,073 | 217 |
| Foreign exchange loss on intragroup financing and bank balances | (1,310) | (681) |
| Financial instrument expense | (1,801) | (698) |
| Other financial expenses | (3) | (47) |
| Total other financial expenses | (3,115) | (1,426) |
| Total | (2,042) | (1,209) |

Note 26 - Statutory Auditors' fees

| (€ thousands) | MAZARS | | | | FIDUS | | | |
|--|--------------------|------------|-------------|-------------|--------------------|-----------|-------------|-------------|
| | Amount (excl. tax) | | % | | Amount (excl. tax) | | % | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Audit | | | | | | | | |
| <i>- Statutory Audit, certificates, parent company and consolidated financial statements</i> | | | | | | | | |
| Radiall | 114 | 124 | 27% | 37% | 56 | 63 | 74% | 77% |
| Fully-consolidated subsidiaries | 193 | 162 | 47% | 49% | 19 | 19 | 25% | 23% |
| <i>- Other services directly connected to the Statutory Auditors' duties</i> | | | | | | | | |
| Radiall | 84 | 10 | 20% | 3% | 1 | | 1% | |
| Fully-consolidated subsidiaries | | 3 | | 1% | | | | |
| Sub-total | 391 | 299 | 93% | 90% | 76 | 82 | 100% | 100% |
| Other services | | | | | | | | |
| Legal, social, tax | 27 | 34 | 6% | 10% | | | | |
| Other advisory duties | | | | | | | | |
| Sub-total | 27 | 34 | 6% | 10% | | | | |
| TOTAL | 418 | 333 | 100% | 100% | 76 | 82 | 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 2015, the Group was entitled, under a financing contract signed in July 2011, to draw down €76.6 million, €19.6 million of which as revolving credit and €57 million intended mainly for specific transactions, in particular mergers and acquisitions.

Compliance with covenants at 31 December 2015:

Based on the Radiall Group's consolidated financial statements at 31 December 2015, the ratios in the Financing Agreement were complied with.

27.2 Commitments relating to financial lease agreements

| (€ thousands) | | 31 Dec. 2015 | 31 Dec. 2014 |
|--------------------------|--------------------|--------------|--------------|
| Property | Maturity <= 1 year | 2,779 | 2,071 |
| | 1 to 5 years | 5,520 | 3,956 |
| | More than 5 years | - | 236 |
| | Total | 8,299 | 6,263 |
| Other non-current assets | Maturity <= 1 year | 338 | 313 |
| | 1 to 5 years | 431 | 707 |
| | More than 5 years | 98 | 0 |
| | Total | 867 | 1,020 |

27.3 Commitments relating to operating lease agreements

| (€ thousands) | | 31 Dec. 2015 | 31 Dec. 2014 |
|--------------------------|--------------------|--------------|--------------|
| Property | Maturity <= 1 year | 2,779 | 2,071 |
| | 1 to 5 years | 5,520 | 3,956 |
| | More than 5 years | - | 236 |
| | Total | 8,299 | 6,263 |
| Other non-current assets | Maturity <= 1 year | 338 | 313 |
| | 1 to 5 years | 431 | 707 |
| | More than 5 years | 98 | 0 |
| | Total | 867 | 1,020 |

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, exercisable at the end of January 2017. The exercise of the option remaining uncertain at 31 December 2015, 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 2015.

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 2015, 55.5% of Radiall's capital was held by Hodiall and 32.6% 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 €1,800 thousand for the 2015 financial year.

The transactions between Radiall SA and these related parties were detailed as follows at 31 December 2015:

| (€ thousands) | Hodiall | S.I.R. |
|---|----------------|--------|
| Trade receivables | | |
| Current account | | |
| Total Assets | | |
| Trade payables | | |
| Financial debt | 950 | |
| Total Liabilities | 950 | |
| Sales | 35 | |
| Purchases | (1,800) | |
| Total Profit(Loss) from recurring operations | (1,765) | |
| Financial interest | (9) | |
| Dividends paid by Radiall S.A. | 2,474 | 733 |

28.3 Raydiall

At 31 December 2015, 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 | 189 |
| Current account | 1,660 |
| Total Assets | 1,849 |
| Trade payables | (5) |
| Financial debt | |
| Total Liabilities | (5) |
| Sales | 652 |
| Purchases | (13) |
| Total Profit/(Loss) from recurring operations | 639 |
| Financial interest | 30 |

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 2015, unchanged from 2014.

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 2015 | 31 December 2014 |
|--|---------------------|---------------------|
| Short-term benefits excl. employer contributions | 1,658 | 1,411 |
| Employer contributions | 684 | 609 |
| Post-employment benefits (*) | | |
| Other long-term benefits (**) | | |
| Share-based payments | | |
| Other items | | |
| Total | 2,342 | 2,020 |

(*) Past service cost

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

At 31 December 2015, the total amount of retirement commitments due in respect of members of the ESC was €206 K compared with €200 K at 31 December 2014. The amount of directors' fees paid to members of the Supervisory Board and Executive Board totalled €162 K for 2015 and €156 K for 2014.

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 2015, and the date the Supervisory Board approved the financial statements.

2. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Financial year ended 31 December 2015

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 2015, 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.

Without qualifying the above opinion, we draw your attention to the note to the consolidated financial statements on the comparability of accounting periods, which describes the impact of the application of the IFRIC 21 from 1 January 2015.

Paris and Courbevoie, 18 April 2016,
The Statutory Auditors

MAZARS

FIDUS

II - Justification of assessments

In application of 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 this impairment test 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

III. PARENT COMPANY FINANCIAL STATEMENTS

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1. PARENT COMPANY FINANCIAL STATEMENTS

BALANCE SHEET AT 31 DECEMBER 2015 – RADIAL S.A.

| Assets (€ thousands) | 31 December 2015 | | | 31 December 2014 |
|---|------------------|--------------------|----------------|------------------|
| | Gross | Amort., Depr. & | Net | |
| Fixed assets | | | | |
| Intangible assets | 9,413 | 5,752 | 3,661 | 1,829 |
| Research and development costs | 344 | 344 | 0 | 0 |
| Patents & licences | 673 | 575 | 98 | 166 |
| Software | 5,809 | 4,763 | 1,046 | 892 |
| Business goodwill | 132 | 70 | 62 | 62 |
| Intangible assets in progress | 2,455 | | 2,455 | 709 |
| Property, plant and equipment | 89,208 | 63,952 | 25,256 | 23,084 |
| Land | 432 | | 432 | 432 |
| Buildings | 17,896 | 12,299 | 5,597 | 5,484 |
| Plant and machinery | 58,580 | 47,673 | 10,907 | 11,220 |
| Other fixed assets | 5,099 | 3,980 | 1,119 | 947 |
| Property, plant and equipment in progress | 6,846 | | 6,846 | 4,188 |
| Advance payments | 355 | | 355 | 813 |
| Financial investments | 64,048 | 5,178 | 58,870 | 39,898 |
| Participating interests | 54,014 | 5,178 | 48,836 | 37,682 |
| Other long-term securities | 0 | | 0 | 0 |
| Other financial investments | 10,034 | | 10,034 | 2,216 |
| Total fixed assets | 162,669 | 74,882 | 87,787 | 64,811 |
| Current assets | | | | |
| Inventories and work in progress | 31,099 | 3,571 | 27,528 | 26,409 |
| Raw materials and supplies | 21,898 | 2,965 | 18,933 | 17,159 |
| Work in progress goods and services | 2,749 | | 2,749 | 3,761 |
| Semi-finished and finished products | 6,452 | 606 | 5,846 | 5,489 |
| Trade receivables | 29,282 | 98 | 29,184 | 28,088 |
| Other current assets | 15,785 | 584 | 15,201 | 13,809 |
| Prepayments on orders | 31 | | 31 | 66 |
| Other receivables | 15,754 | 584 | 15,170 | 13,743 |
| Cash and cash equivalents | 47,978 | 0 | 47,978 | 50,180 |
| Treasury shares | 0 | | 0 | 0 |
| Marketable securities | 39,036 | | 39,036 | 43,047 |
| Cash | 8,942 | | 8,942 | 7,133 |
| Total current assets | 124,144 | 4,253 | 119,891 | 118,486 |
| Prepaid expenses | 691 | | 691 | 131 |
| Bond issue expenses to be amortised | 461 | | 461 | 267 |
| Foreign exchange differences | 316 | | 316 | 240 |
| Total assets | 288,281 | 79,135 | 209,146 | 183,935 |

BALANCE SHEET AT 31 DECEMBER 2015 – RADIAL S.A.

| Equity and liabilities (€ thousands) | 31 December 2015 | 31 December 2014 |
|---|------------------|------------------|
| Equity | | |
| Share capital | 2,817 | 2,817 |
| Share, merger and contribution premiums | 21,897 | 21,897 |
| Legal reserve | 339 | 339 |
| Statutory and contractual reserves | 41,822 | 41,729 |
| Retained earnings | 46,504 | 29,855 |
| Profit for the financial year | 30,903 | 21,270 |
| Regulated provisions | 8,355 | 8,365 |
| Total equity | 152,637 | 126,272 |
| Provisions | | |
| for liabilities | 1,048 | 975 |
| for charges | 9,026 | 9,830 |
| Total provisions | 10,074 | 10,805 |
| Liabilities | | |
| Financial debt | 8,749 | 8,881 |
| Bank borrowings | 5,538 | 5,715 |
| Other financial debt | 3,211 | 3,166 |
| Trade payables | 15,530 | 15,222 |
| Other liabilities | 21,802 | 22,133 |
| Prepayments on orders | 8 | 767 |
| Tax and social security liabilities | 20,134 | 19,956 |
| Liabilities on fixed assets | 667 | 662 |
| Other liabilities | 993 | 748 |
| Total liabilities | 46,081 | 46,236 |
| Foreign exchange differences | 354 | 622 |
| Total equity and liabilities | 209,146 | 183,935 |

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015 – RADIALl S.A.

| (€ thousands) | 2015 | 2014 |
|--|----------------|----------------|
| Operating revenue | | |
| Sales of goods | 149,140 | 149,896 |
| Sales of services | 2,250 | 1,980 |
| Total sales | 151,390 | 151,876 |
| Change in inventories (own work) | (649) | (76) |
| Own work capitalised | 288 | 210 |
| Operating grants | 451 | 525 |
| Provision reversals and charges transferred | 4,815 | 1,850 |
| Other revenue | 14,782 | 13,424 |
| Total operating revenue | 171,077 | 167,809 |
| Operating expenses | | |
| Purchase of raw materials and other supplies | 55,751 | 56,040 |
| Change in inventory | (1,564) | (203) |
| Other purchases and external charges | 40,091 | 35,647 |
| Taxes and duties | 3,643 | 3,613 |
| Payroll costs | 42,385 | 41,481 |
| Social contributions | 18,217 | 17,575 |
| Charges: | | |
| - fixed asset amortisation and depreciation | 3,920 | 4,249 |
| - amortisation of loan issue costs | 88 | 67 |
| - provisions for current assets | 670 | 889 |
| - provisions for liabilities and charges | 355 | 3,307 |
| Other expenses | 294 | 293 |
| Total operating expenses | 163,850 | 162,958 |
| Operating profit | 7,227 | 4,851 |
| Financial income | | |
| Financial income | 25,987 | 16,207 |
| Positive foreign exchange differences | 2,734 | 1,348 |
| Total financial income | 28,721 | 17,555 |
| Financial expenses | | |
| Financial expenses | 1,026 | 1,183 |
| Negative foreign exchange differences | 4,107 | 1,519 |
| Total financial expenses | 5,133 | 2,702 |
| Net financial income | 23,588 | 14,853 |
| Pre-tax profit | 30,815 | 19,704 |
| Non-recurring income | 2,441 | 3,959 |
| Non-recurring expenses | 2,476 | 2,864 |
| Net non-recurring income | (35) | 1,095 |
| Income tax charge (refund) | (123) | (471) |
| Net profit | 30,903 | 21,270 |

CASH FLOW STATEMENT AT 31 DECEMBER 2015 – RADIALl S.A.

(€ thousands)

| | 2015 | 2014 |
|---|-----------------|----------------|
| Net profit | 30,903 | 21,271 |
| Share of minority interests in net profit | 0 | 0 |
| Share of profit of equity-accounted subsidiaries | 0 | 0 |
| Amortisation and depreciation charges | 3,920 | 3,978 |
| Net change in provisions | (850) | 2,154 |
| Capital gains/losses on disposals | 41 | (308) |
| Provisions recognised as other operating income and expenses | | |
| Interest expense | 494 | 453 |
| Income tax charge | 1,654 | 990 |
| Self-financing capacity | 36,162 | 28,538 |
| Change in inventories | (1,119) | (184) |
| Change in trade receivables | (1,096) | 1,057 |
| Change in trade payables | 177 | (174) |
| Change in other assets and liabilities | (3,919) | 9,502 |
| Change in working capital requirements | (5,957) | 10,201 |
| Interest paid | (505) | (442) |
| Tax paid | (381) | (2,850) |
| Cash flow from operating activities (A) | 29,319 | 35,447 |
| Acquisition of intangible assets | (2,147) | (366) |
| Acquisition of property, plant, and equipment | (6,339) | (5,782) |
| Acquisition of financial assets | (11,030) | (2,730) |
| Disposal of property, plant, and equipment | 633 | 1,598 |
| Disposal of financial assets | (142) | (1,154) |
| Net cash from acquisitions/disposals of subsidiaries | 0 | 0 |
| | 0 | 0 |
| Cash flow from investment activities (B) | (19,025) | (8,434) |
| Dividends paid to RADIALl SA shareholders | (4,527) | (2,716) |
| Purchase and sale of treasury shares | (7,800) | 48 |
| Proceeds from new borrowings | | 750 |
| Repayment of borrowings | (202) | (2,202) |
| Cash flow from financing activities (C) | (12,529) | (4,120) |
| Change in cash and cash equivalents (A+B+C+D) | (2,235) | 22,893 |
| Cash and cash equivalents at the beginning of the period | 50,095 | 27,202 |
| Cash reclassifications | 0 | 0 |
| Cash and cash equivalents at the end of the period | 47,860 | 50,095 |

Note 1 - Significant events

During the financial year 2015, Radiall made significant equity investments: the purchase of securities in its subsidiary Shanghai Radiall Electronic Co Ltd from Feilo Shanghai co Ltd, and the acquisition of 100% of the securities in Van-System srl and Van-System Swiss SA.

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: 10 to 20 years
- Machinery and equipment: 3 to 20 years
- IT hardware: 3 to 5 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:

- 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. 2014 | Acquisitions | Transfers | Disposals | 31 Dec. 2015 |
|--------------------------------|--------------|--------------|-----------|-----------|--------------|
| Research and development costs | 344 | | | | 344 |
| Patents, licences, software | 6,035 | 307 | 140 | | 6,482 |
| Business goodwill | 132 | | | | 132 |
| Intangible assets in progress | 709 | 1,841 | (95) | | 2,455 |
| Total | 7,220 | 2,148 | 45 | 0 | 9,413 |

Property, plant and equipment

| (€ thousands) | 31 Dec. 2014 | Acquisitions | Transfers | Disposals | 31 Dec. 2015 |
|------------------------|---------------|--------------|-------------|--------------|---------------|
| Land | 432 | | | | 432 |
| Buildings | 17,720 | 677 | | 501 | 17,896 |
| Plant and equipment | 57,157 | 1,479 | 827 | 883 | 58,580 |
| Other PPE | 4,732 | 540 | 6 | 179 | 5,099 |
| PPE under construction | 4,188 | 3,351 | (123) | 570 | 6,846 |
| Advance payments | 813 | 297 | (755) | | 355 |
| Total | 85,042 | 6,344 | (45) | 2,133 | 89,208 |

Note 5 - Change in amortisation and depreciation of fixed assets

Amortisation of intangible assets

| (€ thousands) | 31 Dec. 2014 | Charges | Reversals | 31 Dec. 2015 |
|--------------------------------|--------------|------------|-----------|--------------|
| Research and development costs | 344 | | | 344 |
| Patents, licences, software | 4,977 | 361 | | 5,338 |
| Business goodwill | 70 | | | 70 |
| Total | 5,391 | 361 | 0 | 5,752 |

Depreciation of property, plant and equipment

| (€ thousands) | 31 Dec. 2014 | Charges | Reversals | 31 Dec. 2015 |
|---------------------|---------------|--------------|--------------|---------------|
| Buildings | 12,236 | 629 | 566 | 12,299 |
| Plant and equipment | 45,937 | 2,557 | 821 | 47,673 |
| Other PPE | 3,785 | 372 | 177 | 3,980 |
| Total | 61,958 | 3,558 | 1,564 | 63,952 |

At 31 December 2015, a €388 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. 2014 | Charges | Reversals | 31 Dec. 2015 |
|-----------------------------|---------------|---------------|-----------|---------------|
| Participating interests | 43,015 | 10,999 | | 54,014 |
| Other financial investments | 2,216 | 7,830 | 12 | 10,034 |
| Total gross | 45,231 | 18,829 | 12 | 64,048 |

Transactions involving participating interests:

- On 21 July 2015, Radiall increased its equity investment in its subsidiary Radiall Shanghai by 20% for €6,884 thousand. At 31 December 2015, Radiall held 95.95% of the share capital of Radiall Shanghai.
- On 29 July 2015, Radiall acquired 100% of the shares of Van-System (Italy) and Van-System Swiss for a total of €3,965 thousand.
- On 17 December 2015, the 3,000 bonds in E-blink acquired on 28 July 2015 for €150 thousand were converted into 37,500 shares in the same company. At 31 December 2015, Radiall held 5.85% of the share capital of E-Blink.

Movements in other financial investments:

- On 19 October 2015, Radiall SA bought back 40,000 of its own shares from Hodiall. At 31 December 2015, there were 77,138 treasury shares, representing 4.17% of the share capital.

Provisions for writedown of financial assets:

| (€ thousands) | 31 Dec. 2014 | Charges | Reversals | 31 Dec. 2015 |
|--|--------------|-----------|------------|--------------|
| Provision for writedown of participating interests | 5,333 | 72 | 227 | 5,178 |
| Total | 5,333 | 72 | 227 | 5,178 |

- The reversal of a provision of €64 thousand was recognised on Radiall Ltd securities following the improvement in the net worth of this company.
- The reversal of a provision of €163 thousand was recognised on Radiall Ventures securities following the improvement in the net worth of IDMM, a subsidiary wholly-owned by Radiall Ventures.
- A provision of €72 thousand was recognised during the 2015 financial year in relation to Radiall India Private Ltd.

Note 7 - Change in inventories

7.1 Inventories

| (€ thousands) | 31 Dec. 2014 | 31 Dec. 2015 | Change |
|-------------------------------------|---------------|---------------|------------|
| Raw materials and supplies | 20,334 | 21,898 | 1,564 |
| Work in progress goods and services | 3,761 | 2,749 | (1,012) |
| Semi-finished and finished products | 6,089 | 6,452 | 363 |
| Total gross values | 30,184 | 31,099 | 915 |

7.2 Provision for inventory writedowns

| (€ thousands) | 31 Dec. 2014 | Charges | Reversals | 31 Dec. 2015 |
|---|--------------|------------|------------|--------------|
| Provisions for raw materials and supplies | 3,175 | 406 | 616 | 2,965 |
| Provisions for finished products | 600 | 201 | 195 | 606 |
| Total provisions | 3,775 | 607 | 811 | 3,571 |

Note 8 - Trade receivables

This item corresponds to the amount of trade receivables and bills received. Bills totalled €198 thousand. These are due in less than one year.

Note 9 - Detail of other receivables

| (€ thousands) | 31 December 2015 | | | 31 December 2014 | | |
|--------------------------------------|------------------|--------------|---------------|------------------|--------------|---------------|
| | < 1 year | > 1 year | Total | < 1 year | > 1 year | Total |
| Income tax | 1,284 | 6,177 | 7,461 | 534 | 5,134 | 5,668 |
| Other receivables from the State | 3,538 | | 3,538 | 3,278 | | 3,278 |
| Subsidiaries current accounts | 4,381 | | 4,381 | 4,511 | | 4,511 |
| Receivables on litigation in process | 0 | | 0 | 456 | | 456 |
| Receivables from suppliers | 47 | | 47 | 139 | | 139 |
| Sundry accruals | 327 | | 327 | 178 | | 178 |
| TOTAL | 9,577 | 6,177 | 15,754 | 9,096 | 5,134 | 14,230 |

The income tax receivable of €7,461 thousand corresponds mainly to a research tax credit of €4,692 thousand which is expected to be refunded in 2016, 2017, 2018 and 2019, and a competitiveness and employment tax credit of €2,738 thousand, which is to be refunded in 2017, 2018 and 2019.

Other receivables from the State, amounting to €3,538 thousand, mainly include VAT receivables of €2,290 thousand, grants pending of €1,004 thousand and deductions at source of €243 thousand.

Note 10 - Inventory of marketable securities

No treasury shares are classified as marketable securities.

Accrued interest not yet due at 31 December 2015 relates to certificates of deposits valued at €20 thousand.
Unrealised capital gains of €230 thousand have been recorded on investment products.

(€ thousands)

| | | |
|---------------------------------------|----------|---------------|
| Certificates of deposit | : | 18,700 |
| Investment in short-term mutual funds | : | 20,336 |
| Provision for writedowns | : | - |
| Total | : | 39,036 |

Note 11 - Statement of changes in equity

| (€ thousands) | 31 Dec. 2014 | Increase | Decrease | 31 Dec. 2015 |
|-----------------------------------|----------------|---------------|---------------|----------------|
| Share capital | 2,817 | | | 2,817 |
| Share premium | 21,897 | | | 21,897 |
| Legal reserve | 339 | | | 339 |
| Statutory or contractual reserves | 41,729 | 93 | | 41,822 |
| Retained earnings | 29,855 | 16,649 | | 46,504 |
| Profit for the year | 21,270 | 30,903 | 21,270 | 30,903 |
| Regulated provisions | 8,365 | 1,793 | 1,803 | 8,355 |
| Total equity | 126,272 | 49,438 | 23,073 | 152,637 |

Dividends distributed by Radiall in 2015 totalled €4,620 thousand, including €93 thousand in dividends attributable to treasury shares and allocated to reserves.

At 31 December 2015, the Company's share capital totalled €2,817,454.94. It comprised 1,848,124 shares. Double voting rights are attached to registered shares that have been held for at least four years.

Note 12 - Shareholding structure

| | 31 Dec. 2015 | | 31 Dec. 2014 | |
|--------------------------------------|--------------|--------------------|--------------|--------------------|
| | % of shares | % of voting rights | % of shares | % of voting rights |
| - Société d'Investissement Radiall * | 32.6 | 35.8 | 32.6 | 35.3 |
| - Hodiall * | 53.2 | 57.5 | 51.4 | 55.7 |
| - Pierre Gattaz | 2.7 | 2.9 | 2.7 | 2.9 |
| - General public and others ** | 11.5 | 3.8 | 13.3 | 6.1 |

* 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. 2014 | Increases | Used reversals | Unused reversals | 31 Dec. 2015 |
|---|--------------|------------|----------------|------------------|--------------|
| Exchange rate risks | 240 | 316 | 240 | | 316 |
| Technical and commercial risks | 281 | 325 | | 281 | 325 |
| Miscellaneous risks | 454 | 11 | 35 | 23 | 407 |
| Total provisions for liabilities | 975 | 652 | 275 | 304 | 1,048 |
| Provisions for restructuring | 0 | | | | 0 |
| Retirement benefits * | 9,830 | 20 | 324 | 500 | 9,026 |
| Total provisions for liabilities | 9,830 | 20 | 324 | 500 | 9,026 |

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

13.2 Retirement benefits

| ASSUMPTIONS | 2015 | 2014 |
|------------------------------------|---------|---------|
| 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% | 2.80% |
| Discount rate: | 2.03% | 1.70% |
| 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 | 47.13% | 47.13% |
| - other | 45.74% | 45.74% |
| Mortality table: | | |
| Male | TH00-02 | TH00-02 |
| Female | TF00-02 | TF00-02 |

Note 14 - Debt maturity schedule

| (<i>€ thousands</i>) | 31 Dec. 2015 | | | 31 Dec. 2014 | | |
|-------------------------------------|---------------|--------------|---------------|---------------|--------------|---------------|
| | < 1 year | > 1 year | Total | < 1 year | > 1 year | Total |
| Convertible bonds | | | 0 | | | |
| Bank borrowings | 338 | 5,200 | 5,538 | 315 | 5,400 | 5,715 |
| Other financial debt | 88 | 662 | 750 | 18 | 734 | 752 |
| Intra-group current accounts | 2,461 | | 2,461 | 2,414 | | 2,414 |
| Bills of exchange payable | 1,624 | | 1,624 | 595 | | 595 |
| Trade payables | 14,573 | | 14,573 | 15,289 | | 15,289 |
| Advance payments | 8 | | 8 | 767 | | 767 |
| Tax and social security liabilities | 20,134 | | 20,134 | 19,956 | | 19,956 |
| Other | 194 | 799 | 993 | 131 | 617 | 748 |
| Total | 39,420 | 6,661 | 46,081 | 39,485 | 6,751 | 46,236 |

During the 2015 financial year, a third 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 2015, the outstanding balance of loans contracted by Radiall with financial institutions totalled €5,400 thousand.

Other non-current liabilities include deferred income of €798 thousand related to grants.

Note 15 – Statement of accrued income and deferred charges

15.1 Accrued income

| (€ thousands) | 31 Dec. 2015 | 31 Dec. 2014 |
|---------------------------------------|--------------|--------------|
| Accrued interest receivable | 20 | 35 |
| Trade receivables - unissued invoices | 2,008 | 762 |
| Trade payables - accrued credit notes | 32 | 126 |
| Accrued royalties receivable | 97 | 92 |
| Withholding tax | 243 | 329 |
| Miscellaneous accrued income | 16 | 467 |
| Total accrued income | 2,416 | 1,811 |

15.2 Deferred charges

| (€ thousands) | 31 Dec. 2015 | 31 Dec. 2014 |
|--|---------------|---------------|
| Accrued interest payable | 78 | 85 |
| Trade receivables - unissued credit notes | 103 | 16 |
| Trade payables - accrued invoices | 2,870 | 3,834 |
| Accrued royalties payable | 11 | 11 |
| Accrued social contributions and taxes payable | 16,283 | 16,356 |
| Miscellaneous deferred charges | 65 | 115 |
| Total deferred charges | 19,410 | 20,417 |

Note 16 – Information on related parties

| (€ thousands) | 31 Dec. 2015 | 31 Dec. 2014 |
|---|--------------|--------------|
| Participating interests (gross) | 52,364 | 41,515 |
| Trade receivables | 17,562 | 13,648 |
| Other receivables and current accounts in debit | 4,381 | 4,511 |
| Sundry financial liabilities (current accounts in credit) | (2,461) | (2,414) |
| Trade payables | (2,502) | (1,791) |
| Other receivables | 5 | |
| Other liabilities | (97) | (10,850) |
| Financial expenses | 12 | 16 |
| Financial income | 25,219 | 14,366 |

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) | 1,000 | | (1) |
| Options (zero-premium collar) (USD put option) | 14,000 | 105 | (139) |
| Knock-out barrier instruments (USD put option) | 16,175 | | (82) |
| Total | 31,175 | 105 | (222) |

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 credit facility) | July 16 | 1.565% | 10,000 | (228) |
| Interest rate swap Variable/ Fixed (on lease contract) | Sept. 22 | 3.25% | 1,398 | (156) |

Lease commitments

| (€ thousands) | < 1 year | 1 to 5 years | > 5 years | 31 Dec. 2015 |
|---------------------------|----------|--------------|-----------|--------------|
| Property leases (Voreppe) | 211 | 862 | 442 | 1,515 |
| Equipment leases | 311 | 1,060 | 0 | 1,371 |

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 €210 thousand were paid during 2015.

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 2015.

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 €30 thousand were paid during 2015.

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 €29 thousand were paid during 2015.

Commitments relating to operating lease agreements

| (€ thousands) | < 1 year | 1 to 5 years | > 5 years | 31 Dec. 2015 |
|----------------------------|----------|--------------|-----------|--------------|
| Property | 699 | 1,917 | 0 | 2,616 |
| Other PPE (motor vehicles) | 162 | 213 | 0 | 375 |

Commitments relating to undrawn confirmed credit lines

At 31 December 2015, the Group was entitled, under a financing contract signed in July 2011 and amended by three addenda, to draw down €76.6 million, €19.6 million of which as revolving credit and €57 million primarily intended for specific merger and acquisition transactions.

Compliance with covenants at 31 December 2015:

Based on the Radiall Group's consolidated financial statements at 31 December 2015, the ratios in the Financing Agreement were complied with.

Commitment to pay an earnout on the acquisition of the Van-System Srl (Italy) securities, compliance with covenants at 31 December 2015:

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 value of this commitment was estimated at €1,070 thousand at 31 December 2015.

Commitment related 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, exercisable at the end of January 2017. The exercise of the option remaining uncertain at 31 December 2015, and the sales price being close to market conditions, this option is considered as an off-balance sheet commitment.

Note 18 - Sales

| (€ thousands) | 2015 | 2014 |
|--------------------------|----------------|----------------|
| France | 30,546 | 30,847 |
| - With related companies | 654 | 816 |
| - Other | 29,892 | 30,031 |
| International | 120,844 | 121,029 |
| - With related companies | 76,522 | 73,979 |
| - Other | 44,322 | 47,050 |
| Total | 151,390 | 151,876 |

Note 19 - Payroll costs, headcount and employee profit-sharing

Average headcount changed as shown below:

| | 2015 | 2014 |
|--------------------------------|--------------|--------------|
| Employees/workers | 468 | 480 |
| Technicians/Supervisors | 318 | 296 |
| Managers and senior executives | 275 | 257 |
| Total | 1,061 | 1,033 |

Note 20 - Corporate officers' compensation

| (€) FY 2015 | Gross remuneration (1) (2) | Attendance or directors' fees (2) |
|--------------|-------------------------------|--------------------------------------|
| Total | 583,003 | 161,916 |

(1) Over the term of office, including benefits in kind.

(2) Paid by RADIALL.

Note 21 - Net financial income

Financial income for the year 2015 mainly comprises dividends collected from subsidiaries totalling €25,162 thousand. It also includes a €163 thousand reversal of a provision on the Radiall Ventures equity securities and a €64 thousand reversal of a provision on the Radiall Limited equity securities.

Financial expenses include a €72 thousand impairment charge on the equity securities in Radiall India Private Ltd, as well as a €98 thousand writedown of the Radiall do Brasil current account.

The exchange loss for the 2015 financial year was €1,373 thousand.

Note 22 - Non-recurring income and expenses

| (€ thousands) | 31 Dec. 2015 | 31 Dec. 2014 |
|--|--------------|--------------|
| Exceptional income on management transactions | 6 | 1 |
| Proceeds from the sale of fixed assets | 632 | 1,638 |
| Reversals of risk provisions | | |
| Reversals of accelerated depreciation | 1,803 | 2,320 |
| Total non-recurring income | 2,441 | 3,959 |
| Non-recurring expenses for management operations | 10 | 21 |
| Net book value of fixed assets sold | 673 | 1,289 |
| Accelerated depreciation charges | 1,793 | 1,554 |
| Total non-recurring expenses | 2,476 | 2,864 |

Note 23 - Income tax

This year, the Company recorded a research tax credit of €1,779 thousand. In addition, the Company benefited from a competitiveness tax credit of €1,289 thousand recognised under personnel costs.

At 31 December 2015, it also had tax losses which can be carried forward indefinitely totalling €14,469 thousand.

Breakdown of income tax

| (€ thousands) | Before tax | After tax |
|---------------------------------|---------------|---------------|
| Profit from ordinary activities | 30,815 | 30,938 |
| Net non-recurring income | (35) | (35) |
| Income tax | 123 | |
| Profit for the year | 30,903 | 30,903 |

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 2015, the Group consolidated by Radiall had cumulative tax losses of €13,324 thousand, which can be carried forward indefinitely.

In addition, at 31 December 2015 Radiall no longer had any tax losses accumulated prior to the tax consolidation.

At 31 December 2015, Radiall had a taxable net profit of €3,773 thousand before tax consolidation.

Note 24 - Elements liable to increase or reduce future tax liabilities

| (€ thousands) | 31 Dec. 2014 | Charges | Reversals | 31 Dec. 2015 |
|--|----------------|--------------|--------------|----------------|
| Regulated provisions and expenses to be added back at a later stage | | | | |
| Accelerated depreciation and amortisation | 8,365 | 1,793 | 1,803 | 8,355 |
| Investment grants | | | | |
| Future tax base | 8,365 | 1,793 | 1,803 | 8,355 |
| Future taxation (based on a tax rate of 33.33%) | 2,788 | | | 2,785 |
| Non-tax deductible expenses in the year | | | | |
| Provisions and charges temporarily not deducted | 10,070 | 336 | 1,064 | 9,342 |
| Organic contribution | 256 | 225 | 256 | 225 |
| Employee profit-sharing | | | | |
| Base for taxes paid in advance | 10,326 | 561 | 1,320 | 9,567 |
| Future tax savings (based on a tax rate of 33.33%) | (3,442) | | | (3,189) |

Accumulated tax losses of €13,324 thousand represent a future tax saving of €4,441 thousand.

Note 25 - Research and development

No research and development costs were capitalised in 2015.

2. TABLE OF SUBSIDIARIES AND PARTICIPATING INTERESTS AT 31 DECEMBER 2015

| | Share capital (1) | Additional paid-in capital | % interest | Book value of securities | | 2015 net sales | 2015 net profit / (loss) (1) | Dividends paid to Radiall S.A. |
|---|----------------------|-------------------------------|------------|--------------------------|--------|----------------|---------------------------------|--------------------------------------|
| | | | | Gross | Net | | | |
| France | | | | | | | | |
| Radiall Ventures (Aubervilliers (93)) | 1,000 | 366 | 100.00 | 10,462 | 7,779 | - | (88) | - |
| Raydiall (Voiron (38)) | 8,000 | (1,258) | 50.00 | 4,000 | 4,000 | 14,980 | 1,301 | - |
| Radiall Systems (Aubervilliers (93)) | 37 | (504) | 100.00 | 3 | - | - | (12) | - |
| INTERNATIONAL | | | | | | | | |
| Radiall GmbH (Germany) | 486 | 429 | 100.00 | 228 | 228 | 15,627 | 432 | 390 |
| Radiall Srl (Italy) | 257 | 600 | 100.00 | 596 | 596 | 730 | 29 | - |
| Radiall BV (Netherlands) | 16 | 150 | 100.00 | 11 | 11 | 2,161 | 450 | 350 |
| Radiall AB (Sweden) | 33 | 150 | 100.00 | 47 | 47 | 489 | 3 | - |
| Van System (Italy) | 50 | 1,486 | 100.00 | 3,691 | 3,691 | 7,698 | 343 | - |
| Van System Swiss (Switzerland) | 92 | 170 | 100.00 | 274 | 274 | 1,450 | 36 | - |
| Radiall America (US) | 14,233 | 15,615 | 100.00 | 13,526 | 13,526 | - | 13,518 | 13,604 |
| Radiall Asia (Hong Kong) | 36 | 1,325 | 55.00 | 18 | 18 | 3,951 | 1,206 | 443 |
| Radiall do Brasil (Brazil) | 148 | (179) | 99.85 | 754 | - | - | (14) | - |
| Radiall Ltd. (UK) | 304 | 119 | 100.00 | 2,128 | 462 | 4,109 | 25 | - |
| Radiall India Private Ltd. (India) | 328 | 2,592 | 100.00 | 3,350 | 3,278 | 4,766 | (129) | - |
| Nihon Radiall KK (Japan) | 340 | 221 | 100.00 | 397 | 397 | 6,174 | 287 | 371 |
| Shanghai Radiall (China) | 11,862 | 13,150 | 95.95 | 12,878 | 12,878 | 47,103 | 8,007 | 9,310 |
| Radiall Int. Ltd. (Hong Kong) | 1 | 2,851 | 100.00 | 1 | 1 | 17,330 | 574 | 694 |

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 rate (€) |
|-------------------------|---------------------|---------------------|
| US Dollar | 1.089 | 1.110 |
| Hong Kong Dollar | 8.438 | 8.602 |
| Pound Sterling | 0.734 | 0.726 |
| Swedish Krona | 9.190 | 9.354 |
| Indian Rupee | 72.022 | 71.175 |
| Japanese Yen | 131.070 | 134.286 |
| Chinese Yuan | 7.061 | 6.973 |
| Brazilian Real | 4.312 | 3.692 |

3. COMPANY FINANCIAL PERFORMANCE OVER THE PAST FIVE FINANCIAL YEARS

| (€) | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|-------------|-------------|-------------|-------------|-------------|
| Financial position at year-end | | | | | |
| a. Share capital | 2,817,455 | 2,817,455 | 2,817,455 | 2,817,455 | 2,817,455 |
| b. Number of shares issued | 1,848,124 | 1,848,124 | 1,848,124 | 1,848,124 | 1,848,124 |
| Comprehensive income from actual transactions | | | | | |
| a. Net sales | 136,858,160 | 132,990,433 | 136,953,545 | 151,876,123 | 151,390,113 |
| b. Earnings before tax, profit sharing and amort., depr. and prov. charges | 7,616,832 | 19,346,227 | 17,307,570 | 26,243,835 | 33,657,651 |
| c. Income tax | (434,789) | (289,222) | (891,830) | (471,322) | (122,963) |
| d. Earnings after tax, before profit sharing and amort., depr and prov. charges | 8,051,621 | 19,635,449 | 18,199,400 | 26,715,157 | 33,780,614 |
| e. Net profit | 5,432,178 | 14,460,308 | 14,917,615 | 21,270,042 | 30,902,761 |
| f. Dividends | 1,663,312 | 2,125,343 | 2,772,186 | 4,620,310 | 4,620,310 * |
| Earnings per share | | | | | |
| a. Earnings per share, after tax, before amort., depr. and prov. charges | 4.36 | 10.62 | 9.85 | 14.46 | 18.28 |
| b. Net earnings per share | 2.94 | 7.82 | 8.07 | 11.51 | 16.72 |
| c. Dividend paid per share | 0.90 | 1.15 | 1.50 | 2.50 | 2.50 * |
| Workforce | | | | | |
| a. Employees (average headcount) | 1,020 | 974 | 987 | 1,033 | 1,061 |
| b. Total payroll costs | 32,469,130 | 31,418,877 | 33,352,349 | 36,094,572 | 38,270,939 |
| c. Employee benefits | 14,004,772 | 14,210,402 | 15,400,205 | 17,574,881 | 18,216,857 |

* Subject to approval at the Ordinary General Meeting held to approve the financial statements for the year ended 2015.

4. STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

Financial year ended 31 December 2015

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 2015, 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.

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, inventories and work-in-progress, as described in

Notes 2.5 and 2.6, respectively, 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, 18 April 2016,

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 2015

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, based on the information that has been provided to us, of the main features and conditions of the agreements and commitments that have been disclosed to us or that we discovered during our audit, without commenting on their usefulness or appropriateness or seeking out 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

1 – Agreements and commitments authorised during the financial year just ended

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°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 prior approval to the signing of this new amendment 21, which increased the remuneration paid to HODIALL to a maximum of €2 million for 2016. The above-mentioned amendment was signed on 6 January 2016.

Reasons your Company entered into this commitment

The Supervisory Board considers that the signing of this agreement is motivated by the experience and expertise of HODIALL's salaried providers, who are very well acquainted with RADIALL.

• Supplementary defined-benefit pension scheme

Individuals concerned: Pierre Gattaz (Chairman of the Executive Board of Radiall S.A. and Chairman of the Executive Board of Hodiall), Guy de Royer (Member of the Executive Board of Radiall SA and Member of the Board of Directors of Hodiall).

Nature and purpose

The Supervisory Board decided to maintain the supplementary defined benefit scheme for your Company's executives, for the benefit of the members of the Executive Board.

Terms and conditions

At its meeting of 3 December 2015, the Supervisory Board authorised the application, to the corporate officers, of the changes to the contribution rates of the supplementary defined benefit pension scheme from which all executives of your Company benefit.

As of 1 January 2016, the employer's contribution to this scheme will be 2% for tranche A, 1.5% for tranche B and 1.2% for tranche C of the employee's total remuneration (fixed and variable). The expense for the financial year in your Company's financial statements was €26,940.

Reasons your Company entered into this commitment

In order to ensure the loyalty of key managers, the Supervisory Board wishes these corporate officers to benefit from a supplementary pension scheme that is identical to other Company executives.

B/ AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED BY THE GENERAL MEETING

Agreements and commitments approved during previous financial years that remained in effect during the financial year just ended

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.

• **Amendments n°20 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 2 December 2014, your Supervisory Board gave prior approval to the signing of this new amendment 20, which increased the remuneration paid to HODIALL to a maximum of €1.9 million for 2015. The above-mentioned amendment was signed on 12 January 2015.

The amount of services invoiced by HODIALL to your Company in 2015 was €1.8 million before tax.

Paris and Courbevoie, 18 April 2016,

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 2015)

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 2015, 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 €30,902,760.68.

SECOND RESOLUTION

(Approval of the consolidated financial statements for the year ended 31 December 2015)

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 2015, 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 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 2015 financial year totalled €30,902,760.68 and that, taking into account retained earnings of €46,504,697.66, distributable profits to be allocated are €77,407,458.34.

Consequently, in approving the Executive Board's proposal, the General Meeting decides to allocate distributable profits of €30,902,760.68 for the 2015 financial year as follows:

| | |
|----------------------------------|----------------------------|
| Dividend of €2.50 per share: | €4,620,310.00 ⁵ |
| Allocation to retained earnings: | €26,282,450.68 |

The retained earnings after distribution will be €72,787,148.34.

The General Meeting consequently decides to pay a gross dividend of €2.50 (two euros and fifty cents) per share, a total of €4,620,310.00 (four million six hundred and twenty thousand three hundred and ten euros), the number of existing shares being 1,848,124 (one million eight hundred and forty-eight thousand one hundred and twenty-four).

The ex-dividend date will be 24 May 2016 and the dividend will be payable from 26 May 2016.

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> |
|-----------|-------------------------|-------------------------|
| 2012 | 1,848,124 | 1.15 |
| 2013 | 1,848,124 | 1.50 |
| 2014 | 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.

⁵ Subject to allocation to the general reserve for dividends on shares that may be held by the Company at the time of payment.

FOURTH 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 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.

FIFTH 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 thirty-nine thousand nine hundred (39,900) euros for the year ended 31 December 2015, it being specified that the total sum is to be divided between its members by the Supervisory Board itself.

SIXTH 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 allowed by the relevant market authorities. 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.

There will be no minimum resale price per share. The maximum amount of funds that the Company may allocate to this share buyback programme is forty million euros (€40,000,000).

The maximum number of shares that may be purchased under this authorisation may not exceed 10% of the total number of shares making up the Company's share capital, in accordance with the provisions of Article L. 225-209 of the Commercial Code. Nevertheless, the number of shares acquired with a view to their retention and their subsequent allocation in exchange or payment as part of a merger, demerger or transfer transaction may not exceed 5% of the share capital. These limits apply to an amount of the share capital of the Company which may, if applicable, be adjusted to take account of transactions affecting this share capital occurring after the date of this General Meeting, and under no circumstances may the Company hold, either directly or indirectly through indirect subsidiaries, more than 10% of the share capital.

This authorisation is granted for a maximum term of eighteen (18) months from the date of this General Meeting. It cancels and replaces the unused portion of the authorisation granted by the Combined General Meeting of 21 May 2015.

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.

SEVENTH RESOLUTION
(Advisory opinion on the items of compensation due or allocated in respect of the 2015 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 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 2015.

II – RESOLUTIONS SUBJECT TO THE APPROVAL OF THE EXTRAORDINARY GENERAL MEETING

EIGHTH 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.

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 35
infofinance@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: 07 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.

• 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: 04 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 2015 | FY 2014 |
|---|---|---|
| Pierre Gattaz (Chairman of the Executive Board) | | |
| Remuneration due in respect of the financial year | 499,288 | 496,705 |
| Value of options granted during the financial year | No options allocated in 2015 | No options allocated in 2014 |
| Value of performance shares granted during the financial year | No performance shares allocated in 2015 | No performance shares allocated in 2014 |
| TOTAL | 499,288 | 496,705 |
| Dominique Buttin (Member of the Executive Board) | | |
| Remuneration due in respect of the financial year | 311,881 | 368,763 |
| Value of options granted during the financial year | No options allocated in 2015 | No options allocated in 2014 |
| Value of performance shares granted during the financial year | No performance shares allocated in 2015 | No performance shares allocated in 2014 |
| TOTAL | 311,881 | 368,763 |
| Guy de Royer (Member of the Executive Board) | | |
| Remuneration due in respect of the financial year | 246,009 | 272,452 |
| Value of options granted during the financial year | No options allocated in 2015 | No options allocated in 2014 |
| Value of performance shares granted during the financial year | No performance shares allocated in 2015 | No performance shares allocated in 2014 |
| TOTAL | 246,009 | 272,452 |

| Executive corporate officers 31 December 2015 | Employment contract | | 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 2014 and 2015 to corporate officers by Radiall, its subsidiaries or its controlling companies:

Summary table of each corporate officer's remuneration *

| | FY 2014 | | FY 2015 | |
|---|----------------|----------------|----------------|----------------|
| | Amounts owed | Amounts paid | Amounts owed | Amounts paid |
| Pierre Gattaz Chairman of the Executive Board | | | | |
| Fixed remuneration | 326,259 | 326,259 | 328,660 | 328,660 |
| Variable remuneration | 164,935 | 134,640 | 165,684 | 164,935 |
| Exceptional remuneration | | | | |
| Director's fees | | | | |
| Benefits in kind | 5,511 | 5,511 | 4,944 | 4,944 |
| TOTAL | 496,705 | 466,410 | 499,288 | 498,539 |
| Dominique Buttin Member of the Executive Board and Chief Executive Officer | | | | |
| Fixed remuneration | 222,541 | 222,541 | 227,392 | 227,392 |
| Variable remuneration | 143,306 | 68,436 | 82,068 | 143,306 |
| Exceptional remuneration | | | | |
| Director's fees | | | | |
| Benefits in kind | 2,916 | 2,916 | 2,421 | 2,421 |
| TOTAL | 368,763 | 293,893 | 311,881 | 373,119 |
| Guy de Royer Member of the Executive Board and Chief Financial Officer | | | | |
| Fixed remuneration | 181,263 | 181,263 | 189,713 | 189,713 |
| Variable remuneration | 88,861 | 45,261 | 53,968 | 88,861 |
| Exceptional remuneration | | | | |
| Director's fees | | | | |
| Benefits in kind | 2,328 | 2,328 | 2,328 | 2,328 |
| TOTAL | 272,452 | 228,852 | 246,009 | 280,902 |

* For their term of office.

The variable part of the remuneration paid to the members of the Executive Board in March 2016 corresponded to the personalised targets relating to the collective and individual results achieved during the 2015 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 2014 | Amounts paid during the financial year 2015 |
|----------------------------------|---|---|
| Yvon Gattaz | | |
| Attendance fees | 5,400 | 5,400 |
| Other remuneration * | 121,548 | 122,916 |
| Bruno Gattaz | | |
| Attendance fees | 5,400 | 5,400 |
| Other remuneration | | |
| Roselyne Gattaz | | |
| Attendance fees | 5,400 | 5,400 |
| Other remuneration | | |
| Alicia Gattaz | | |
| Attendance fees | 0 | 2,500 |
| Other remuneration | | |
| Mathieu Gattaz | | |
| Attendance fees | 0 | 2,500 |
| Other remuneration | | |
| Didier Lombard | | |
| Attendance fees | 8,900 | 8,900 |
| Other remuneration | | |
| Marc Ventre | | |
| Attendance fees | 8,900 | 8,900 |
| 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 21 May 2015**

| 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 | 19 October 2015 |
| Combined General Meeting of 21 May 2015 | Resolution n°11 | 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 | NIL |

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 2015 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 2015 financial year, no share transactions were carried out by executives.

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.

Europe

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