Our Most Important Connection is with You.™

2013 Financial Report

Radiall™

FINANCIAL REPORT 2013

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

A very dynamic 2013 financial year

Dear Shareholders,

2013 was distinguished by significant growth in all our indicators: a 6.8% increase in sales (up 10.3% on a like-for-like basis), 36.2% growth in margin from recurring operations and 33.3% in net profit.
Whilst growth in our multi-contact aeronautics business was expected, particularly in the United States, the real highlight of the year remains the strong fourth quarter recovery of telecoms in Asia. Driven by the momentum of these two sectors, international sales made up more than 85% of the Group's full year sales.

The favourable trend in both our markets and our mix of products, combined with increased productivity supported by an ever improving operational performance, enabled us to generate a further significant increase in our profitability.

Once again this year, we are reaping the rewards of our strategy based on long-term relationships with our customers. We continue to support them in their developments through our expertise, innovation and operational excellence, in order to secure new market share together. We owe this success to the men and women of Radiall, be they in Europe, North America or Asia, to their commitment and their culture of customer satisfaction.

The continued efforts of our teams, in a climate that has not always been favourable to us in recent years, have allowed us to strengthen our position with the world's major players in each of our markets.

First of all, Radiall has been at the forefront of the Civil Aeronautics segment in order to capitalise on an extremely favourable medium and long-term sectoral environment, with steadily increasing delivery rates. The presentation, this year, of the prestigious "Engineering Award" given out by Airbus for the second consecutive year, underlines our strong position, as recognised by customers. In the Telecoms sector, we benefited from very favourable market conditions during the fourth quarter and considerably strengthened our positioning with major international network equipment suppliers, notably in order to support the highly ambitious deployment of 4G in China.

In parallel with these strategic and commercial developments, we have actively pursued our investment policy and the implementation of major key transformative projects which, like our operational excellence, will enable Radiall to perform ever better and to capture future markets. Amongst these projects, the deployment of the SAP management solution in our US subsidiary in 2013 was a success.

Our growth, based on stronger and more diverse foundations, combined with the quality and competiveness of our solutions in buoyant markets, and the strong involvement of all our teams in our development projects, has led us to target continued growth in 2014 and to be confident of the Group's ability to subscribe to this positive momentum over the long term.

Pierre Gattaz
Chairman of the Executive Board

Dominique Buttin
Chief Executive Officer

CONTENTS

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. I further declare that, to the best of my knowledge, the management report provided on pages 13 to 17 provides a fair view of the changes in 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, 9 April 2014

Pierre Gattaz
Chairman of the Executive Board

2. BUSINESS OVERVIEW

2.1 Presentation of company subsidiaries é

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 cyclic and mainly depend on capital expenditure by major contractors.

The Company's activity is not significantly seasonal.

2.2.1 - Military and aeronautic equipment

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 such as those manufactured by the Company to link their highly sensitive electronic systems (measuring tools, radiotelephony, etc.).

Military equipment is driven by the demand for radio telecommunication technologies, yet growth 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 that we constantly work on developing our connectors so that we can design and make them smaller and, more importantly, lighter.

2.2.2 - Telecommunications

There are three ways of transmitting data: traditional copper wire, microwave radio relay and fibre optic. 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. 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 is 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, 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 sales by market is provided in Note 6.2.

2.2.5 - Customers

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

Aeronautics and Military	Telecoms	Industrial and other
- Labinal (France and USA) - Thalès (France and USA) - Boeing (USA) - Rockwell Collins (USA) - AIRBUS Group (Europe) - Hamilton Sundstrand (USA)	- Nokia Siemens (Europe and Asia) - ZTE (Asia) - Alcatel-Lucent (Europe, Asia and USA) - Commscope (Europe and Asia) - Celestica (Asia and Europe) - Ericsson (Europe, Asia and USA)	- Rohde & Schwarz (Europe) - Philips (Europe and USA) - Continental (Europe) - National Instruments (Europe) - Bruker (Europe) - Aeroflex (USA)

In 2013, the Group's top ten customers, all business segments included, accounted for 39.6% of revenue. The Company extended its credit insurance in 2013 to cover the risk of customer credit default. This insurance covers customers invoiced by the European and Chinese and Hong-Kong subsidiaries, accounting for over 50% of total sales.

2.2.6 - Breakdown of sales by geographic region

The breakdown of sales and operating profit by geographic region is provided in Note 4.2.

2.3 Competitive position

Company name	Country	Market	2013 sales *	Listing	Market cap 12/2013
Main competitors					
Huber & Suhner	Switzer-land	All	CHF 720 M	Zürich	CHF 913 M
Amphenol	USA	Aeronautics and Military	USD 4,615 M	NYSE	USD 14,110 M
Rosenberger	Germany	Telecom and Industrial	Unavailable	Not listed	N/A
TE Connectivity (primarily AMP and Deutch)	USA	All	USD 13,280 M	NYSE	USD 22,630 M
Other competitors					
Souriau (Esterline)	France	Aeronautics and Military	Unavailable	Not listed	N/A

** Source: Company press release.*

The companies included in the “Other competitors” category differ from the main competitors in that they are only competitors with respect to a very small part of Radiall's revenue.

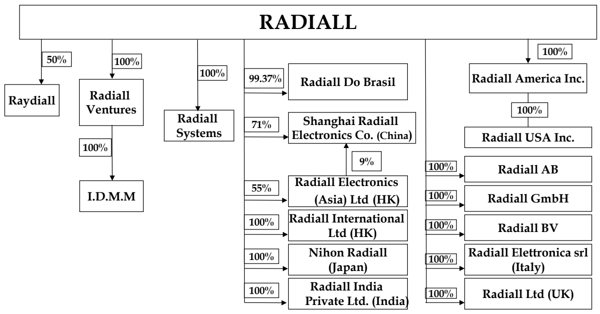
The Company has an image of a quality, high-tech company within this competitive world, as a result of its experience in defence electronics and the space industries, which are extremely demanding (qualifications, regular audits, etc.). Radiall is positioned among the market leaders.

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

3. ORGANISATION CHART

3.1 Presentation of Company subsidiaries

The diagram below shows the organisation chart of the Company's subsidiaries at 31 December 2013:



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

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

In order to pursue its activities, the Company relies on its subsidiaries throughout the world, as represented in the above organisation chart, which include sales offices and/or factories. For more details, please refer to paragraph 3.2 below.

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

3.2 Company subsidiaries

At 31 December 2013, 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 Dole 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 S.A.S. 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)
- 100% 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.

Germany (sales office)
- 100% 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.

Sweden (sales office)
- 100% 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 U.S.A., 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)
- 71% 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. 20% of the company's capital is held by the Feilo company and 9% by Radiall Asia.

Hong Kong (sales office)
- 100% Radiall International Ltd, a Hong Kong company with capital of HKD 10,000 and a head office at Workshop D on 6/F Ford Glory Plaza, Nos. 37-39 Wing Hong Street – Kowloon and registered under number 679070.

- 55% of Radiall Asia Ltd., a Hong Kong company with capital of HKD 300,000, with its head office located at Workshop D on 6/F Ford Glory Plaza, Nos. 37-39 Wing Hong Street – 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

The Company owns sales offices and factories on three continents.

The European subsidiaries (excluding France) are all sales offices. In other countries, in addition to the sales offices, there are also production sites in France, North and South America and Asia. It is notably the case in the US, Mexico, India and China. Surface areas which are not used as offices are used for production. The main business premises of the Company and its subsidiaries are located at:

Address	Use	Surface area	Status	Comments
25 rue Madeleine Vionnet, 93300 Aubervilliers - France	Head office and sales office	1,884 m²	Commercial lease dated 23 May 2013 a term of nine years beginning on 1 December 2013.	New head office of the Group since December 2013
Rue Velpeau ZI Nord BP30 -37110 Château-Renault– France	Factory	Neuville: 2,010 m² Château-Renault: 8,420 m²	Property and commercial lease dated 13 April 2012 for a term of 9 years.	
641 rue Emile Romanet – 38340 Voreppe – France	Factory and storage	1,340 m²	Commercial lease dated 1 September 2009 for a term of 9 years	
642 rue Romanet - 38340 Voreppe – France	Factory	3,560 m²	Owned	
642 rue Romanet - 38340 Voreppe – France	Factory	2,290 m²	Real estate lease agreement dated 31 December 2010 for a term of 12 years	
81 boulevard Denfert-Rochereau 38500 Voiron – France	Site demolished and in disuse	8,000 m²	Owned	Dormant
15, rue de la Garenne ZI Chesnes Tharabie 38295 Saint-Quentin-Fallavier – France (Isle d'Abeau- IDA)	Factory and storage	6,492 m²	Owned	
13 rue Henri Jeanrenaud 39100 Dole - France	Factory and sales office	6,900 m²	Lease agreement with call option dated 20 February 2008 for a term of 15 years beginning 1 January 2008.	
ZI Champfeuillet 30 rue Léon Béridot 38500 Voiron – France	Factory and offices	1,310 m²	Lease agreement for a term of 30 years beginning on 25 July 2010	Site of joint company Raydiall
25 (D), II Phase, Peenya Industrial Area, Bangalore 560,058, India	Factory and sales office	3,500 m²	Lease agreement dated 25 July 2000 for a term of three years, beginning on 1 August 2000 and renewable for successive periods of three years.	
390 Yong He Road Shanghai – China	Factory and sales office	4,700 m²	Lease agreement for a term of 9 years beginning on 1 July 1996	
90 et 104 John W. Murphy Drive, New Haven, Connecticut, USA	Factory	7,233 acre site (approx. 29,271 m²) and 65,066 square feet facilities (approx. 8,000 m²)	Owned	
Ciudad Obregon, Sonora, Mexico, attached to Radiall USA Inc.	Factory	12,546 m²	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 m²
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.	

The following tables present the headcount, including temporary staff and on-site service providers, per site:

Site [(1)]	Group headcount 2013 including temporary staff and on-site service providers (*average 2013*)
Château –Renault (France)	375
Isle-d'Abeau (France)	331
Voreppe (France)	392
Dole (France)	148
Champfeuillet (France)	47
Rosny (France)	69
New Haven (USA)	164
Tempe (USA)	40
Bangalore (India)	186
Shanghai (China)	394
Obregon (Mexico)	554
Other	54
GROUP	**2,754**

(1) 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 reports to Raydiall

The average number of temporary staff and on-site service providers for the year represented 972 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 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 which are 30 to 50% financed by sponsoring bodies, 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 Department for Competitiveness, Industry and Services.

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

(€ thousands)	2013	2012	2011
R&D costs *	17,579	16,551	15,733
% of sales	7.5%	7.5%	7.7%

** Amounts before research tax credit.*

The consistently high research expenditure in 2013 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, 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 almost always incurred in response to a customer's request and may be classified into two categories:

- Small projects that often 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. Moreover, 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 future 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 2013, the Research Tax Credit, provided to Radiall S.A. totalled €1,069 thousand. In 2012 this amounted to €1,186 thousand.

5.2 Intellectual property

5.2.1 Patents

This amounted to 75 inventions and 283 patents and utility models which can be divided into 62 groups. These 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 in 47 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, Quick Lock Formula, QLF (logo), QLF Quick Lock Formula, LuxCis, AEP, R2CT, SMP-Max, SMP-Lock, OSIS,QRE, D-LIGHTSYS, RAYDIALL, and “Our Most Important Connection is with You”, these have been registered in the majority of countries within the European Economic Area, the United States, Canada and Asia.

6. Financial management report

The Executive Board of Radiall Group, in its meeting held on 26 March 2014, and chaired by Pierre Gattaz, approved the consolidated financial statements for the year 2013.

6.1 Key figures

(€ thousands)	2013	2012*	*Change 2013 – 2012*
Sales	235,119	220,058	*6.8%*
Profit from recurring operations	24,969	18,336	*36.2%*
Margin from recurring operations	10.6%	8.3%	
Other operating income and expenses	0	1,474	*n.s.*
Operating profit	24,969	19,810	*26.0%*
Net cost of financial debt	(535)	(667)	*(19.8%)*
Other financial income and expenses	(31)	(73)	*(57.5%)*
Income tax	(5,872)	(5,164)	*13.7%*
Net profit	18,530	13,906	*33.3%*
Net margin	7.9%	6.3%	
Cash flow from operating activities	18,090	25,372	*(29.8)%*
Equity (including minority interests)	150,058	136,722	*9.8%*
Net financial debt	(34,625)	(30,468)	*13.6%*

(*)Including the impact of the adoption of IAS19R (See note 2.2 to the consolidated financial statements)

6.2. Continued sales growth in 2013

The Group's consolidated sales amounted to €235,119 thousand in 2013, compared to €210,058 thousand in 2012, representing an increase of 6.8% as reported and 7.8% on a constant consolidation scope compared with 2012.

On a like-for-like basis, excluding the proportional consolidation of Raydiall since 1 July 2012 and more unfavourable exchange rates in 2013, sales growth was 10.3%, reflecting continuous business growth since 2010.

Quarterly sales over the last two years are as follows:

(€ thousands)	2013	2012	*Change 2013 - 2012*
1st quarter	53,890	54,491	*(1.1%)*
2nd quarter	58,976	55,385	*6.5%*
3rd quarter	58,478	56,369	*3.7%*
4th quarter	63,775	53,813	*18.5%*
FY total	**235,119**	**220,058**	***6.8%***

Radiall concluded its 2013 financial year with an excellent fourth quarter, with sales of €63.8 million, which was an increase of 18.5% compared with the 4th quarter of 2012 and 9.1% compared with the 3rd quarter of 2013.

International sales business, which accounted for 85.3% of Group sales for the year as a whole, increased 13.2% compared to 2012. The substantial contributions made by North America and Asia benefited particularly from the momentum in the civil Aeronautics sector in the US and the strong recovery of the Telecoms sector in China.

The Defence and Space segments fell by 4.0% in 2013. Military spending was in decline, severely impacted by budgetary restrictions in the US and Europe, and the cyclical space market experienced a general downward trend with increased competition both from the repositioning of satellite manufacturers specialising in defence and from the entry of new Asian players.

In the defence sector, the outlook remains negative outside Asia. In space, the first operations with US customers at the end of the year should open up new opportunities in 2014.

Civil aeronautics, which grew 17.4%, was supported by the health of that market. Radiall's positioning on all the new programmes allowed it to outperform the industry, especially in North America. This growth was also seen in Asia due to numerous transfers of circuit board production from component manufacturers to sub-contractors (CEM).

The outlook over the next 5 years remains excellent taking account of the order books that were further strengthened in 2013 during the recent international aeronautics trade shows.

Sales in the Telecoms market rebounded strongly in the fourth quarter of 2013 and grew 29.6% over the full year, driven by the accelerated roll out of 4G/LTE networks which resulted from the growing demand for "very high bandwidth" for mobile devices.

Radiall is well positioned to benefit from the roll out of 4G in China, which represents a significant part of the worldwide potential. Radiall is one of the leaders in "board to board" RF connectors and is well placed to take a significant market share with the sector's leading operators.

The industrial market contracted by 4.5%. Despite our major efforts in this very fragmented market, which includes the energy, medical, transport and industrial equipment sectors, successes remained modest, especially since industrial investment is in decline outside these niche segments.

Our diversification effort is focused on three areas for which we provide tailored solutions:

- Energy (Smart Grid, nuclear, alternative energies, etc.)
- Medical, which remains a solid development vehicle (growth driver.
- Transmission of high speed wireless data (Machine to Machine, etc.).

Automotive sales for the joint-venture Raydiall fell by 11.8% at constant scope (down 37.2% in gross figures, due to the proportional consolidation at 50% for the full year 2013). Against a backdrop of general decline in the European market, Raydiall committed, with a new general management, to an aggressive plan to increase its productivity enabling it to improve its performance.

Thanks to an ambitious development plan for new products, the growth outlook for the coming years is good with success expected from certain major component manufacturers.

Sales by geographic region and market were as follows:

(€ thousands)	**2013**	**2012**
BY MARKET		
Wireless telephony	36,734	28,335
Military, Aeronautics, Space	159,274	147,812
Automotive telematics	5,428	8,647
Industrial	33,683	35,265
BY GEOGRAPHIC REGION		
France	34,582	42,975
European Union, excluding France	43,649	42,259
Americas	91,151	81,881
Asia and rest of the world	65,738	52,943
TOTAL GROUP	**235,119**	**220,058**

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.

6.3 Increase in profit from recurring operations

Taking into account the growth generated in 2013, a more favourable product and market mix, a rise in the sale of licences and services, and despite unfavourable currency trends throughout the year compared to 2012, particularly of the USD and the Yen, Radiall significantly increased its profit from recurring operations in 2013. Radiall achieved this performance in 2013 whilst continuing to maintain a research and development effort at a high level of €17,579 thousand or 7.5% of sales.
Therefore, the Group's profit from recurring operations in 2013 totalled €24,969 thousand (10.6% of sales), against €18,336 thousand in 2012 (8.3% of sales) an increase of 36.2% compared with the previous financial year.

6.4 Increase in operating profit and net profit

Despite the absence of any non-recurring income in 2013, whilst €1.5 million in non-recurring income was recorded in 2012, operating profit for 2013 was €24,969 thousand, an increase of 26%.

Following a drop in the cost of the financial debt and other charges and investment income compared to 2012, and a negative tax effect following the increase in operating profit, net profit totalled €18,530 thousand, or 7.9% of sales, which was growth of 33% compared to the 2012 financial year.

6.5 Headcount

CHANGE IN HEADCOUNT *	31 December 2013	31 December 2012	Change 2013 - 2012
France	1,392	1,323	+ 69
Europe (excl. France)	37	37	-
North America and Mexico	830	656	+ 174
Asia	621	504	+ 117
Total	2,880	2,520	+ 360

** Includes temporary staff and on-site service providers in Mexico.*

As a result of business growth, headcount increased by 360 people or 14.3% from December 201 to December 2013, primarily in Mexico and in Asia. This increase consisted mainly of employees under fixed-term contracts, on-site service providers and temporary staff, with the total number of permanent contracts having increased by 42 and the number of fixed-term contracts having decreased by 9.

6.6 Self-financing capacity, net cash position and equity

The self-financing capacity rose 22% to €34.6 million in 2013 compared to €28.5 million in 2012, illustrating the growth in sales and the significant improvement in profitability.

Working capital requirement rose by €9.6 million over the course of the financial year due to particularly high sales in the fourth quarter of 2013 which contributed to growth of €12.5 million in accounts receivable, and an increased inventory compared with the end of December 2012 in anticipation of strong sales in January, notably in China. At the financial year end, inventory levels stood at €46.4 million compared to €41.8 million at the end of December 2012.

After the impact of the increase in working capital requirements, and tax and interest payments of €6.9 million, the cash flow generated by the business during the financial year totalled €18.1 million, in decline compared with the €25.4 million generated over the previous financial year.

2013 investments were stronger than in previous years. After €8.1 million in 2011 and €7.3 million in 2012, industrial investments totalled €10.8 million in 2013 (4.6% of sales). They primarily related to industrial equipment for customer projects, or to the improvement of or increase in industrial capabilities, to prepare for the future.

After deduction of cash-flow related to financing operations totalling €3.4 million including primarily in 2013 payments of dividends to Radiall shareholders and to minority shareholders, and a favourable currency effect of €1 million, net cash (flow) generation totalled €4.3 million for the financial year. As a result of these changes, available cash totalled €49.2 million at 31 December 2013, having been €44.9 million at 31 December 2012.

Total, mainly long-term, bank debt, remained stable at €14.5 million at the end of December 2013, the surplus net cash debt increasing from €30.5 million at the end of December 2012 to €34.6 million at the end of December 2013.

After allocation of the 2013 net profit, equity amounted to €150,058 thousand.

It should be noted that over the course of this year, Radiall continued to implement key transformative programmes aimed at optimising its operational efficiency. Thus, on 1 October, the Group rolled out an initial installation of its new SAP ERP in its US subsidiary. All the due diligence was carried out in relation to this launch, which took place under satisfactory conditions allowing us to control its operational consequences, particularly industrial and commercial.

6.7 Parent company results

Sales for 2013 grew by 3.0% compared to the previous year to €136,954 thousand, of which just over half related to inter-company flows. This increase in sales was mainly due to more sustained export sales to customers outside the Group.

Operating profit in 2013 totalled €3,738 thousand, versus €2,719 thousand in 2012.

Net financial income represented €9,671 thousand in 2013, compared with €6,582 thousand in 2012. This increase is the result of dividend levels and financial income that were higher than in 2012. After taking account of a net non-recurring income of €616 thousand linked to the capital gain from the sale of fixed assets for €513 thousand and a €2,645 thousand reversal of accelerated depreciation charges, the net profit was €14,917 thousand, against a net profit of €14,460 thousand in 2012.

At 31 December 2013, equity amounted to €108,483 thousand and the net cash position increased from €26,006 thousand to €27,250 thousand.

KEY FIGURES *(€ thousands)*	2013	2012	Change 2013 /2012
Sales	136,954	132,990	3.0%
Operating profit	3,738	2,719	37.50%
Operating margin	2.7%	2.0%	
Net financial income	9,671	6,582	46.9%
Profit from ordinary activities	13,409	9,300	44.2%
Net non-recurring income	616	4,871	(87.4)%
Income tax	892	289	308.7%
Net profit	14,917	14,460	3.2%
Equity	108,483	97,678	11,1%
Net cash and cash equivalents	27,250	26,006	4.8%

** Cash + Marketable securities + Treasury shares – Current bank overdrafts.*

6.8 Post-balance sheet events

The Group declares that no event has taken place between the reporting date of the financial statements for the year ended 31 December 2013 and the date the Supervisory Board approved these financial statements.

6.9 2014 Outlook

RADIALL's overall business should remain on track in 2014 thanks to:

- a growth outlook that remains solid in the Aeronautics sector
- a telecoms infrastructure market driven by roll-outs in China
- the maintaining – and even strengthening – of the Group's market shares in other market segments, although some of those will remain uncertain.

6.10 Main risk factors

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

6.10.1 Impairment of assets

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

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

To reduce this risk, and in accordance with IFRS requirements, there is a systematic annual review of any indications of impairment in factories and any possible adjustments are recorded.

For inventories, slow rotations and obsolete equipment are reviewed on a quarterly basis. A provision is made for the difference in relation to the market price or the risk of scrappage, 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.

6.10.2. 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 hedge 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 2013, the Group had on its books several optional Euro/USD contracts exercisable in 2014 for a total of USD 6.2 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.

6.10.3 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.

6.10.4 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 2013 comprises €8 million payable in under 30 days and €7.1 million payable between 30 and 45 days from the end of the month.

6.11 Technological report, R&D

Research and development costs are detailed in Chapter 5.5.1.

6.12 Shareholders' handbook

Stock market performance

(€)	High	Low	Year end	EPS (Group share)*
2007	115.99	90.00	91.00	5.87
2008	91.45	35.05	47.00	3.56
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**

** Net earnings per share in accordance with IFRS.*
*** Incl. impact of application of IAS 19R (see the notes to the consolidated financial statements)*

Share capital ownership	*31 December 2013*		*31 December 2012*	
	% shares	*% voting rights*	*% shares*	*% voting rights*
Société d'Investissement Radiall*	32.6	*35.3*	32.6	*35.3*
Hodiall *	51.4	*55.7*	51.4	*55.7*
Pierre Gattaz	2.7	*2.9*	2.7	*2.9*
General public and other	13.3	*6.1*	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 2013, Radiall held 37,841 treasury shares recorded as financial assets, representing 2.05% of the share capital.

Stock option plans at 31 December 2013

No stock option plans were in effect during the year 2013.

Stock options granted to the 10 leading non-corporate officer employees 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 2013.
For the record, no options issued in previous financial years remained exercisable at 31 December 2013.

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

No corporate officer exercised any stock warrants or options during the financial year 2013. For the record, no options issued in previous financial years remained exercisable at 31 December 2013.

Share transactions by executives

Nil

Dividends paid during the last five financial years (€)

FY	Number of shares	Net dividend (€)
2008	2,181,947	0.95
2009	1,848,124	0.75
2010	1,848,124	0.85
2011	1,848,124	0.90
2012	1,848,124	1.15

Draft resolution to the Ordinary General Meeting for the year 2013

The General Meeting, ruling under the conditions of quorum and majority required for ordinary general meetings, acknowledges that the net profit for the year 2013 totals €14,917,615.19.

Considering retained earnings carried forward of €17,709,536.22, distributable profits total €32,627,151.41.

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 2013 as follows:

- to dividends, being €1.50 per share:
- the balance, to retained earnings:

After payment of dividends, retained earnings were €29,854,965.41. Dividend will be payable from 27 May 2014.

[1]Subject to the allocation to the general reserve of dividends attributable to treasury shares held by the Company on the ex-dividend date.

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 your 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 Conditions of 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 5 April 2013, the Supervisory Board fixed the amounts below which its prior authorisation would not be required to create sureties.

The Supervisory Board has Internal Rules that provide for the use of communication means such as videoconferencing. The Internal Rules were modified following studies performed by the Working Group during the 2006 financial year. The updated Internal Rules were presented during the Supervisory Board meeting of 27 March 2007, which ratified all modifications proposed.

The Executive Board, like the Supervisory Board, meets at least once a quarter 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

The Supervisory Board comprises five (5) 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 one female member, Roselyne Gattaz, out of a total five members; therefore the 20% requirement is satisfied.

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 2013. On average, meetings are attended by two thirds of members.

"Majority" members:

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

Independent members:

- Marc Ventre, Member
- Didier Lombard, Member

Directors satisfying the definition and criteria in the MIDDLENEXT Corporate Governance Code for small and medium-sized enterprises of December 2011 are considered independent.
Information on the members of the Supervisory Board and the list of their corporate offices are provided in the 2013 Financial Report.

Content of the Supervisory Board meetings:

The main items discussed in 2013 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 ,
- Review of the regulated agreements,
- Changes in the Group's structure and equity interests,
- Discussion on internal control procedures,
- Acquisition or divestment projects,
- Authorisation given to the Executive Board to create sureties and guarantee subsidiaries' commitments,
- Authorisation of investments,
- Authorisation of the formation of a joint-venture in India,
- Appointment of Dominique Buttin as Chief Executive Officer of the Company,
- Authorisation of the purchase of Radiall Systems securities held by Radiall Ventures and the minority shareholder,
- Contract for the sale of the business goodwill of Radiall Nederland BV (Netherlands) to Radiall,
- Contract for the sale of the business goodwill of Radiall GmbH (Germany) to Radiall.

- **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

At the meeting of the Supervisory Board of 18 July 2013, Dominique Buttin was appointed Chief Executive Officer of Radiall.

Information on the members of the Executive Board and the list of their corporate offices are provided in the 2013 Financial Report. The Executive Board is convened by the Chairman or two of its members. The Executive Board met five times in 2013. All members were present at the meetings.

Content of the meetings of the Executive Board:

The main items discussed in 2013 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,
- Acquisition or divestment projects,
- Requesting authorisation from the Supervisory Board to create sureties and guarantee the subsidiaries' commitments,
- Authorisation of investments,
- Decision to transfer Radiall's head office,
- Delegations of power of the Executive Board,
- Decision to purchase Radiall Systems securities held by Radiall Ventures and the minority shareholder

- **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.

RADIALL set up a new organisation on 1 January 2013. Since that date, 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 ODC at 31 December 2013:

- 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 and the Operational Departments Committee,
- Proper operation of internal processes, in particular those which safeguard assets,
- Reliability of financial information

and in general to contribute 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 from 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 one of the founders 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 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 ODC 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 Department**

This Department groups together the following functional activities:

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

- ***Management control***: Management Control prepares a monthly management report and ensures the reliability of financial information. It oversees the budgeting process, and 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 role of Internal Auditor which has remained vacant since the fourth quarter of 2011 was filled in March 2013.

- ***Treasury***: 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.

- ***Legal***: 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, following the transposition of European directives into French law.

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- ***Credit Management***: Credit Management collects Radiall Group's receivables, monitors the credit insurance cover of the Group's entities and handles pre-litigation matters.

- ***Insurance***: Insurance develops and implements a comprehensive worldwide insurance policy to cover all insurable risks.

- ***Financial communication***: 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 subsidiaries’ 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 2013.

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 2004, the Internal Audit Department mapped the major risks, with the three 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 the ODC. New reviews and assessments, to update the priority levels of major risks, to implement suitable new action plans, and to name personnel responsible for each risk started in the 4th quarter of 2013, under the responsibility of the internal auditor, with the purpose of finalising the assessment and evaluation in mid-2014.

➢ *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. Some of these risks will be reviewed during the assessment of major risks to be carried out in 2014.

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.

- *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 prefers 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 which the Group would not be able to support to insurance companies or banks.

The Group has underwritten 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 of the preparation of the parent company's financial and accounting 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 fixed assets). They report to the Central Accounts Department.
In the main, the principle of the separation of functions (recording/payment) is respected.

- *Organisation of accounting and financial IT systems*

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

- *Procedures for consolidating the financial statements*

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

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

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

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

- *Monitoring provisions*

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

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 to 31 December and a limited review to 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 Compensation of Executives - Corporate Officers

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

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

The compensation 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.

2014 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 2014. These recommendations focus on the following areas:

- Update the Group's major risk guidelines and establish the managerial responsibilities necessary to monitor and anticipate these risks.

- Audit the Purchasing function.

- Perform internal audit assignments within several of the Group's entities.

Aubervilliers, 26 March 2014

Yvon Gattaz
Chairman of the Supervisory Board

8. Statutory Auditors' report on the report prepared by the Chairman of the Supervisory Board of Radiall S.A

Prepared for the year ended 31 December 2013 pursuant to Article L. 225-235 of the Commercial Code.

To the Shareholders,

In our capacity as Radiall S.A.'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 2013.

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 comments 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, 9 April 2014

The Statutory Auditors

MAZARS	Simon Beillevaire
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 incorporate a responsible approach into its strategy in order to satisfy the expectations of various stakeholders, notably its employees, partners, customers and suppliers.

This social responsibility policy is based on values and ethics that are shared by all employees: the flourishing of individuals in order to build, ethics in order to act with integrity and fulfil our commitments, the company's prosperity in order for it to endure.

For these reasons Radiall has published its corporate, environmental and social information over the past 10 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 demonstrate its willingness 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.

9.1.4 Consideration given in supplier and sub-contractor relationships to their environmental responsibility

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 2011/65/EU (Restriction of Hazardous Substances), WEEE 2012/19/EU (Waste Electrical and Electronic Equipment) and REACH 1907/2006/EU (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 total group headcount

	Europe	Americas	Asia	TOTAL
Salaried staff at 31 Dec. 2013	1,210	203	388	1,801
% women	46.91	50.24	37.88	45.32
Permanent staff at 31 Dec. 2013	1,135	203	181	1,519
(of which part-time)	*(88)*	-	-	*(88)*
% women	48.28	50.24	33.14	46.74
Fixed term at 31 Dec. 2013	75	-	207	282
% women	28	-	42.02	38.29

Change in headcount under permanent/ fixed-term contracts at 31 December 2013

	Europe	Americas	Asia	TOTAL
2013	**1,210**	**203**	**388**	**1,801**
2012	**1,181**	**200**	**387**	**1,768**
2011	1,187	220	413	**1,820**
2010	1,148	238	397	**1,784**
2009	1,152	235	443	**1,830**

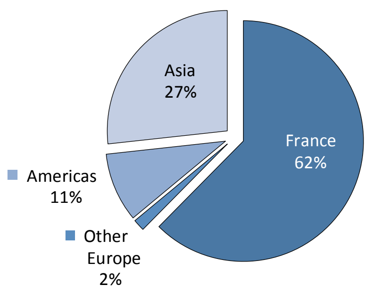
Temporary staff and on-site service providers (yearly average

	Europe	Americas	Asia	TOTAL
TOTAL	**209**	**557**	**206**	**972**
On-site	-	554	1	**555**
Temporary	209	3	205	**417**

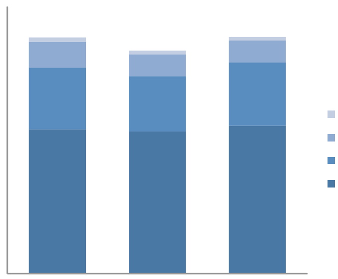
Change in temporary staff and on-site service providers (yearly average)

	Europe	Americas	Asia	TOTAL
2013	**209**	**557**	**206**	**972**
2012	**186**	**400**	**131**	**717**
2011	**203**	**323**	**167**	**693**

Geographic breakdown of the total headcount (permanent/fixed-term/average temporary staff):



Change in total headcount (permanent/fixed-term/average temporary staff):



Gender equality:

Women represented 45% of the Group's salaried headcount at 31 December 2013.
Regarding gender equality, each establishment has submitted a comparative study report on gender equality for 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.

Changes in permanent and fixed-term contracts during the period (excl. transfers)

	France	Europe *(excl. France)*	Americas	Asia	TOTAL
Recruitments	127	2	23	60	212
Departures	98	2	20	59	179
TOTAL	**29**	**0**	**3**	**1**	**33**
Permanent	24	1	3	14	42
Fixed-term	5	(1)	0	(13)	(9)

Information on Radiall's total operations in France:

		Salaried headcount 31 Dec. 2013	Salaried headcount 31 Dec. 2012
Radiall	Rosny-sous-Bois (93)	70	67
	Château-Renault (37)	302	310
	St-Quentin Fallavier (38)	269	237
	Voreppe (38)	367	366
D-Lightsys	Rosny-sous-Bois (93) and St-Quentin Fallavier (38)	-	4
Raydiall	Voiron (38)	45	47
I.D.M.M.	Dôle (39)	122	115
	TOTAL	**1,175**	**1,146**

Changes in permanent and fixed-term contracts during the period (incl. transfers)

	Permanent	Fixed-term	TOTAL
Resignation	12	2	**14**
Redundancy for economic reasons	0	0	**0**
Contractual termination	1		**1**
Early termination of fixed-term contract		2	**2**
Redundancy for other reasons	8	0	**8**
Other (death, etc.)	3	0	**3**
Retirement	16	0	**16**
End of trial period	0	1	**1**
End of contract		41	**41**
Conversion into permanent contract		12	**12**
Transfer	7		**7**
Total France	**47**	**58**	**105**

**** Including 39 permanent and 7 fixed-term transferred from Radiall to Raydiall S.A.S.***

Internal geographic mobility

France towards France	France towards abroad
7	0

Breakdown of total group headcount (permanent/fixed-term/average temporary staff) by age

Salaried staff at 31 Dec. 2013	Europe	Americas	Asia	TOTAL
26 years old	98	3	33	134
% women	*28%*	*33%*	*36%*	*29.85%*
26 – 30 **years old**	89	7	77	173
% women	35%	29%	43%	34.52%
31- 50 **years old**	667	100	225	992
% women	50%	48%	41%	47.8%
51 + **years old**	356	93	53	502
% women	51%	55%	17%	48.02%

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	579
Number of trainees	1,057
Number of hours worked by trainees	14,726

Training budget

The total expenditure for the year allocated to the Radiall training plan, in addition to contributions and obligatory payments, represented 2.53% of the payroll, i.e. €844,147.

Training beneficiaries

	Number of hours of training	*Number of employees*
Executives	42%	32%
Supervisors/ employees	37%	36%
Workers	21%	32%

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

9.2.3 Working hours in France

Principle

The organisation of working hours is governed by the Company-wide "ARTT" Agreement entered into in 2000. Employees have employment contracts for 213 days per annum for executives, and for others, an actual working week of 35 hours, with annual modulation and variable working hours, with the widespread practice of "flexitime" as applied in the 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.

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
2013	4.00%	3.67%
2012	4.69%	4.13%
2011	4.79%	4.15%

Measures taken to promote employment

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

Radiall attaches a certain importance to integration and reintegration; to this end, it has signed the corporate diversity charter. It receives trainees as part of a vocational integration strategy in collaboration with the Association Aéronautique des Restaurants du Coeur and Relais du Coeur created by Boeing.

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.

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 2013, the employment obligation is for 62 units. In order to fulfil its obligations of 55.63 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 €5,469.

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
2013	18	1.84%
2012	16	2.03%
2011	24	1.78%

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;

- 2013: 12.28%
- 2012: 6.60%
- 2011: 5.63%

9.2.5 Annual payroll

Annual payroll

(€)	2013	2012	2011
Gross Radiall	33,352,349	31,418,877	32,469,130
Gross Raydiall	1,786,489	1,658	
Gross Radiall Systems	-	-	105,743
Gross D-Lightsys	-	227,126	287,587
Gross I.D.M.M.	3,450,651	3,302,485	3,353,207

Compensation and change in compensation

For the year 2013, the mandatory yearly negotiations were conducted in each establishment and gave rise to a 3.30% increase in salary.

Profit sharing and bonuses

€2,457,899 was budgeted for Radiall S.A.'s workforce on 31 December 2013 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 2013, Radiall SA negotiated an agreement on the profit-sharing bonus, an amendment to the agreement on health insurance and an agreement on the forward planning of employment and skills (GPEC) and intergenerational contract.

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.

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.

Lastly, 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 when possible (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 2013.

Adapting to the consequences of climate change

To date no action has been taken to adapt to climate change. No Radiall site 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 it operations, Radiall has little impact on biodiversity since it is not involved with the external environment. For the time being, Radiall is not involved in external operations to develop biodiversity (reforestation, etc.).

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, 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.

9.3.2 Environmental impacts

Water

24,515 m^3 of water was consumed for industrial use, a significant decline from previous years in France but around 28% higher at Group level due to the increase in activity. No water was directly withdrawn from 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 the open circuits and the evaporator-concentrator at the Voreppe site enables water to be reused in this process.

Tap water consumption stood at 27,450 m^3 for the entire Group.

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 site is subject to a solvent management plan. Less than 11 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 Radial not implementing the non-mandatory items for the time being.

The latest assessment of greenhouse gas emissions dates from 2011, but measures have been taken to limit air emissions and are detailed in the previous paragraph.

Radiall's greenhouse gas emissions assessment for 2011, the year under review, recorded the equivalent of 2,033 tonnes of CO_2. 95% 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 m^3 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 sites combined produce around 318 metric tons of non-hazardous industrial waste (NHIW), representing a 13% decrease compared to 2013

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 58% of this waste is recycled.

A total of 715 metric tons of hazardous waste (HW) was produced, which was an increase as a result of the new "zero discharge" water treatment principle for Voreppe's surface treatment process, which produces concentrates.

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

SUBSIDIARIES waste

The Shanghai and Obregon sites generated 313 tonnes of industrial waste in 2013, including 234 tonnes of hazardous waste, a significant proportion of which was recycled.

In total, the Group's waste generated represents 1,514 tonnes, including 950 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 26.8 GWh, including 4.3 GWh of natural gas and 22.2 GWh of electricity. This consumption grew due to an increase in electricity usage.

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.

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 (metal) 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 machinery at the Voreppe site is 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.

Scope

Corporate indicators

The corporate reporting scope covers Radiall SA and all its subsidiaries that are directly or indirectly controlled by at least 50%, unless a different scope is expressly stated.

Environmental indicators

This Environment Report 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 Raydiall (Voiron) in France.

It is compiled from 2013 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, and
- 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.

Data collection

Human resources 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.

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 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.

Data relates to the France scope.

Training

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

Water consumption

The water consumption indicator relates both to the industrial water consumption used for, amongst other things, surface treatment, as well as for sanitation (purposes).
It relates solely to water distributed by a private or public supplier. No water is taken directly 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.

Data relates to the France scope.

Payroll

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

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	26
Recruitment and redundancy	Recruitment and redundancy	27
Compensation levels and their evolution	Compensation levels and their evolution	29
Organisation of working hours	Organisation of working hours in France	28
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	28
Agreements signed with trade unions or staff representatives regarding health and safety conditions at work	No agreements signed in this regard	-
Training policies implemented	Training policies implemented in France	27
Total number of hours' training	Total number of hours' training in France	27
Measures taken to promote gender equality	Measures taken to promote gender equality	26
Measures taken to promote the employment and integration of disabled people	Measures taken to promote the employment and integration of disabled people in France	28
Anti-discrimination policy	Anti-discrimination policy	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 risk and pollution	Resources deployed for the prevention of environmental risk and pollution	29
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	31
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.	Non applicable
Consumption of raw materials and measures taken to improve efficiency regarding their use	Consumption of raw materials and measures taken to improve efficiency regarding their use	31

Information recommended	Information used	Page
Energy consumption, measures taken to improve energy efficiency, and use of renewable energy	Energy consumption, measures taken to improve energy efficiency, and use of renewable energy	31
Greenhouse gas emissions	Greenhouse gas emissions	30
Measures taken to preserve or develop biodiversity	Measures taken to preserve or develop biodiversity	29
Territorial, economic and social impact of the activity regarding employment and regional development	Vocational integration	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	28
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[2]	26
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	Not applicable	
Land usage	Conditions for land usage	31
Adapting to the effects of climate change	Adapting to the effects of climate change	29
Importance of subcontracting and consideration given in supplier and sub-contractor relationships to their social and environmental responsibility	Importance of subcontracting and consideration given in supplier and sub-contractor relationships to their social and environmental responsibility	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	30

10. Report of an independent third party body on the consolidated corporate, environmental and social information presented in the management report

Financial year ended 31 December 2013

To the Shareholders,

In our capacity as independent third party body whose application for accreditation has been approved by COFRAC, we hereby present our report on the consolidated corporate, environmental and social information presented in the management report for the year ended 31 December 2013 (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 in the paragraph "Methodological note".

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 (Attestation of completeness of the CSR Information);
- to give a considered opinion that the CSR Information, collectively, is presented fairly 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 18 December 2013 and 28 February 2014, over a period of approximately three weeks. We were assisted in our work by our CSR experts.

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 3000[1].

1. 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] ISAE 3000 – *Assurance engagements other than audits or reviews of historical financial information*

2. Considered opinion on the fairness of the CSR Information

Nature and scope of procedures

We conducted eight 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 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 significant[1]:

- 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 entity level, for a representative sample of entities, selected[2] on the basis of their business 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 41% of the workforce and between 14% and 47% 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.

Courbevoie, 9 April 2014

The Independent third party body,

MAZARS SAS

Emmanuelle Rigaudias — *CSR and Sustainable Development Partner*

Simon Beillevaire — *Partner*

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[1] Quantitative social indicators: total headcount by geographic region, frequency rate of accidents at work; Quantitative environmental indicators: energy consumption, total water consumption, overall waste production in tonnes, hazardous waste production in tonnes;

[2] The Voreppe site for all the most important corporate and environmental information and on the Isle d'Abeau site for information relating to the workforce and to water consumption;

II. CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated financial statements

Consolidated statement of financial position at 31 December 2013

(€ thousands)	Notes	31 December 2013	31 December 2012 *
Intangible assets	Note 5	8,722	8,994
Goodwill	Note 5	8,498	8,885
Property, plant and equipment	Note 6	57,493	56,267
Other financial assets	Note 7	330	217
Deferred tax assets	Note 17	1,865	2,379
NON-CURRENT ASSETS		**76,908**	**76,742**
Inventories	Note 8	46,441	41,758
Trade receivables	Note 9	44,025	32,564
Other receivables	Note 10	10,175	7,544
Income tax	Note 17	3,999	4,339
Cash and cash equivalents	Note 11	49,173	44,888
CURRENT ASSETS		**153,813**	**131,093**
TOTAL ASSETS		**230,721**	**207,835**
Share capital		2,817	2,817
Share premium		11,929	11,929
Consolidated reserves		114,059	102,350
Foreign exchange differences		(1,779)	1,247
Net profit, Group share		17,154	13,237
Minority interests		5,877	5,142
EQUITY	**Note 12**	**150,058**	**136,722**
Deferred tax liability	Note 17	4,626	5,145
Long-term financial debt	Note 14	13,701	13,776
Non-current provisions	Note 13	8,151	8,216
NON-CURRENT LIABILITIES		**26,477**	**27,137**
Short-term financial debt	Note 14	848	644
Trade payables		26,102	19,730
Other liabilities	Note 15	26,087	21,005
Current provisions	Note 13	321	1,193
Income tax	Note 17	828	1,404
CURRENT LIABILITIES		**54,185**	**43,976**
TOTAL EQUITY AND LIABILITIES		**230,721**	**207,835**

** including the impact of IAS 19R (see note 2.2. Changes in accounting principles)*

Consolidated income statement for the year ended 31 December 2013

(€ thousands)	Notes	31 December 2013	31 December 2012 *
Sales	Note 4	**235,119**	**220,058**
Other operating revenue		0	67
Revenue from ordinary activities		**235,119**	**220,125**
Materials		(67,523)	(64,316)
Change in work-in-progress and finished goods inventories		3,816	(1,017)
Payroll costs	Note 18	(92,835)	(86,887)
External charges		(39,810)	(36,552)
Taxes and duties		(2,604)	(2,581)
Other trading income and expenses	Note 20	120	890
Impairment of non-current assets	Note 21	(9,719)	(9,894)
Impairment of currents assets and provision charges	Note 22	(1,596)	(1,432)
Profit from recurring operations		**24,969**	**18,336**
Profit from recurring operations as % of sales		***10.62%***	***8.29%***
Other operating income and expenses	Note 23	0	1,474
Operating profit		**24,969**	**19,810**
Operating profit as % of sales		***10.62%***	***8.96%***
Income from cash and cash equivalents		167	359
Cost of gross financial deb		(702)	(1,026)
Cost of net financial debt		**(535)**	**(667)**
Other financial income and expenses	Note 24	(31)	(73)
Income tax charge	Note 17	(5,872)	(5,164)
Net profit		**18,530**	**13,906**
Attributable to minority interests		1,376	669
Net profit, Group share		17,154	13,237
Earnings per share (€)	Note 12	9.48	7.31
Diluted earnings per share (€)	Note 12	9.48	7.31

** including the impact of IAS 19R (see note 2.2. Changes in accounting principles)*

Consolidated statement of comprehensive income

	31 December 2013	31 December 2012 *
Net profit for the year	**18,530**	**13,906**
Recognition of actuarial gains and losses on pension commitments in items of other comprehensive income	339	(1,200)
Deferred tax on actuarial gains and losses recognised	(113)	400
Foreign exchange difference	(3,126)	(1,226)
Items of other comprehensive income	108	
Items not recyclable through the income statement	(2,792)	(2,026)
Gains and losses resulting from the fair value measurement of interest rate hedge instruments	339	53
Deferred tax on the fair value measurement of financial instruments	(113)	(18)
Items recyclable through the income statement	226	35
Total items of other comprehensive income	**(2,566)**	**(1,991)**
Total income and expenses recognised during the year	**15,964**	**11,915**
Attributable to		
- Radiall SA shareholders	14,688	11,292
- Minority interests	1,276	623

** including the impact of IAS 19R (see note 2.2. Changes in accounting principles)*

Consolidated cash flow statement

(€ thousands)	31 December 2013	31 December 2012 *
Net profit, Group share	17,154	13,237
Share of minority interests in consolidated net profit	1,376	669
Amortisation and depreciation charges	9,705	9,894
Net change in provisions	(446)	1,492
Change in fair value of ineffective hedges	173	(763)
Capital gains/losses on disposals	77	(2,245)
Interest expense	702	1,026
Income tax charge (including deferred tax)	5,872	5,164
Self-financing capacity	**34,613**	**28,474**
Change in inventories	(5,606)	1,150
Change in trade receivables	(12,506)	1,349
Change in trade payables	6,663	1,735
Change in other assets and liabilities	1,827	413
Change in working capital requirements	**(9,623)**	**4,647**
Interest paid	**(700)**	**(1,500)**
Tax paid	**(6,200)**	**(6,249)**
Cash flow from operating activities	**18,090**	**25,372**
Acquisition of intangible assets	(480)	(282)
Acquisition of property, plant, and equipment	(11,524)	(6,828)
Acquisition of financial assets	(162)	(25)
Disposal of property, plant, and equipment and intangible assets	686	650
Disposal and refund of financial assets	29	21
Net cash from acquisitions/disposals of subsidiaries	0	4,075
Cash flow from investing activities	**(11,451)**	**(2,389)**
Increase/Decrease of share capital		
Dividend paid to RADIALL's shareholders	(2,081)	(1,630)
Dividend paid to minority shareholders	(561)	
Purchase and sale of treasury shares	0	45
Proceeds from new borrowings		7,000
Repayment of borrowings	(756)	(20,872)
Cash flow from financing activities	**(3,398)**	**(15,457)**
Impact of changes in exchange rates	**1,045**	**(173)**
Change in cash and cash equivalents	**4,285**	**7,353**
Cash and cash equivalents at the beginning of the period	**44,888**	**37,536**
Cash and cash equivalents at the end of the period	**49,173**	**44,888**

** including the impact of IAS 19R (see note 2.2. Changes in accounting principles)*

Statement of changes in equity

(€ thousands)	Number of shares	Share capital	Share premium	Consolidated reserves	Foreign exchange differences	Group share	Minority interests	Total equity
Equity published at 31 Dec. 2011	**1,848,124**	**2,817**	**11,929**	**105,534**	**2,427**	**122,707**	**4,550**	**127,257**
Impact of adoption of IAS 19 revised				(833)		(833)		(833)
Equity restated at 01/01/2012	**1,848,124**	**2,817**	**11,929**	**104,701**	**2,427**	**121,874**	**4,550**	**126,424**
Income and expenses recorded in items of other comprehensive income				(765)	(1,180)	(1,945)	(46)	(1,991)
Net profit				13,180		13,180	669	13,849
Dividends				(1,630)		(1,630)		(1,630)
Treasury shares				40		40		40
Change in scope				4		4	(31)	(27)
Impact of adoption of revised IAS 19				57		57		57
Equity restated at 31/12/2012	**1,848,124**	**2,817**	**11,929**	**115,587**	**1,247**	**131,580**	**5,142**	**136,722**
Income and expenses recorded in equity				560	(3,026)	(2,466)	(100)	(2,566)
Net profit				17,154		17,154	1,376	18,530
Dividends				(2,081)		(2,081)	(561)	(2,642)
Change in scope				(6)		(7)	21	14
Equity at 31/12/2013	**1,848,124**	**2,817**	**11,929**	**131,214**	**(1,779)**	**144,180**	**5,877**	**150,058**

** including the impact of IAS 19R (see note 2.2. Changes in accounting principles)*

Notes to the consolidated financial statements at 31 December 2013

Note 1 - General presentation

Radiall is an industrial group specialising in the design, development and manufacture of electronic components and is a renowned player within its markets: telecommunications, military and aeronautic applications, and automotive. The Group's strong international outlook means that it is present on the 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 26 March 2014.

Note 2 - Accounting principles

2.1 Principles used to prepare the financial statements

Pursuant to EU Regulation n°1606/2002 of 19 July 2002 on international accounting standards, the 2013 consolidated financial statements have been prepared in accordance with IAS/IFRS international financial reporting standards and IFRIC-IC interpretations applicable at 31 December 2013, as approved by the European Union.

The consolidated financial statements have been prepared using the historical cost principle with a few exceptions for various assets and liabilities as stipulated in IFRS. The categories are mentioned in the following notes.

The consolidated financial statements include the financial statements of Radiall SA and its subsidiaries after elimination of intra-group items and transactions.

2.2 Changes in accounting principles

Revised IAS 19: Employee benefits – retirement benefit plans

The mandatory application of the revised IAS 19 from 1 January 2013 will result in the following changes to the Radiall Group's accounting for retirement commitments:

- Elimination of the various methods for accounting for actuarial gains and losses, only retaining one: recognition within items of other comprehensive income.

This change has no impact on the Radiall Group consolidated financial statements as it had opted to apply the SORIE method.

- Immediate recognition of all employee commitments at the end of each financial year. This is equivalent to recognising the discounted liability in its entirety in the balance sheet.

The amortisation of past service costs (resulting from changes in pension schemes) over the residual period of rights acquisition has been removed.

In the case of Radiall Group, this accounting change results in the immediate recognition in the balance sheet of an additional provision (resulting from the revaluation of the rights of French employees following a change to the Collective Agreement in 2010), previously being recognised over a period of 17 years.

- Change in the calculation method for financial income following the removal of the expected return on plan assets.

Henceforth, regardless of the plan asset investment strategy, the discount rate of the liability must be considered as the rate of return on plan assets. This change had no impact on the Radial Group financial statements as there are no plan assets.

Pursuant to IFRS, Radiall Group retrospectively applied the change in the recognition method for retirement commitments, which consists of restating the comparative financial year (i.e. the 2012 financial information provided in the consolidated financial statements). Consequently, previous service costs for which no provision was set aside at 1 January 2012 have been recognised, net of tax, in the Group's consolidated reserves. After 1 January 2012, these costs were recognised in the income statement for the period in which they were incurred. The following restatements were made:

- €57 K increase in 2012 net profit, net of deferred tax
- €1,163 K increase in provision at 31 December 2012
- Correlative reduction of €776 K in equity at 31 December 2012, net of deferred tax

(€ thousands)	31 December 2012 published	Impact IAS19 restatements	31 December 2012 restated
Intangible assets	8,994		8,994
Goodwill	8,885		8,885
Property, plant and equipment	56,267		56,267
Other financial assets	217		217
Deferred tax assets	1,992	387	2,379
NON-CURRENT ASSETS	76,355	387	76,742
Inventories	41,758		41,758
Trade receivables	32,564		32,564
Other receivables	7,544		7,544
Income tax	4,339		4,339
Cash and cash equivalents	44,888		44,888
CURRENT ASSETS	131,093		131,093
TOTAL ASSETS	207,448	387	207,835
Share capital	2,817		2,817
Share premium	11,929		11,929
Consolidated reserves	103,183	(833)	102,350
Foreign exchange differences	1,247		1,247
Net profit, Group share	13,180	57	13,237
Minority interests	5,142		5,142
EQUITY	137,498	(776)	136,722
Deferred tax liability	5,145		5,145
Long-term financial debt	13,776		13,776
Non-current provisions	7,053	1,163	8,216
NON-CURRENT LIABILITIES	25,974	1,163	27,137
Short-term financial debt	644		644
Trade payables	19,730		19,730
Other liabilities	21,005		21,005
Current provisions	1,193		1,193
Income tax	1,404		1,404
CURRENT LIABILITIES	43,976		43,976
TOTAL EQUITY AND LIABILITIES	207,448	387	207,835

IFRS 13: fair value measurement

IFRS 13 provides the rules applicable to all fair value measurements required under IFRS. However, this new standard does not modify instances where fair value must be used in financial reporting.
The Group has reviewed its accounting treatment of fair value measurements and concluded that the application of IFRS 13 has no material impact.

Amendment to IFRS 7 "Disclosures on offsetting financial assets and financial liabilities"

The application of this amendment to IFRS 7 is mandatory from 1 January 2013. This amendment relates to the offsetting of financial assets and liabilities, and more specifically to the additional disclosures to be provided in the accompanying notes.

Amendment to IAS 1: "presentation of items of other comprehensive income".

This amendment requires:

- separate sub-totals for "items of other comprehensive income" which can be reclassified in the "net profit" section of the statement of comprehensive income and those that cannot be recycled in net profit.
- that tax related to items presented before tax is presented separately for each of these two groups comprising the statement of comprehensive income.

The consolidated statement of comprehensive income is presented in accordance with this amendment.

Amendment to IAS 12: *Recovery of Underlying Assets*

Improvements to IFRS: "2009-2011 cycle"

These amendments and interpretations have no impact on Radiall's financial statements.

Expected impact of the new standards and interpretations, the application of which is mandatory for the financial years starting on or after 1 January 2014

The "Consolidation package" adopted by the European Union in 2012 and of mandatory application for financial years starting on or after 1 January 2014 was not applied early by the Radiall Group. This package includes the following standards:

- IFRS 10 "Consolidated financial statements", which is set to replace IAS 27 "Consolidated and separate financial statements" for the section relating to consolidated financial statements, as well as interpretation SIC 12 "Consolidation – Special purpose entities".
- IFRS 11 "Joint arrangements", which is set to replace IAS 31 "Interests in joint ventures", as well as interpretation SIC 13 "Jointly-controlled entities – Non-monetary contributions by venturers".
- IFRS 12 "Disclosure of interest in other entities".
- Revised IAS 27, renamed "Separate financial statements" and IAS 28 "Investments in associates and joint ventures".

The application of these standards has been reviewed by the Management and should lead to the equity-accounting of Raydiall from 1 January 2014. This company has been proportionally-consolidated since 1 July 2012.
The impact of the equity-accounting of Raydiall at 1 January 2013 would have resulted in a €4.2 million reduction in sales and a €0.3 million increase in profit from recurring operations.

Amendment to IAS 32 "Offsetting financial assets and liabilities"

Amendment to IAS 36: "Recoverable amount of non-financial assets"

Amendment to IAS 39: "Novation of derivatives and the continuation of hedge accounting"

IFRIC 21: Levies"

Amendments to IAS 19: "Employee benefits"

IFRS improvements: "2010-2012 and 2011-2013 cycles"

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

2.3 Consolidation methods

The companies in which Radiall directly or indirectly exercises exclusive control are fully consolidated. Companies over which Radiall exercises a notable influence are accounted for by the equity method. There is a company under joint control proportionally consolidated (see note 2.2: revisions to IAS 27 and IAS 28).
The list of Group subsidiaries, joint ventures and associates is provided in Note 3.

2.4 Goodwill and business combinations

Business combinations are recognised using the acquisition method. According to this method, on initial recognition of an entity over which the Group has acquired exclusive control:

- The identifiable assets acquired and liabilities assumed are measured at fair value on the acquisition date,
- Minority interests are either measured at fair value or their proportionate share of the acquiree's net identifiable assets.
  This option is available on a case-by-case basis for each acquisition.

At the acquisition date, goodwill is measured as the difference between:

- (i) the fair value of the consideration transferred, including earnouts, increased by the amount of minority interests in the acquired entity and, in the case of a business combination achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree at the acquisition date, and
- (ii) the net, at the acquisition date, of the amounts of the identifiable assets acquired and the liabilities assumed measured at fair value.

The fair value measurement of minority interests results in an increase in goodwill up to the extent attributable to these minority interests, thereby leading to the recognition of "full goodwill".
The purchase price and its allocation must be completed within 12 months after the acquisition date.
If goodwill is negative, it is recognised in the income statement. Subsequent to the acquisition date, goodwill is measured at its initial amount less recorded accumulated impairment losses.
In addition, the following principles are applied to business combinations:

- From the acquisition date, to the extent possible, goodwill is allocated to each cash-generating unit likely to benefit from the business combination,
- Potential earnouts are measured at fair value on the acquisition date. Any adjustment to the fair value occurring after the purchase price allocation period, that is one year after the acquisition date, is recognised in the income statement. Changes to the fair value occurring during the allocation period and caused by post-acquisition events are also recognised in the income statement. Other changes are offset against goodwill.
- Costs directly related to the acquisition are recognised as expenses when incurred,
- In the event of the acquisition of an additional interest in a consolidated subsidiary, the difference between the acquisition price and the book value of minority interests acquired is recognised as a change in equity attributable to Radiall's shareholders,
- Goodwill is not amortised but is tested annually for impairment. The potential impairment loss is included under "Other operating income and expenses" in the income statement.

2.5 Conversion of foreign currency denominated items

The consolidated financial statements are expressed in thousands of euros, which is the 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;
- At the average rates of the period for income statement entries.

Foreign exchange differences resulting from applying these rates are recorded under equity as "Foreign exchange differences".

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 16.2.

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

	2013		2012	
	Closing rate	Average rate	Closing rate	Average rate
USD	1.379	1.328	1.319	1.286
CNY	8.349	8.165	8.221	8.109
GBP	0.834	0.849	0.816	0.811
HKD	10.693	10.302	10.226	9.973
JPY	144.720	129.659	113.610	102.621
INR	85.366	77.875	72.560	68.629

2.6 Use of estimates

As part of the preparation of the consolidated financial statements, the measurement of certain balance sheet or income statement items requires the use of assumptions, estimates or assessments, including:

- The measurement of property, plant and equipment and intangible assets,
- The amount of provisions for liabilities and,
- 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 date on which the financial statements are prepared, which may differ from actual figures.

2.7 Research, study and development

Research and study costs may not be capitalised. Development costs may be capitalised providing the Company can demonstrate:

- Its 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 assessed.

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 for the financial year during which they were incurred.

2.8 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 without exceeding 20 years;
- Software: 4 to 8 years.

Useful lives are reviewed at each year end.

2.9 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 recorded by offsetting the gross value of the assets they are received for.

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 life.

Fixed 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 asset with a construction period which would require the capitalisation of borrowings costs in its cost price.

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

- Buildings: 20 years
- Industrial facilities,
- Plant machinery and tools: 3 to 20 years
- Computer hardware: 3 to 4 years
- Other PPE: 3 to 15 years

2.10 Other PPE: 3 to 15 years

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, intangible assets with an indefinite useful life and intangible assets in progress are subject to an impairment test implemented 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) or, if required, 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 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 particular, Radiall implements the goodwill impairment test at CGU or group of CGUs level, based on the extent of return on investment Management expects from operations.

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 budget. The after-tax discount rates applied to these forecasts for each geographic region are calculated in accordance with the average weighted cost of capital for the sector.

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.

2.11 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 nominal 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*." The net cash position entry in the cash flow statement also includes bank overdrafts and short-term credit lines.

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, the change in the fair value of derivative instruments is always recorded as a cross-entry 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, as well as while it lasts.

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. The change in this fair value is recorded in the income statement, where it is offset by symmetrical 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 directly recorded as a cross entry to equity, 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 equity 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".

The Group hedges certain foreign exchange risks without meeting the formalisation and backing requirements of hedge accounting. As a result, derivative instruments used within this framework are recognised at fair value and offset in the income statement.

Concerning the interest rate risk, 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 ineffective portion is recognised under other financial income and expenses.

2.12 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, and incorporates direct and indirect production charges.

Inventory writedowns are usually recorded due to product obsolescence or deteriorated sales prospects.

2.13 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 (expected future tax saving),
- Or deferred tax liability, when the tax base is lower than the book value (excepted future tax expense).

Deferred tax assets and liabilities are measured at 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 temporary 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 of those deductible temporary 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 available taxable profit will be achieved to make use of these deferred tax assets.

Deferred tax liabilities are recognised for all taxable temporary 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.

2.14 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.

2.15 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 without at least 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.

2.16 Pensions and related commitments

In compliance with the IAS 19 "*Employee benefits*" standard, 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 the reduction or increase in equity in the statement of recognised income and expenses. (See Note 2.1 - Principles used to prepare the financial statements).

2.17 Sales

In accordance with the IAS 18 "Revenue" standard, sales of connectors are accounted as sales on the date that the risks and benefits connected with ownership are transferred. This usually corresponds to the date of delivery.
The discounts granted to customers are accounted under "Sales".

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

2.18 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.

2.19 Related parties

Related parties included 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

On 4 June 2012, ARaymond acquired 50% of Raydiall, a company formed by the contribution of the automotive activities of Radiall and ARaymond, thus establishing a joint venture dedicated to the market of passive interconnection components for automotive applications. According to IAS 31, the governance principles of this company meet the definition of joint control. Against this backdrop, Management has opted for proportional consolidation of the subsidiary's assets and liabilities as of 30 June 2012. Raydiall's revenue and expenses were fully consolidated until 30 June 2012.

On 1 January 2013, the company D-Lightsys transferred all its assets and liabilities. This transaction had no impact on the Group's consolidation scope. The Group increase its equity interest in Radiall Systems by 5% through the acquisition of minority interests.

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%
Radiall Systems SA	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	76%	80%
Proportional consolidation	Country	Region	% interest	% control
Raydiall SAS	France	France	50%	50%

The consolidation scope of the Radiall Group did not change during the 2013 financial year.

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 this information 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 location

2013 *(€ thousands)*	France	Europe excl. France	Americas	Asia	Intragroup eliminations	Total
Sales (Non-Group)	81,755	22,712	91,078	39,574		235,119
Interregional sales	75,529	2,325	10,523	23,504	(111,881)	
Total	157,284	25,037	101,601	63,078	(111,881)	235,119
Other non-recurring operating income and expenses	0	0	0	0		0
Operating profit	3,774	1,000	12,138	8,056		24,969
Income tax	(350)	(281)	(3,856)	(1,385)		(5,872)
Net profit – Group share	2,820	714	8,286	5,335		17,154
Impairment of non-current assets	(6,610)	(28)	(2,297)	(784)		(9,719)
Purchase of intangible assets	475	1	3	0		480
Purchase of property, plant and equipment	7,781	6	3,259	478		11,524

2012* *(€ thousands)*	France	Europe excl. France	Americas	Asia	Intragroup eliminations	Total
Sales (Non-Group)	77,544	26,659	81,827	34,028		220,058
Interregional sales	77,695	1,525	9,833	20,161	(109,214)	
Total	155,239	28,184	91,660	54,189	(109,214)	220,058
Other non-recurring operating income and expenses	1,456	18				1,474
Operating profit	5,286	799	9,439	4,286		19,810
Income tax	(1,171)	(278)	(2,930)	(785)		(5,164)
Net profit – Group share	3,496	536	6,529	2,676		13,237
Impairment of non-current assets	(6,852)	(50)	(2,192)	(800)		(9,894)
Purchase of intangible assets	224		20	8		252
Purchase of property, plant and equipment	4,762	18	1,467	636		6,883

* including impact of application of IAS 19R (see Note 2.2. Changes in accounting principles

Note 5 - Goodwill and intangible assets

5.1 Change in goodwill

(€ thousands)	
31 December 2012	8,885
Increase	
Decrease	
Translation adjustment	(387)
Other	
31 December 2013	8,498

5.2 Breakdown of goodwill

(€ thousands)	31 Dec. 2013	31 Dec. 2012
Radiall Shanghai	1,423	1,444
Radiall USA	4,344	4,543
Radiall India	943	1,110
D-Lightsys	393	393
I.D.M.M	1,395	1,395
TOTAL	8,498	8,885

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

In 2013, 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.

This test was implemented by Radiall during the fourth quarter of 2013 based on internally-determined recoverable amounts.

Following this review, the Management concluded that the recoverable amount of each CGU or group of CGUs tested exceeded its book value at 31 December 2013.

Presentation of the key assumptions used to determine recoverable amounts

The value in use of each asset or group of assets is determined by discounting its future cash flow, the DCF method, using cash flow forecasts that are consistent with the Management's budget and multi-year plans.

The main assumptions used were as follows:

Region	Assets tested	Discount rate		Growth rate to infinity	
		2013	2012	2013	2012
US	Radiall USA	10.6%	9.7%	2%	2%
	AEP brand	10 .6%	9.7%	2%	2%
Europe	D-Lightsys	9.5%	9.7%	2%	2%
	I.D.M.M	9.5%	9.7%	2%	2%
China	Radiall Shanghai	11.4%	10.8%	2%	2%
India	Radiall India	13.8%	13.2%	2%	2%

Sensitivity of recoverable amounts:

For all CGUs, 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;
- 100 pps increase in the discount rate, or;
- growth rate to infinity of 1% instead of 2%.

The various sensitivity tests showed that none of the changes in assumptions presented above, when considered individually, would lead to impairment, nor were there likely scenarios according to which the recoverable amount of the cash generating unit would fall below its book value.

5.4 Intangible assets

Gross value (€ thousands)	Development costs	Patents and licences	Goodwill	Other intangible assets	Total
31 December 2012	344	11,316	70	7,661	19,390
Acquisitions		480			480
Disposals		(91)			(91)
Translation adjustment		(240)		(284)	(523)
Other		715		(381)	334
31 December 2013	344	12,180	70	6,996	19,590

Amortisation and impairment (€ thousands)	Development costs	Patents and licences	Goodwill	Other intangible assets	Total
31 December 2012	(344)	(7,970)	(70)	(2,013)	(10,397)
Acquisitions		(698)		(56)	(1,508)
Disposals		91			182
Translation adjustment		142		50	383
Other		(347)		347	0
31 December 2013	(344)	(8,782)	(70)	(1,672)	(10,868)
Net value 2012		3,346		5,648	8,994
Net value 2013		3,399		5,324	8,722

Note 6 - Property, plant and equipment

6.1 Change in net book value

Gross value (€ thousands)	Land	Buildings	Plant and machinery	Other PPE	Assets under construction	Total
31 December 2012	1,198	31,692	99,773	7,485	3,617	143,765
Increases		1,745	5,534	747	4,502	12,529
Decreases		(715)	(1,714)	(750)	(117)	(3,295)
Translation adjustment	(12)	(247)	(1,154)	(100)	(71)	(1,585)
Other		570	416	(58)	(1,668)	(740)
31 December 2013	1,185	33,045	102,854	7,323	6,264	150,672

Depreciation and writedowns (€ thousands)	Land	Buildings	Plant and machinery	Other PPE	Assets under construction	Total
31 December 2012		(18,072)	(63,430)	(5,996)		(87,498)
Charges		(1,373)	(7,225)	(600)		(9,199)
Disposals		613	1,303	690		2,606
Translation adjustment		106	583	77		766
Other		63	0	82		145
31 December 2013		(18,663)	(68,770)	(5,746)		(93,179)
Net value 2012	1,198	13,620	36,343	1,489	3,617	56,267
Net value 2013	1,186	14,383	34,084	1,577	6,264	57,493

6.2 Lease-financed assets

(€ thousands)	Land	Buildings	Plant and machinery	Other	Total
Net value 2012	351	5,582	3,003	0	8,936
Net value 2013	351	5,149	3,279	0	8,779

Note 7 - Other financial assets

(€ thousands)	
31 December 2012	217
Increase	168
Decrease	(5)
Translation adjustment	(3)
Other	(46)
31 December 2013	330

Note 8 - Inventories

(€ thousands)	31 December 2013	31 December 2012
Raw materials and supplies	34,032	31,487
Work-in-progress, goods and services	5,202	4,789
Products	13,527	10,984
Merchandise		
Gross value	52,761	47,260
Writedown of raw materials and supplies	(4,848)	(4,378)
Writedown of work-in-progress		(23)
Writedown of finished goods	(1,472)	(1,101)
Writedown of merchandise		
Total writedowns	(6,320)	(5,502)
Total net value of inventory	46,441	41,758

The company scrapped inventories of €708 thousand during the financial year.

Note 9 - Trade receivables

(€ thousands)	31 December 2013	31 December 2012
Trade receivables	44,550	33,159
Writedown	(526)	(595)
Writedown as %	*1.18%*	*1.79%*
Net value	44,025	32,564

All receivables have a due date of less than one year. The aged balance for trade receivables is presented under Note 12.3.

Note 10 - Other receivables

(€ thousands)	31 December 2013	31 December 2012
Tax and social security receivables	8,241	5,363
Prepaid expenses	1,135	1,529
Other miscellaneous receivables	799	652
Total	10,175	7,544

Note 11 - Cash and cash equivalents

(€ thousands)	31 December 2013	31 December 2012
Investments maturing in less than three months	15,456	18,843
Cash	33,717	26,045
Total Cash and cash equivalents	49,173	44,888

Note 12 - Equity

12.1 Composition of share capital

At 31 December 2013, 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.

12.2 Treasury shares

In 2013, the Group did not buy back any shares. This contract ended on 4 July 2012.

(€ thousands)	31 December 2013	31 December 2012
Opening balance	37,841	38,422
Shares purchased		8,447
Shares sold		(9,028)
Shares cancelled during the year		
Closing balance	37,841	37,841
As part of the market stimulation objective		
For various other purposes	37,841	37,841

12.3 Earnings per share

(Number of shares)	31 December 2013	31 December 2012 *
Group share of net profit (€)	17,154,130	13,237,000
Weighted average number of ordinary shares outstanding during the period	1,848,124	1,848,124
Number of treasury shares (weighted average) during the period	37,841	37,975
Number of shares used in calculation	1,810,283	1,810,149
Earnings per share (€)	9.48	7.31

* including the impact of the adoption of IAS 19R (see Note 2.2. Changes in accounting principles)

12.4 Proposed dividend

The Executive Board meeting held on 25 March 2014 proposed a dividend of €1.50 per share. This dividend will be submitted to the shareholders at the Combined Shareholders' Meeting to be held on 20 May 2014.

Note 13 - Provisions

13.1 Change in current asset provisions

(€ thousands)	31 December 2012	Charges	Reversals	Translation adjustment	Change in scope	31 December 2013
Provisions for bad debt	(596)	0	53	16	0	(526)
Provisions for inventory w ritedow ns	(5,502)	(1,722)	817	87	0	(6,320)
Total current asset provisions	**(6,098)**	**(1,722)**	**871**	**103**	**0**	**(6,846)**

13.2 Change in current and non-current provisions

(€ thousands)	31 December 2012 *	Charges	Used reversals	Unused reversals	Foreign exchange differences	Reclassifica-tions	Change in scope	31 December 2013
Retirement benefits	7,954	288	(270)	0	(0)	(1)		7,971
Provision for restructuring	30					(30)		
Other non-current provisions	232	9	(96)	(49)	(37)	121		180
Provision for tax (French Chart of Accounts)								
Non-current provisions	**8,216**	**297**	**(366)**	**(49)**	**(37)**	**90**		**8,151**
Provision for technical and commercial risks	200		(69)	(131)				0
Provision for retirement benefits								
Provision for foreign exchange losses								
Provision for other risks	993	201	(673)	(74)	(6)	(120)		321
Provision for restructuring			(25)	(5)		30		
Current provisions	**1,193**	**201**	**(767)**	**(210)**	**(6)**	**(90)**		**321**

* including the impact of the adoption of IAS 19R (see Note 2.2. Changes in accounting principles)

13.3 Retirement benefit commitments

Assumptions used for retirement benefits

	31 Dec. 2013	31 Dec. 2012
Retirement age		
- Born before 1951	60	60
- Born between 1951 and 1956	63	63
- Born after 1956	65	65
Rate of salary increase	2.73%	2.81%
Discount rate	3.00%	2.77%
Turnover		
- 16 to 39 years old	7.12%	6.13%
- 40 to 49 years old	2.86%	2.46%
- 16 to 39 years old	0.71%	0.61%
- 55 to 65 years old	0.00%	0.00%
Mortality table		
Male	TH 00-02	TH 00-05
Female	TF-00-02	TF-00-05

Sensitivity of assumptions

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

(€ thousands)	Group provision	Revalued provision	Impact of negative change	Impact of positive change
0.25 point change in the discount rate	7,971	8,227	256	(244)
0.25 point change in the rate of salary increase	7,971	7,718	(253)	264
20% change in the turnover rate	7,971	8,158	186	(123)
1 year change in the retirement age	7,971	8,024	52	(123)

The information in this note only applies to Radiall, IDMM, D and Raydiall. There are no significant retirement benefit commitments in the Group's other subsidiaries. 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 3.56%, which is consistent with the actual rate observed over the past five financial years.

Past service cost

(€ thousands)	31 December 2013	31 December 2012 *
Past service costs at start of period	7,954	5,932
Cost of services provided during the year	421	560
Benefits paid during the year	(270)	(118)
Actuarial losses (gains) generated during the year	(339)	1,200
Financial costs for the year	229	293
Change in scope	(23)	87
Total	**7,971**	**7,954**

* including the impact of the adoption of IAS 19R (see Note 2.2. Change in accounting principles)

Plan assets

There were no plan assets at 31 December 2013.

Note 14 – Financial debt

31 December 2013 (€ thousands)	Current	Non-current		
	< 1 year	1 to 5 years	> 5 years	Total
Repayable loans		4		4
Other financial debt	221	7,632		
Lease finance agreements	627	2,552	3,513	6,065
Total	848	10,188	3,513	13,701
Liabilities in EUR	848	10,188	3,513	13,701
Liabilities in USD				
Liabilities in other currencies				
Total	848	10,188	3,513	13,701

31 December 2012 (€ thousands)	Current	Non-current		
	< 1 year	1 to 5 years	> 5 years	Total
Repayable loans		156		156
Other financial debt	218	7,811		7,811
Lease finance agreements	426	1,847	3,962	5,809
Total	644	9,814	3,962	13,776
Liabilities in EUR	644	9814	3962	13776
Liabilities in USD				
Liabilities in other currencies				
Total	644	9,814	3,962	13,776

Note 15 - Other liabilities

(€ thousands)	31 December 2013	31 December 2012
Downpayments on orders	548	452
Tax and social security	21,399	16,210
Fixed asset suppliers	1,061	983
Derivative instruments	692	778
Miscellaneous liabilities	1,123	727
Accruals	1,263	1,855
Total	26,087	21,005

Note 16 - Financial instruments and management of financial risks

16.1. Fair value of financial instruments

Accounting category and fair value of financial instruments

(€ thousands)	Level	31 December 2013		31 December 2012	
		Book value	Fair value	Book value	Fair value
Assets					
Other financial assets	N/A	330	330	217	217
Trade and other current receivables	N/A	44,025	44,025	32,564	32,564
Trade and other current receivables	Level 2	80	80	253	253
Cash and cash equivalents	Level 1	49,173	49,173	44,888	44,888
Total		93,608	93,608	77,922	77,922
Liabilities					
Financial debt	N/A	14,549	14,549	14,420	14,420
Liability financial instruments	Level 2	692	692	1,031	1,031
Total		15,241	15,241	15,451	15,451

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.

16.2 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, whereas this accounting treatment is not applied to foreign exchange risks.

16.2.1 Value of derivative instruments in the balance sheet

	2013		2012	
(€ thousands)	Asset	Liability	Asset	Liability
Management of interest rate risk	**0**	**(692)**	**0**	**(1,031)**
Management of foreign exchange risk	**80**	**0**	**253**	**0**
Total derivative instruments	**80**	**(692)**	**253**	**(1,031)**

16.2.2 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 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)	**2013**
Sales	(13,709)
Impact on equity (foreign exchange differences)	(5,139)

Hedge instruments in place

At 31 December 2013, these instruments represented a cumulative total of USD 6,205 thousand, to be converted in monthly instalments from January to June 2014 based on a USD/EUR conversion rate of 1.2870 to 1.3710, and knock-out options effective in the event that the cumulative difference reaches USD 0.15. The Group's exposure to the Euro/GBP rate was also hedged at 31 December 2013 for GBP 455 thousand, through an accumulator-type financial instrument maturing in June 2014, and exposure to the Euro/JPY rate was covered at 31 December 2013 for JPY 101 million through an accumulator maturing in December 2014.

	Nominal *(currency thousands)*	**Fair value** *(€ thousands)*
Options (zero-premium collar) *(USD put option)*	2,750	60
Knock-out instruments *(USD put option)*	3,455	16
Total	**6,205**	**76**
Knock-out instruments *(GBP put option)*	455	(14)
Total	**455**	**(14)**
Knock-out instruments *(JPY put option)*	101,000	18
Total	**101,000**	**18**

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.

16.2.3 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 2013**	**31 December 2012**
Not due	39,186	28,118
Outstanding:		
- for less than 30 days	4,273	3,492
- 31 to 60 days	558	729
- 61 to 90 days	9	187
- 91 to 180 days		38
Total	**44,025**	**32,564**

There are no other significant unpaid, non-written down financial assets at 31 December 2013.

16.2.4 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 2013, variable-rate financial debt corresponded mainly to the €7 million credit line taken out in July 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:

Hedge instruments in place

(€ thousands)	Maturity	Fixed rate	Nominal	Market value
Interest rate swap Variable / Fixed (on credit facility)	July 16	1.565%	10,000	(532)
Interest rate swap Variable / Fixed (on lease agreement)	Sept. 22	3.25%	1,775	(160)

16.2.5 Liquidity risk and capital structure risk

The Group seeks to reduce its financial structure risks to a maximum and 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 17 - Income tax

17.1 Analysis of income tax charge

The income tax charge is analysed as follows:

(€ thousands)	31 December 2013	31 December 2012 *
France	(202)	(885)
International	(5,802)	(4,587)
Tax payable	**(6,003)**	**(5,472)**
France	(149)	(378)
International	280	686
Deferred tax	**131**	**308**
Tax gain (charge)	(5,872)	(5,164)

* including the impact of the adoption of IAS 19R (see Note 2.2. Change in accounting principles)

The Group's effective tax rate was 24.1% at 31 December 2013 and 27.2% at 31 December 2012.

17.2 Reconciling the theoretical and effective tax charges

The reconciled items are as follows:

(€ thousands)	31 December 2013	31 December 2012 *
Profit before tax	24,402	19,070
Theoretical tax at the rates in force in each country	(6,989)	(5,874)
Impact of non-deductible charges and non- taxable revenues	(192)	(221)
Effect of changes in tax rate		309
Deferred taxes not recognised on losses during the period	(112)	(343)
Research tax credit	356	411
Competitiveness and employment tax credit	292	
Other tax credits	400	150
Reduced rate taxation	223	563
Other**	150	(159)
Total	(5,872)	(5,164)

* including the impact of the adoption of IAS 19R (see Note 2.2. Change in accounting principles)

** During the financial year, Radiall used previously uncapitalised losses which generated an income tax gain of €278 thousand

17.3 Net deferred tax position

(€ thousands)	31 December 2013	31 December 2012 *
Deferred tax assets	1,865	2,379
Deferred tax liabilities	(4,626)	(5,145)
Net deferred taxes	(2,760)	(2,766)

* including the impact of the adoption of IAS 19R (see Note 2.2. Change in accounting principles).

17.4 Main deferred consolidated tax assets and liabilities

(€ thousands)	31 Dec 2013	31 Dec. 2012*
Fiscal effect of temporary differences connected with:		
- Goodwill		
- Other non-current assets	(9,228)	(9,368)
- Inventories	1,088	1,031
- Other current assets	831	306
- Provisions for liabilities and charges	3,775	4,016
- Other liabilities	454	393
- Other	(23)	25
Tax impact of temporary differences	(3,103)	(3,598)
Deferred tax recognised on tax losses carried forward	344	832
Total deferred tax	(2,760)	(2,766)
Net deferred tax liabilities	7,184	5,250

* including the impact of the adoption of IAS 19R (see Note 2.2. Change in accounting principles)

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

17.5 Breakdown of current tax in balance sheet assets

(€ thousands)	31 December 2013	31 December 2012
Income tax *(advance payments and tax credit)*	3,999	4,339
Total under balance sheet assets	3,999	4,339
Tax liabilities	(828)	(1,404)
Total under balance sheet liabilities	(828)	(1,404)

Note 18 - Headcount and payroll

(€ thousands)	31 Dec. 2013	31 Dec. 2012 *
External staff	14,450	11,513
Salaries	55,066	52,636
Social contribution	23,319	22,738
Total	**92,835**	**86,887**
France	66,000	62,577
International	26,835	24,310
Total	**92,835**	**86,887**

* including the impact of the adoption of IAS 19R (see Note 2.2. Change in accounting principles)

Income of €876 K related to the competitiveness and employment tax credit is included in payroll costs.

(average headcount)	2013		2012	
	internal	external	internal	external
France	1,153	209	1,145	186
International	625	762	638	531
Total	**1,778**	**971**	**1,783**	**717**

Note 19 - Research and development costs

(€ thousands)	31 December 2013	31 December 2012
Non-capitalised costs	17,579	16,551
Amortisation of capitalised development costs		91
Total costs incurred	**17,579**	**16,642**

Note 20 - Other operating income and expenses

(€ thousands)	31 December 2013	31 December 2012
Foreign exchange loss	(282)	(66)
Capital gain/(loss) on asset disposals	(77)	69
Grants	715	853
Other income and expenses	(237)	34
Total	**120**	**890**

Note 21 - Impairment of non-current assets

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

Note 22 - Writedown of current assets and provision charges

(€ thousands)	31 December 2013	31 December 2012
Writedown of inventories	(1,613)	(884)
Writedown of current assets	8	(41)
Provisions for liabilities	9	(507)
Total	**(1,596)**	**(1,432)**

In 2013, inventory writedowns were mainly incurred by Radiall, Radiall USA, Radiall India and Radiall Shanghai.

Note 23 - Non-recurring income and expenses

(€ thousands)	31 Dec. 2013	31 Dec. 2012
PPE costs and provisions	0	(748)
Other non-recurring operating income	0	2,222
Total	0	**1,474**

Other non-recurring operating expenses of €748 thousand for the financial year 2012 primarily include the writedown of the net book value of property, plant and equipment of the Voiron site following the destruction in the first half of 2013, of the property complex, which is no longer used by the Group.
Other 2012 non-recurring income relate to the capital gain recorded as part of the disposal transaction affecting the Raydiall subsidiary.

Note 24 - Other financial income and expenses

(€ thousands)	31 December 2013	31 December 2012
Foreign exchange gain on intragroup financing and bank balances	209	688
Other financial income	91	247
Financial instrument gains	0	714
Total other financial income	**300**	**1,649**
Foreign exchange loss on intragroup financing and bank balances	(159)	(945)
Financial instrument expenses	(173)	
Other financial expenses	(0)	(777)
Total other financial expenses	**(332)**	**(1,722)**
Total	**(32)**	**(73)**

Note 25 - Statutory Auditors' fees

(€ thousands)	MAZARS				FIDUS			
	Amount (excl. tax)		%		Amount (excl. tax)		%	
	2013	2012	2013	2012	2013	2012	2013	2012
Audit								
- Statutory Auditors, certificates, parent company and consolidated financial statements								
Radiall	152	118	44%	32%	62	61	62%	73%
Fully-consolidated subsidiaries	165	206	47%	55%	38	22	38%	27%
- Other services directly connected to the Statutory Auditors' duties								
Radiall	11	5	3%	1%				
Fully-consolidated subsidiaries	0	0	0%	0%				
Sub-total	**328**	**298**	**94%**	**88%**	**100**	**83**	**100%**	**100%**
Other services								
Legal, social, tax	21	45	6%	12%				
Other advisory duties		0	0%	0%				
Sub-total	**21**	**45**	**6%**	**12%**				
TOTAL	**349**	**374**	**100%**	**100%**	**100**	**83**	**100%**	**100%**

Note 26 - Off-balance sheet commitments

The commitments for managing foreign exchange and interest rate risks are described in Note 16 on financial instruments.

26.1 Commitments relating to undrawn confirmed credit lines

At 31 December 2013, the Group was entitled, under a financing contract signed in July 2011, to draw down €42 million, €3 million of which as revolving credit and €39 million intended mainly for specific merger and acquisition transactions.

Compliance with covenants at 31 December 2013:
Based on the Radiall Group's consolidated financial statements at 31 December 2013, the ratios provided for in the Financing Agreement were complied with.

26.2 Commitments relating to financial lease agreements

(€ thousands)		31 Dec. 2013	31 Dec. 2012
Property	Maturity <= 1 year	305	288
	1 to 5 years	1,340	1,290
	More than 5 years	3,432	3,786
	Total	**5,077**	**5,364**
Other assets	Maturity <= 1 year	322	138
	1 to 5 years	1,212	558
	More than 5 years	81	175
	Total	**1,615**	**870**

26.3 Commitments relating to operating lease agreements

(€ thousands)		31 Dec. 2013	31 Dec. 2012
Property	Maturity <= 1 year	1,957	1,753
	1 to 5 years	4,014	5,299
	More than 5 years	3,388	4,611
	Total	**9,359**	**11,663**
Other assets	Maturity <= 1 year	290	246
	1 to 5 years	228	311
	More than 5 years	0	41
	Total	**518**	**601**

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.

Note 27 - Information on related parties

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

At 31 December 2013, 51.4% of Radiall's capital was held by Hodiall and 32.6% by SIR. These companies have considerable influence on the Group and affiliated companies linked to Radiall.

The transactions between Hodiall and Radiall are governed by a service provision agreement. This agreement stipulates that Hodiall shall supply its 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 €983,000 for the 2013 financial year.

27.2 Sums paid to members of the Operational Departments Committee (ODC)

The total benefits paid by the Group to the members of the ODC were as follows:

(€ thousands)	2013	2012
Salaries and other short-term benefits *(including employer contributions)*	1,654	2,019
Total	**1,654**	**2,019**
Average headcount	**5**	**7.4**

The 2012 salaries and headcount correspond to the previous ODC management structure (Operational Departments Committee), replaced on 1 January with the ESC (Executive and Strategic Committee).

27.3 Sums paid to members of the Supervisory Board and Executive Board

The amount of attendance fees and directors' fees paid to members of the Supervisory Board and Executive Board totalled €149,657 for 2013 and €151,584 for 2012.

Note 28 - Post-balance sheet events

No event has taken place between the financial statement reporting date for the year ended 31 December 2013, and the date the Supervisory Board approved the financial statements.

2. Statutory Auditors' report on the consolidated financial statements

Financial year ended 31 December 2013

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 2013, on:

- our audit of the accompanying Radiall company 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 on consolidation.

Without calling into question the above opinion, we draw your attention to Note 2.2 to the consolidated financial statements which describe the changes in accounting methods relating to the application by your Company of IAS 19 revised “Employee benefits”.

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:

- Note 2.6. to the financial statements describes the situations in which the management of your company has used estimates and put forward assumptions within the scope of preparing the financial statements. Our work involved assessing the data and assumptions on which these estimates are based, reviewing the calculations made by your company, and ensuring that the notes to the financial statements provide suitable information on assumptions, options and calculations by the Company.
- 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 2.4 to the consolidated financial statements. We examined the manner for the implementation of this impairment test as well as the cash flow forecasts and assumptions used. We also verified that Note 5.3 provides the appropriate information.

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.

Paris and Courbevoie, 9 April 2014,

The Statutory Auditors

MAZARS — Simon Beillevaire

FIDUS — Eric Lebegue

III. PARENT COMPANY FINANCIAL STATEMENTS

1. PARENT COMPANY FINANCIAL STATEMENTS

BALANCE SHEET AT 31 DECEMBER 2013 – RADIALL S.A.

Assets (€ thousands)	31 December 2013			31 December 2012
	Gross	Amort., Depr. & Prov.	Net	
Fixed assets				
Intangible assets	**6,847**	**5,048**	**1,799**	**1,738**
Research and development costs	344	344	0	0
Patents & licences	626	384	242	6
Software	5,152	4,250	902	592
Business goodwill	110	70	40	0
Intangible assets in progress	615		615	1,140
Property, plant and equipment	**82,184**	**59,327**	**21,934**	**20,340**
Land	440		440	440
Buildings	17,228	11,434	5,794	4,202
Plant and machinery	56,741	44,466	12,275	12,968
Other fixed assets	4,350	3,427	1,799	702
Property, plant and equipment in progress	3,066		3,066	1,880
Advance payments	359		359	148
Financial investments	**42,621**	**6,554**	**36,067**	**35,815**
Participating interests	40,285	6,554	33,731	33,616
Other long-term securities	6		6	6
Other financial investments	2,330		2,330	2,193
Total fixed assets	**131,652**	**70,929**	**58,001**	**56,155**
Current assets				
Inventories and work in progress	**30,058**	**3,832**	**26,226**	**24,237**
Raw materials and supplies	20,424	3,246	17,178	16,829
Work in progress goods and services	3,372		3,372	2,237
Semi-finished and finished products	6,262	586	5,676	5,171
Trade receivables	**29,230**	**83**	**29,147**	**21,227**
Other current assets	**15,553**		**15,553**	**14,510**
Prepayments on orders	56		56	50
Other receivables	15,497		15,497	14,460
Cash and cash equivalents	**27,315**	**0**	**27,315**	**26,058**
Treasury shares	0		0	0
Marketable securities	15,456		15,456	18,843
Cash	11,859		11,859	7,215
Total current assets	**102,156**	**3,915**	**98,241**	**86,032**
Prepaid expenses	286		286	381
Bond issue expenses to be amortised	335		335	378
Foreign exchange differences	384		384	342
Total assets	**234,813**	**74,844**	**157,247**	**143,288**

BALANCE SHEET AT 31 DECEMBER 2013 – RADIALL S.A.

Equity and liabilities *(€ thousands)*	31 December 2013	31 December 2012
Equity		
Share capital	2,817	2,817
Share, merger and contribution premiums	21,897	21,897
Legal reserve	339	339
Statutory and contractual reserves	41,672	41,801
Retained earnings	17,710	6,509
Profit for the financial year	14,917	14,460
Regulated provisions	9,131	9,856
Total equity	**108,483**	**97,679**
Provisions		
For liabilities	618	1319
For liabilities	7,539	6,398
Total provisions	**8,157**	**7,717**
Liabilities		
Financial debt	**10,569**	**10,181**
Bank borrowings	7,933	8,119
Other financial debt	2,636	2,062
Trade payables	**15,437**	**14,156**
Other liabilities	**17,081**	**15,148**
Prepayments on orders	395	
Tax and social security liabilities	14,450	12,176
Liabilities on fixed assets	1021	896
Other liabilities	1,215	2,076
Total liabilities	**43,087**	**39,485**
Foreign exchange differences	242	145
Total equity and liabilities	**159,969**	**145,026**

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013 – RADIALL S.A.

(€ thousands)	2013	2012
Operating revenue		
Sales of goods	134,840	131,360
Sales of services	2,114	1,631
Total sales	**136,954**	**132,991**
Change in inventories (own work)	820	(2,252)
Own work capitalised	181	144
Operating grants	679	575
Provision reversals and charges transferred	2,450	3,340
Other revenue	9,709	7,586
Total operating revenue	**150,793**	**142,384**
Operating expenses		
Purchase of raw materials and other supplies	52,505	49,869
Change in inventory	(856)	(272)
Other purchases and external charges	33,701	30,494
Taxes and duties	3,406	3,283
Payroll costs	35,911	34,146
Social contributions	15,400	14,210
Charges:		
- fixed asset amortisation and depreciation	4,480	4,380
- amortisation of loan issue costs	78	128
- provisions for current assets	1,155	164
- provisions for liabilities and charges	432	2,572
Other expenses	843	691
Total operating expenses	**147,055**	**139,665**
Operating profit	**3,738**	**2,719**
Financial income		
Financial income	11,091	9,480
Positive foreign exchange differences	751	1,516
Total financial income	**11,842**	**10,996**
Financial expenses		
Financial expenses	1,103	3,219
Negative foreign exchange differences	1,068	1,196
Total financial expenses	**2,171**	**4,415**
Net financial income	**9,671**	**6,581**
Pre-tax profit	**13,409**	**9,300**
Non-recurring income	3,187	15,204
Non-recurring expenses	2,571	10,333
Net non-recurring income	**616**	**4,871**
Income tax charge (refund)	(892)	(289)
Net profit	**14,917**	**14,460**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013 – RADIALL S.A.

(€ thousands)	2013	2012
Net profit	**14,918**	**14,460**
Share of minority interests in net profit	0	0
Share of profit of equity-accounted subsidiaries	0	0
Amortisation and depreciation charges	4,355	3,849
Net change in provisions	(1,595)	1,704
Capital gains/losses on disposals	169	1,105
Provisions recognised as other operating income and expenses	39	0
Interest expense	487	1,037
Income tax charge	177	825
Self-financing capacity	**18,549**	**22,981**
Change in inventories	(962)	1,522
Change in trade receivables	(8,057)	3,182
Change in trade payables	1,062	(511)
Change in other assets and liabilities	2,655	(2,539)
Change in working capital requirements	**(5,303)**	**1,653**
Interest paid	**(534)**	**(1,037)**
Tax paid	**(2,022)**	**(1,159)**
Cash flow from operating activities (A)	**10,690**	**22,438**
Acquisition of intangible assets	(480)	(3,983)
Acquisition of property, plant, and equipment	(6,892)	(3,646)
Acquisition of financial assets	(160)	(22)
Disposal of property, plant, and equipment	513	108
Disposal of financial assets	(108)	4,013
Net cash from acquisitions/disposals of subsidiaries	0	(520)
	0	0
Cash flow from investment activities (B)	**(7,127)**	**(4,051)**
Dividends paid to RADIALL S.A.'s shareholders	(2,081)	(1,629)
Purchase and sale of treasury shares	0	0
Proceeds from new borrowings	0	7,000
Repayment of borrowings	(287)	(20,847)
Cash flow from financing activities	**(2,368)**	**(15,476)**
Change in cash and cash equivalents (A+B+C+D)	**1,196**	**2,911**
Cash and cash equivalents at the beginning of the period	**26,006**	**23,636**
Cash reclassifications	0	(541)
Cash and cash equivalents at the end of the period	**27,202**	**26,006**

Notes to the parent company financial statements at 31 December 2013

Note 1 - Significant events

On 1 January 2013, Radiall assumed all the assets and liabilities of D-Lightsys.

Note 2 - Accounting principles

Radiall's parent company financial statements have been prepared in accordance with Regulation No. 99-03 of France's Accounting Regulatory Committee, dated 29 April 1999, regarding the amended French Chart of Accounts.

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 Change in accounting methods

The Company has followed the ANC recommendation n° 2013-02 of 7 November 2013 related to the measurement and recognition rules for pension commitments and similar commitments in the parent company financial statements.

The Company thus recognised all past service costs not amortised at 1 January 2013 in retained earnings, offset by an increase in the provision for retirement commitments.

The amortisation of past service costs (resulting from changes to pension schemes in the 2010 collective agreement) was previously recognised over a period of 17 years.

The first application of this recommendation is equivalent to a change in accounting method leading to the application of the provisions relating to changes in accounting methods (retrospective treatment, with recognition of the impact in equity on opening the financial year during which the change is introduced).

Equity and liabilities *(€ thousands)*	31 December 2012	Change of accounting method	1 January 2013
Equity			
Share capital	2,817		2,817
Share, merger and contribution premiums	21,897		21,897
Legal reserve	339		339
Statutory and contractual reserves	41,801		41,801
Retained earnings	6,509	(1,134)	5,375
Profit for the financial year	14,460		14,460
Regulated provisions	9,856		9,856
Total equity	**97,679**		**96,545**
Provisions			
For liabilities	1,319		1,319
For charges	6,398	1,134	7,532
Total provisions	**7,717**		**8,851**

2.3 Research and development costs

Research and study costs may not be capitalised.

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

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

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 for the financial year during which they were incurred.

2.4 Intangible assets

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

2.5 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
- Computer hardware: 3 to 5 years
- Other property, plant and equipment: 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

2.6 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.

2.7 Inventories and work in progress

Inventories are valued at the lower of their cost and their net realisation value. The cost of inventories is calculated using the weighted average cost method, and 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 usually recorded due to product obsolescence or based on sales prospects.

2.8 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.

2.9 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”.

2.10 Provisions for liabilities and charges

2.10.1 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.

The cost of discounting and the expected return from assets are recognised under payroll costs.

The management of these commitments is partially entrusted to an insurance company, with the remainder being recognised in provisions for liabilities and charges.

2.10.2 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 occurring.

2.11 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 or interest rates if necessary; losses and gains relating to these operations are recognised as financial transactions.

Note 3 - Other information

Pursuant to Law no. 2004.391 of 4 May 2004 relating to training:

- The total number of training hours corresponding to employees' Individual Training Rights (ITR) was 103,936.
- The number of hours of training which were not requested totalled 94,206.
- No specific provision for ITR was recognised at 31 December 2013.

3.1 Post-balance sheet events

No event has taken place between the balance sheet date for the year ended 31 December 2013, and the date the Supervisory Board approved the financial statements.

Note 4 - Change in fixed assets

Intangible assets

(€ thousands)	31 Dec. 2012	Acquisitions	Transfers	Disposals	31 Dec. 2013
Research and development costs	344				344
Patents, licences, software	4,953	628	288	91	5,778
Business goodwill	70	40			110
Intangible assets in progress	1,140		(288)	237	615
Total	**6,507**	**668**	**-**	**328**	**6,847**

Property, plant and equipment

(€ thousands)	31 Dec. 2012	Acquisitions	Transfers	Disposals	31 Dec. 2013
Land	440				440
Buildings	15,737	1,676	529	714	17,228
Plant and equipment	55,026	2,700	351	1,336	56,741
Other PPE	4,303	656	70	679	4,350
PPE under construction	1,880	2,253	(950)	117	3,066
Advances and prepayments	148	211			359
Total	**77,534**	**7,496**	**-**	**2,846**	**82,184**

Note 5 - Change in amortisation and depreciation of fixed assets

Amortisation of intangible assets

(€ thousands)	31 Dec. 2012	Charges	Reversals	31 Dec. 2013
Research and development costs	344			344
Patents, licences and software	4,355	370	91	4,634
Business goodwill	70			70
Total	**4,769**	**370**	**91**	**5,048**

Depreciation of property, plant and equipment

(€ thousands)	31 Dec. 2012	Charges	Reversals	31 Dec. 2013
Buildings	11,535	512	613	11,434
Plant and equipment	42,058	3,402	994	44,466
Other PPE	3,601	448	622	3,427
Total	**57,194**	**4,362**	**2,229**	**59,327**

At 31 December 2013, a €222 thousand provision for impairment of technical facilities was recorded in addition to depreciation charges.

Note 6 - Change in financial assets

(€ thousands)	31 Dec. 2012	Additions	Disposals	31 Dec. 2013
Participating interests	40,282	3		40,285
Other financial investments	2,199	156	19	2,336
Total gross	**42,481**	**159**	**19**	**42,621**

Transactions involving participating interests:

- Following the merger of D-Lightsys through the transfer of all its assets and liabilities, on 1 January 2013 Radiall SA cancelled all the D-Lightsys shares purchased in 2012 for €1.

- On 12 November 2013, Radiall bought from Radiall Ventures and a minority shareholder all the shares in Radiall SYSTEMS for €3,001.

- At 31 December 2013, 37,841 treasure shares were held as part of the buyback programme.

Provisions for writedown of financial assets:

(€ thousands)	31 Dec. 2012	Increase	Decrease	31 Dec. 2013
Provision for writedown of participating interests	6,666	100	212	6,554
Total	**6,666**	**100**	**212**	**6,554**

An additional provision of €100 thousand was established during the 2013 financial year, broken down as follows:

€87 thousand on Radiall LIMITED shares,
€10 thousand on Radiall DO BRASIL shares,
€3 thousand on Radiall SYSTEMS shares.

Due to the improvement in the net equity of IDMM, a wholly-owned subsidiary of Radiall VENTURES, a €212 thousand provision reversal was recognised on Radiall VENTURES shares during the 2013 financial year.

Note 7 - Change in inventories

7.1 Inventories

(€ thousands)	31 Dec. 2012	31 Dec. 2013	*Change*
Raw materials and supplies	19,540	20,424	*884*
Work in progress goods and services	2,237	3,372	*1,135*
Semi-finished and finished products	5,578	6,262	*684*
Total gross values	**27,355**	**30,058**	***2,703***

7.2 Provision for inventory writedowns

(€ thousands)	31 Dec. 2012	Charges	Reversals	31 Dec. 2013
Provisions for raw materials and supplies	2,711	1,078	543	3,246
Provisions for finished products	407	270	91	586
Total provisions	**3,118**	**1,348**	**634**	**3,832**

Note 8 - Trade receivables

This item corresponds to the amount of trade receivables and bills received. Bills totalled €191 thousand. These are due in less than one year.

Note 9 - Detail of other receivables

	'31 December 2013			'31 December 2012		
(€ thousands)	< 1 year	> 1 year	Total	< 1 year	> 1 year	Total
Income tax	849	2,989	3,838	42	1,921	1,963
Other receivables from the State	3,600		3,600	3,375		3,375
Subsidiaries current accounts	6,623		6,623	8,403		8,403
Accrued dividends	1,179		1,179	440		440
Receivables from suppliers	75		75	163		163
Sundry accruals	182		182	116		116
TOTAL	**12,508**	**2,989**	**15,497**	**12,539**	**1,921**	**14,460**

The income tax receivable of €3,838 thousand corresponds mainly to a research tax credit of €3,139 which is expected to be refunded in 2014, 2015, 2016 and 2017, and a competitiveness and employment tax credit of €852 thousand, which is to be repaid in 2017.

Other receivables from the State, amounting to €3,600 thousand, mainly include VAT receivables of €2,340 thousand and pending grants of €1,182 thousand.

Note 10 - Inventory of marketable securities

Due to the termination in 2012 of the Radiall liquidity contract signed between Radiall and ODDO & CIE, no treasury shares remain classified as marketable securities.

Accrued interest not yet due at 31 December 2013 relates to certificates of deposits valued at €11 thousand.
Unrealised capital gains of €165 thousand have been recorded on investment products.

(€ thousands)	
Certificates of deposit	5,776
Investment in short-term mutual funds	9,680
Provision for writedowns	-
Total	**15,456**

Note 11 - Statement of changes in equity

(€ thousands)	31 Dec. 2012	Increase	Decrease	31 Dec. 2013
Share capital	2,817			2,817
Share premium	21,897			21,897
Legal reserve	339			339
Share premium	41,801	43	172	41,672
Retained earnings	6,509	12,335	1,134	17,710
Profit for the year	14,460	14,917	14,460	14,917
Regulated provisions	9,856	1,920	2,645	9,131
Total equity	**97,679**	**29,215**	**18,411**	**108,483**

Dividends distributed by Radiall in 2013 totalled €2,125 thousand, including € 44 thousand in dividends attributable to treasury shares and allocated to reserves.

At 31 December 2013, the Company's share capital totalled €2,817,454.94. It comprised 1,848,124 shares without par value. Double voting rights are attached to registered shares that have been held for at least four years.

The €172 thousand reduction in Radiall SA's reserves was due to the allocation of the balance of accelerated amortisation/depreciation of D-Lightsys on assuming all its assets and liabilities in 2013.

The €1,134 thousand reduction in retained earnings was due to the change of accounting method for retirement commitments introduced in 2013 in accordance with IAS 19.

Note 12 - Shareholding structure

		31 Dec. 2013		31 Dec. 2012	
		% of shares	% of voting rights	% of shares	% of voting rights
-	Société d'Investissement Radiall *	32.6	35.3	32.6	35.3
-	Hodiall *	51.4	55.7	51.4	55.7
-	Pierre Gattaz	2.7	2.9	2.7	2.9
-	General public and others **	13.3	6.1	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. 2012	Increases	Reversals	No longer active	31 Dec. 2013
Exchange-rate risks	342	385	343		384
Technical and commercial risks	563	125	561		127
Miscellaneous risks	414	95	329	73	107
Total provisions for liabilities	**1,319**	**605**	**1,233**	**73**	**618**
Provisions for restructuring	30		30		0
Retirement benefits *	6,368	1,368	197		7,539
Total provisions for charges	**6,398**	**1,368**	**227**	**0**	**7,539**

(*) Including the impact of the ANC n° 2013-02 recommendation see Note 2-2

13.2 Retirement benefits

ASSUMPTIONS	2013	2012
1) Retirement age:		
- Born before 1951	60	60
- Born between 1951 and 1956	63	63
- Born after 1956	65	65
2) Departure:	On the employee's initiative in all cases	On the employee's initiative in all cases
3) Rate of salary increase:	2.73%	2.81%
4) Discount rate:	3.0%	2.8%
5) Turnover :		
- 16 to 39 years old	7.12%	6.13%
- 40 to 49 years old	2.86%	2.46%
- 50 to 54 years old	0.71%	0.61%
- 55 to 65 years old	0.00%	0.00%
6) Mortality table:		
Male	TH00-02	TH00-05
Female	TF00-02	TF00-05

Note 14 - Debt maturity schedule

(€ thousands)	31 Dec. 2013			31 Dec. 2012		
	< 1 year	> 1 year	Total	< 1 year	> 1 year	Total
Convertible bonds			0			0
Bank borrowings	333	7,600	7,933	319	7,800	8,119
Other financial debt	2	2	4	2	4	6
Intra-group current accounts	2,632		2,632	2,056		2,056
Bills of exchange payable	495		495	328		328
Trade payables	15,963		15,963	14,724		14,724
Advances and prepayments	395		395			0
Tax and social security liabilities	14,450		14,450	12,176		12,176
Other	153	1,062	1,215	461	1,615	2,076
Total	**34,423**	**8,664**	**43,087**	**30,066**	**9,419**	**39,485**

During the 2013 financial year, a first 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 2013, the outstanding balance of loans contracted by Radiall with financial institutions totalled €7,800 thousand.

Other non-current liabilities include deferred income of €1,062 thousand related to grants.

Note 15 - Information on related parties

(€ thousands)	31 Dec. 2013	31 Dec. 2012
Participating interests (gross)	40,285	40,282
Trade receivables	14,714	10,929
Other receivables and current accounts in debit	7,801	8,683
Sundry financial liabilities (current accounts in credit)	(2,632)	(1,896)
Trade payables	(2,948)	(3,038)
Other liabilities		
Financial expenses	8	26
Financial income	10,202	8,820

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

Note 16 - 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 *(€ thousands)*
Options (zero-premium collar) *(USD put option)*	2,750	60
Knock-out instruments *(USD put option)*	3,455	16
Total	**6,205**	**76**
Knock-out instruments *(GBP put option)*	455	(14)
Total	**455**	**(14)**
Knock-out instruments *(JPY put option)*	101,000	18
Total	**101,000**	**18**

As part of its operations, Radiall is exposed to a large spectrum of financial risks. The main risks are the foreign exchange risk, credit risk and to a lesser extent, interest rate risk. Foreign exchange 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 interest rate hedging policy, 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	(532)
Interest rate swap Variable/ Fixed (on lease contract)	Sept. 22	3.25%	1,775	(160)

Lease commitments

(€ thousands)	< 1 year	1 to 5 years	> 5 years	31 Dec. 2013
Property leasing (Voreppe)	208	848	876	1,932
Equipment leasing	99	399	75	573
Equipment leasing (motor vehicles)	172	164	0	336

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 €207 thousand were paid during 2013.

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 2013.

Commitments relating to undrawn confirmed credit lines

At 31 December 2013, the Group avails of the facility, under a financing contract signed in July 2011, to draw down €42 million, €3 million of which as revolving credit and €39 million is primarily intended for specific merger and acquisition transactions.

Compliance with covenants at 31 December 2013:

Based on the Radiall Group's consolidated financial statements at 31 December 2013, the ratios provided for in the Financing Agreement were complied with.

Note 17 - Sales

(€ thousands)	2013	2012
France	**31,509**	**35,718**
- With related companies	1,001	2,289
- Other	30,508	33,429
International	**105,445**	**97,273**
- With related companies	68,330	68,449
- Other	37,115	28,824
Total	**136,954**	**132,991**

Note 18 - Payroll costs, headcount and employee profit-sharing

Average headcount changed as shown below:

	2013	2012
Employees/workers	465	481
Technicians/Supervisors	284	269
Managers and Senior Executives	238	224
Total	**987**	**974**

Note 19 - Corporate officers' compensation

(€) 2013	Gross remuneration (1) (2)	Attendance or directors' fees (2)
Total	**636,460**	**149,657**

(1) *Over the term of office, including benefits in kind.*
(2) *Paid by RADIALL.*

Note 20 - Net financial income

Financial income for the year 2013 mainly comprises dividends collected from subsidiaries totalling €10,124 thousand. They also include a €212 thousand reversal of a provision on the Radiall VENTURES equity securities.

Financial expenses include provision charges of €100 thousand on participating interests, including €87 thousand for Radiall LIMITED securities.

A merger loss of €167 thousand related to the transfer of all the assets and liabilities of D-Lightsys was also recognised in financial expenses. A provision had been established in 2012 for the amount of this loss and was reversed in 2013.

Note 21 - Non-recurring income and expenses

(€ thousands)	31 Dec. 2013	31 Dec. 2012
Proceeds from the sale of fixed assets	513	10,805
Reversals of risk provisions	30	399
Reversals of accelerated depreciation	2,644	4,000
Total non-recurring income	**3,187**	**15,204**
Non-recurring expenses for management operations	142	411
Net book value of fixed assets sold	681	7,933
Accelerated depreciation charges	1,748	1,989
Total non-recurring expenses	**2,571**	**10,333**

Proceeds from the sale of fixed assets primarily relate to moulds and various equipment sold to the Radiall USA subsidiary. Accordingly, the net book value of fixed assets sold primarily comprises fixed assets sold to Radiall USA for €522 thousand. It also includes the scrapping of the fixed assets of the former Rosny-sous-Bois head office for €61 thousand and the scrapping of the fixed assists of the former Voiron site for €89 thousand.

Note 22 - Income tax

In 2013, the Company recorded a research tax credit of €1,069 thousand; the Company also benefited from a competitiveness and employment tax credit of €777 thousand recognised under personnel costs.
At 31 December 2013, it also had tax losses which can be carried forward indefinitely totalling €20,741 thousand, including €4,570 thousand recovered in 2013 in respect of D-Lightsys following the transfer of all its assets and liabilities.

Breakdown of income tax

(€ thousands)	Before tax	After tax
Profit from ordinary activities	13,409	14,301
Net non-recurring income	616	616
Income tax	892	
Net profit	**14,917**	**14,917**

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 themselves as if they had been taxed separately and there had been no consolidation. At 31 December 2013, the Group consolidated by Radiall had cumulative tax losses of €20,513 thousand, which can be carried forward indefinitely.
In addition, at 31 December 2013 Radiall had tax losses of €531 thousand accumulated prior to the tax consolidation, which can be carried forward indefinitely and are solely chargeable to the future earnings of this entity.

At 31 December 2013, Radiall showed tax receivable of €1,077 thousand, excluding consolidation.

Note 23 - ELEMENTS LIABLE TO INCREASE OR REDUCE FUTURE TAX LIABILITIES

(€ thousands)	31 Dec. 2012	Increase	Decrease	31 Dec. 2013
Regulated provisions and expenses to be added back at a later stage				
Accelerated depreciation and amortisation	9,856	1,920	2,645	9,131
Investment grants				
Future tax base	**9,856**	**1,920**	**2,645**	**9,131**
Future taxation (based on a tax rate of 33.33%)	3,285			3,044
Non-tax deductible expenses in the year				
Provisions and charges temporarily not deducted	7,661	1,753	1,441	7,973
ORGANIC contribution	225	223	225	223
Employee profit-sharing				
Base for taxes paid in advance	**7,886**	**1,976**	**1,666**	**8,196**
Future tax savings (based on a tax rate of 33.33%)	**(2,629)**			**(2,732)**

Accumulated tax losses of €21,044 thousand represent a future tax saving of €7,015 thousand.

Note 24 - Research and Development

No research and development costs were capitalised in 2013.

2. TABLE OF SUBSIDIARIES AND PARTICIPATING INTERESTS AT 31 DECEMBER 2013

	Share capital (1)	Additional paid-in capital	% interest	Book value of securities		2013 net sales	2013 net profit/ (loss)	Dividends paid to Radiall S.A.
				Gross	Net			
France								
Radiall Ventures *(Aubervilliers (93))*	1,000	(1,279)	100.00	9,232	5,274	-	(31)	-
Raydiall *(Voiron (38))*	8,000	(876)	50.00	4,000	4,000	9,832	(552)	-
Radiall Systems *(Aubervilliers (93))*	37	(486)	100.00	3	-	-	(9)	-
INTERNATIONAL								
Radiall GmbH *(Germany)*	486	428	100.00	228	228	15,043	439	369
Radiall Srl *(Italy)*	257	1,700	100.00	596	596	1,565	80	-
Radiall BV *(Netherlands)*	16	340	100.00	11	11	2,263	252	390
Radiall AB *(Sweden)*	35	106	100.00	47	47	411	27	-
Radiall America *(US)*	11,239	16,683	100.00	13,526	13,526	-	6,777	6,769
Radiall Asia *(Hong Kong)*	28	958	55.00	18	18	2,987	547	266
Radiall do Brasil *(Brazil)*	196	(220)	99.87	754	-	-	(11)	-
Radiall Ltd. *(UK)*	267	2	100.00	2,128	289	5,752	18	94
Radiall India Ltd. *(India)*	277	2,138	99.96	3,350	3,350	5,065	313	-
Nihon Radiall KK *(Japan)*	307	176	100.00	397	397	5,222	245	821
Shanghai Radiall *(China)*	10,032	6,157	71.00	5,994	5,994	35,247	4,564	
Radiall Int. Ltd. *(Hong Kong)*	1	1,716	100.00	1	1	14,536	679	676

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	1.379	1.328
Hong Kong Dollar	10.693	10.302
Pound Sterling	0.834	0.849
Swedish Krona	8.859	8.650
Indian Rupee	85.366	77.875
Japanese Yen	144.720	129.659
Chinese Yuan	8.349	8.165
Brazilian Real	3.258	2.867

3. COMPANY FINANCIAL PERFORMANCE OVER THE PAST FIVE FINANCIAL YEARS

(€)	2009	2010	2011	2012	2013
Financial position at year-end					
a. Share capital	3,326,037	2,817,455	2,817,455	2,817,455	2,817,455
b. Number of shares issued	2,181,731	1,848,124	1,848,124	1,848,124	1,848,124
Comprehensive income from actual transactions					
a. Net sales	97,996,481	122,512,800	136,858,160	132,990,433	136,953,545
b. Earnings before tax, profit sharing and amort., depr. and prov. charges	(4,545,469)	8,148,312	7,616,832	19,346,227	17,307,570
c. Income tax	(774,909)	227,732	(434,789)	(289,222)	(891,830)
d. Earnings after tax, before profit sharing and amort., depr and prov. charges	(3,770,560)	7,920,580	8,051,621	19,635,449	18,199,400
e. Net profit/(loss)	(11,271,431)	2,305,434	5,432,178	14,460,308	14,917,615
f. Dividends	1,386,093	1 570 905	1,663,312	2,125,343	2,772,186
Earnings per share					
a. Earnings per share before amort., depr. and prov. Charges	(1.73)	4.29	4.36	10.62	9.85
b. Net earnings per share	(5.17)	1.25	2.94	7.82	8.07
c. Dividend paid per share	0.75	0.85	0.90	1.15	1.50
Personnel					
a. Employees (average headcount)	1,008	964	1,020	974	987
b. Total payroll costs	32,123,393	29 233 794	32,469,130	31,418,877	33,352,349
c. Employee benefits	12,556,797	12,936,301	14,004,772	14,210,402	15,400,205

** Subject to approval by the Ordinary General Meeting held to approve the financial statements for the year ended 2013.*

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

Financial year ended 31 December 2013

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting, we hereby present our report for the financial year ended 31 December 2013 on:

- the audit of the accompanying financial statements of the Radiall company,
- the justification of our assessments,
- the specific verifications and disclosures 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 involves assessing the accounting principles used and the significant estimates made, as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion, in light of French accounting principles and methods, the annual financial statements provide a true and fair view of the financial position, assets and liabilities and net profit of the company from the transactions for the financial year then ended.

Without qualifying the opinion expressed above, we draw your attention to Note 22 to the parent company financial statements, which describes the accounting method used by your company in application of the ANC recommendation n° 2013-02 pertaining to the rules of measurement and recognition of retirement commitments and similar benefits.

II - Justification of our 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 2.6 and 2.7, 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 focused on the annual financial statements as a whole, and accordingly contributed to 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.

As required by law, we have ensured that the various information concerning the identity of holders of the share capital and voting rights has been disclosed to you in the Management Report.

Paris and Courbevoie, 9 April 2014,

The Statutory Auditors

MAZARS

SIMON BEILLEVAIRE

FIDUS

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 2013

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 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. 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

•Amendments n°17 and 18 to the support and advisory agreement with Hodiall

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 S.A. and Member of the Executive Board of Hodiall), Yvon Gattaz (Chairman of the Supervisory Board of Radiall S.A. and Chairman of the Supervisory Board of Hodiall), Bruno Gattaz (Vice-Chairman of the Supervisory Board of Radiall S.A. and Member of the Supervisory Board of Hodiall), Roselyne Gattaz (Member of the Supervisory Board of Radiall S.A. and Member of the Supervisory Board of Hodiall).

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.

This agreement was the subject of two new amendments, no 17 and 18, approved by a Supervisory Board deliberation at its meetings of 3 September and 6 December 2013, increasing the remuneration paid to Hodiall in this respect to €983 thousand for 2013 (with effect from 3 September 2013) and €1,360 thousand for 2014).
These two amendments were signed on 3 September 2013 and 30 January 2014 respectively.

• Amendment n°3 to the current account agreement with Radiall Ventures

Individuals concerned: Pierre Gattaz (Chairman of the Executive Board of Radiall S.A. and Chairman of Radiall Ventures) until 26 November 2013, followed by Guy de Royer (Member of the Executive Board of Radiall SA and Chairman of Radiall Ventures) from 26 November 2013.

Your Company granted Radiall Ventures a current account advance for a maximum of one million euros (€1,000,000) for a term expiring on 31 December 2012. This current account earns interest at the annual "Euribor 12 months + 0.5 point" rate. During 2011, by means of an amendment approved by a Supervisory Board ruling on 12 April 2011, the maximum amount of this advance was increased to €4,500 thousand.

The agreement was to expire on 31 December 2013; however as the requirements remain ongoing, at its meeting of 6 December 2013, the Supervisory Board approved the conclusion of a new amendment allowing for this agreement to be extended until 31 December 2014, under the same terms and conditions that were previously approved.
This new amendment n° 3 was signed on 30 January 2014.

• Amendment n°3 to the current account agreement with IDMM

Individuals concerned: Pierre Gattaz (Chairman of the Executive Board of Radiall S.A. and Chairman of IDMM) until 28 November 2013, followed by Dominique Buttin (Member of the Executive Board of Radiall SA and Chairman of IDMM) from 28 November 2013.

Following an agreement signed in 2007 and an amendment signed in 2008, your Company granted IDMM a current account advance for a maximum amount of five million euros, for a term expiring on 31 December 2012. This current account earns interest at the annual "Euribor 12 months + 0.5 point" rate.

Your Company signed an amendment on 21 December 2010 enabling the maximum amount of this advance to be increased to five million five hundred thousand euros (€5,500,000).

The agreement was to expire on 31 December 2013; however as the requirements remain ongoing, at its meeting of 6 December 2013, the Supervisory Board approved the conclusion of a new amendment allowing for this agreement to be extended until 31 December 2014, under the same terms and conditions that were previously approved.
This new amendment n° 3 was signed on 30 January 2014.

• Amendment to the service agreement with Radiall USA

Individuals concerned: Pierre Gattaz (Chairman of the Executive Board of Radiall S.A. and Chairman of the Board of Directors of Radiall USA) until 29 June 2013, and Dominique Buttin (Member of the Executive Board of Radiall SA and Chairman of the Board of Directors of Radiall USA) from 29 June 2013.

Your Company undertook the responsibility for training Radiall USA's workforce in connection with the creation of a factory at the Obregon site in Mexico and to provide Radiall USA with support services.

At its meeting of 6 December 2013, the Supervisory Board approved the invoicing by your Company of an amount that cannot exceed one million euros (€1,000,000) excluding tax in respect of 2014.

• Contract for the transfer of the business assets of Radiall NEDERLAND BV (Netherlands)

Individual concerned: Pierre Gattaz (Chairman of the Executive Board of Radiall S.A. and Chairman of the Board of Directors of Radiall Nederland BV).

Within the framework of a customer base transfer from the subsidiary Radiall Nederland BV to Radiall SA, by a ruling of 6 December 2013 the Supervisory Board authorised the conclusion of a contract for the transfer of the business assets by Radiall Nederland BV to your Company for twenty-two thousand euros (€22,000).

This agreement had no impact on the parent company financial statements of Radiall SA for the financial year ended 31 December 2013.

• Contract for the transfer of the business assets of Radiall GmbH (Germany)

Individuals concerned: Pierre Gattaz (Chairman of the Executive Board of Radiall S.A. and Manager of Radiall GmbH) until 1 October 2013, and Guy de Royer (Member of the Executive Board of Radiall SA and Manager of Radiall GmbH).

Within the framework of a customer base transfer from the subsidiary Radiall GmbH to Radiall SA, by a ruling on 6 December 2013 the Supervisory Board authorised the conclusion of a contract for the transfer of the business assets by Radiall GmbH to your Company for three hundred and seventy thousand euros (€370,000).

This agreement had no impact on the parent company financial statements of Radiall SA for the financial year ended 31 December 2013.

• Amendment n°1 to the unilateral undertaking to sell with SCI Les Balcons de Chartreuse

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 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).

As part of a building project on the Voiron site, Radiall SA has granted, subject to conditions precedent, to SCI les Balcons de Chartreuse, a subsidiary of Hodiall, a unilateral commitment to sell land on which a property development will be constructed, whose conclusion was authorised by the Supervisory Board on 12 December 2012. The agreement to the sell contract was signed on 5 April 2013. The SCI les Balcons de Chartreuse is entitled to exercise its call option until 31 December 2013, in accordance with the terms of the commitment.

At its meeting of 6 December 2013, the Supervisory Board authorised the signing of an amendment n°1 to the agreement covering the unilateral agreement to sell between your Company and SCI les Balcons de Chartreuse, in order to defer the above-mentioned expiry date from 31 December 2013 to 31 October 2014, and to accordingly amend the said agreement in view of the ongoing negotiations with the company SAFILAF, which may announce its intention to purchase the land.
This amendment n°1 was signed on 16 December 2013.

• Purchase of Radiall SYSTEMS securities by your Company

Individuals concerned: Pierre Gattaz (Chairman of the Executive Board of Radiall S.A. and Chairman of Radiall SYSTEMS)

The Chairman explained to the Board that Radiall SYSTEMS is now a dormant company, and proposed the following transactions:

- a transfer of all Radiall SYSTEMS securities held by Radiall VENTURES amounting to 95% to your Company, for a transfer price equal to one euro (€1); and

- a transfer of all Radiall SYSTEMS securities held by Daniel PELLETIER amounting to 5% to your Company, for a transfer price equal to three thousand euros (€3,000).

In its ruling of 3 September 2013, the Supervisory Board authorised the transfer of Radiall SYSTEMS securities in accordance with the above terms and conditions. The share transfer agreements in favour of your Company were signed on 12 November 2013.

• Amendment n°3 to the current account agreement with Raydiall S.A.S.

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

Through an agreement dated 2 January 2012, your Company granted to Raydiall S.A.S. an interest-bearing current account advance, in one or more instalments, of a maximum aggregate amount of five hundred thousand euros (€500,000) for a term ending on 31 December 2016. The parties signed an amendment n°1 dated 16 January 2012 to increase the maximum amount to one million four hundred thousand euros (€1,400,000).

An amendment n°2 was authorised by the Supervisory Board on 5 April 2013 to increase the maximum amount to two million euros (€2,000,000) until 31 December 2013. This amendment n°2 was signed on 8 April 2013.

Taking into consideration the costs and investments planned for the 2014 financial year and the resulting cash requirements, in a ruling on 6 December 2013, the Supervisory Board authorised the signing of a new amendment n°3, to increase the maximum amount of this advance to two million euros (€2,000,000) for the 2014 financial year.

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.

• Contract for the transfer of business assets with Radiall Elettronica (Italy)

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

Within the framework of a draft amendment of the bylaws changing subsidiary Radiall Elettronica from distributor to commercial agent, by a ruling of 12 December 2012, the Supervisory Board authorised the conclusion of a contract for the sale of business assets by Radiall Elettronica to your Company, for thirty thousand euros (€30,000). The value of this agreement was amended by Supervisory Board ruling dated 5 April 2013, to be increased to forty thousand euros (€40,000).

The contract for the transfer of €40,000 in business assets between your Company and Radiall Elettronica was signed during the financial year and took effect on 1 January 2013.

• Securities transfer agreement and dissolution-merger transaction with D-Lightsys

Individual concerned: Pierre Gattaz (Chairman of the Executive Board of Radiall S.A. and Chairman of D-Lightsys)

D-Lightsys having become a stand-alone product line of your Company, and its subsidiary status thereby being considered as an operational constraint, the Supervisory Board was asked to simplify, following the consultation procedure with the representative bodies, the legal structure, through the following operations:

- a transfer of all the D-Lightsys securities held by Radiall Ventures to your Company, for a transfer price equal to the net book value of one euro (€1); then
- a dissolution-merger at the net book value, under the conditions provided for by Article 1844-5, Paragraph 3 of the Civil Code, transferring all D-Lightsys' assets to your Company.

By a ruling of 12 December 2012, the Supervisory Board authorised the Executive Board to implement these operations in order to ensure that D-Lightsys be merged into your Company at 1 January 2013.

The share transfer agreement between your Company and Radiall Ventures was signed on 17 December 2012 and the dissolution was formalised on 1 January 2013.

• Amendments n°15 and 16 to the support and advisory agreement with Hodiall

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 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).

Hodiall provides its support and advice to your Company for the performance of the following: Group strategy, financial and tax services, financial management and communication, corporate management, legal assistance, legal support, legal secretarial duties, administrative services and the management of insurance policies.

This agreement was the subject of an amendment n° 16 approved by the Supervisory Board in its decision dated 12 December 2012, increasing the remuneration thus paid to Hodiall to €750 thousand for 2013.

• Amendment n°2 to the current account agreement with Radiall Ventures

Individual concerned: Pierre Gattaz (Chairman of the Executive Board of Radiall S.A. and Chairman of Radiall Ventures).

Your Company granted Radiall Ventures a current account advance for a maximum of one million euros (€1,000,000) expiring on 31 December 2012. This current account earns interest at the annual “Euribor 12 months + 0.5 point” rate. During the 2011 financial year, through an amendment approved by a Supervisory Board decision dated 12 April 2011, the maximum amount of this advance was increased to €4,500 thousand.

A new amendment n°2, whose conclusion was authorised by the Supervisory Board on 12 December 2012, was signed on 3 January 2013, allowing the expiry date of this advance to be deferred until 31 December 2013, under the same terms and conditions as previously authorised.

At 31 December 2013, your Company was due €1,700 thousand from Radiall Ventures in respect of this advance and the interest charged and recognised amounted to €18 thousand for 2013.

• Amendment n°2 to the current account agreement with IDMM

Individual concerned: Pierre Gattaz (Chairman of the Executive Board of Radiall S.A. and Chairman of IDMM).

Following an agreement signed in 2007 and an amendment signed in 2008, your Company granted IDMM a current account advance for a maximum amount of five million euros, expiring on 31 December 2012. This current account earns interest at the annual “Euribor 12 months + 0.5 point” rate.

Your company signed an amendment on 21 December 2010, enabling the maximum amount of this advance to be increased to five million five hundred thousand euros (€5,500,000).

A new amendment n°2, whose conclusion was authorised by the Supervisory Board on 12 December 2012, was signed on 3 January 2013, allowing the expiry date of this advance to be deferred until 31 December 2013, under the same terms and conditions as previously authorised.
At 31 December 2013, the advance was €3,609 thousand, and the amount of interest invoiced and recognised in 2013 amounted to €43 thousand.

• Current account agreement with Hodiall

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 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).

Your Company and Hodiall mutually granted one another a current account advance, paid out depending on the needs and available cash surpluses of each, not to exceed one million four hundred thousand euros (€1,400,000) repayable in one single payment on 31 December 2015 at the latest.

At 31 December 2013, your Company had a liability of €259 thousand and no interest was recognised for 2013.

• Amendment to the service agreement with Radiall USA

Individuals concerned: Pierre Gattaz (Chairman of the Executive Board of Radiall S.A. and Chairman of the Board of Directors of Radiall USA).

Your Company undertook the responsibility for training Radiall USA’s workforce in connection with the Obregon site in Mexico and for providing support services to Radiall USA.

The amount invoiced by your Company in 2013 in respect of this agreement was €774 thousand excluding tax.

• Unilateral undertaking to sell with SCI Les Balcons de Chartreuse

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 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).

The Chairman presented to the members of the Supervisory Board a property project led by your Company at the Voiron site, involving the sale a building site owned by your Company, after having assessed the administrative building potential of the site and taken the necessary steps to develop an attractive project.

The corporate purpose of your Company does not allow it to enter into this type of transaction; as a result, your Company decided to sell the site to a Société Civile Immobilière (property investment company), SCI les Balcons de Chartreuse, which is owned by Hodiall, a 60% shareholder in Radiall.

Against this backdrop, your Company decided to conclude a unilateral undertaking to sell the land, subject to conditions precedent, which provides for a sale price of seven hundred thousand euros excluding tax (€700,000), determined on the basis of two independent expert valuations authorised by the Group. This sale price contains a price adjustment clause that will be activated in the event of the resale of the land by SCI les Balcons de Chartreuse (or in the event of sale by Hodiall of shares in the SCI) within a period of two years effective from the deed of sale.

The price adjustment, which would not be applicable in the event of resale of the property off plans, will be calculated as follows:

- in the event of resale by Hodiall at a higher price than seven hundred and thirty five thousand euros (€735,000), the SCI would owe your Company an amount equivalent to the difference between the resale price and seven hundred and thirty five thousand euros (€735,000), up to a maximum of four hundred thousand euros (€400,000),

- in the event of resale at a lower price than six hundred and sixty five thousand euros (€665,000), the sale price would be reduced and your Company would be obliged to return to the SCI an amount equivalent to the difference between the resale price and six hundred and sixty five thousand euros (€665,000), up to a maximum of one hundred thousand euros (€100,000),

- no price adjustment in other cases.

The SCI shall benefit from this undertaking until 31 December 2013, in accordance with the terms of the undertaking.

In a decision dated 12 December 2012, the Supervisory Board approved the conclusion of the unilateral undertaking to sell in accordance with the terms and conditions set out above. The undertaking to sell was signed on 5 April 2013.

- **Amendment n°2 to the cash pooling agreement with Raydiall S.A.S.**

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

Through an agreement dated 2 January 2012, your Company granted to Raydiall S.A.S. an interest-bearing current account advance, in one or more instalments, of a maximum aggregate amount of five hundred thousand euros (€500,000) for a term ending on 31 December 2016. This current account bears interest at the annual "Euribor 12 months + 1.5%" rate. The parties signed an amendment dated 16 January 2012 to increase the maximum amount to one million four hundred thousand euros (€1,400,000).

An amendment n°2 was authorised by the Supervisory Board on 5 April 2013, to increase the maximum amount to two million euros (€2,000,000), until 31 December 2013. This amendment n°2 was signed on 8 April 2013.

At 31 December 2013, your company was due €1,010 thousand from Raydiall S.A.S. in respect of this advance, and the interest charged totalled €16 thousand for 2013.

2. Agreements and commitments approved during previous financial years that were not implemented during the financial year just ended

- **Current account agreement with IDMM**

Individual concerned: Pierre Gattaz (Chairman of the Executive Board of Radiall S.A. and Chairman of IDMM)

IDMM has agreed to provide your Company with support services as part of the creation of a factory on the Obregon site in Mexico, as well as machining operation and consulting services.

In a ruling of 12 December 2012, the Supervisory Board authorised the tacit renewal of this agreement.

This agreement had no effect on the 2013 financial year.

Paris and Courbevoie, 9 April 2014,

The Statutory Auditors

MAZARS

SIMON BEILLEVAIRE

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 2013)

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 2013, 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 €14,917,615.19.

SECOND RESOLUTION
(Approval of the consolidated financial statements for the year ended 31 December 2013)

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 2013, 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 €1.50 per share)

The General Meeting, acting under the quorum and majority conditions required for ordinary general meetings, notes that the net profit for the 2013 financial year totalled €14,917,615.19 and that, taking into account retained earnings of €17,709,536.22, distributable profits to be allocated are €32,627,151.41.

Consequently, in approving the Executive Board's proposal, the General Meeting decides to allocate distributable profits for the 2013 financial year as follows:

- Dividend of €1.50 per share: €2,772,186.00[5]
- Allocation to retained earnings: €12,145,429.19

The retained earnings after distribution are €29,854,965.41.
The General Meeting consequently decides to pay a gross dividend of €1.50 (one euro and fifty cents) per share, a total of €2,772,186.00 (two million seven hundred and seventy two thousand one hundred and eighty six 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 21 May 2014 and the dividend will be payable from 27 May 2014.

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 PEP (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 dividend paid in respect of the last three financial years were as follows:

FY	Number of shares	Net dividend (€)
2010	1,848,124	0.85
2011	1,848,124	0.90
2012	1,848,124	1.15

All the amounts stated in the table above are eligible for the 40% relief provided for in Article 158-3-2° of the General Tax Code.

FOURTH RESOLUTION
(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 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.

[5] Subject to allocation to the general reserve for dividends on shares held by the Company at the time of payment.

FIFTH RESOLUTION
(Determination of attendance fees paid to the Supervisory Board)

The General Meeting, acting under the quorum and majority conditions required for ordinary 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 four thousand (34,000) euros for the year ended 31 December 2013, 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' 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.

The maximum purchase price per share shall not exceed one hundred and seventy euros (€170). In the event of a share capital increase by capitalisation of reserves and allocation of free shares as well as in the event of the split or reverse split of shares, this maximum price will be adjusted by a multiplier equal to the ratio between the number of shares comprising the share capital before the transaction and that number after the transaction. 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 twenty million euros (€20,000,000).

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 23 May 2013.

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 2013 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 2013.

EIGHTH RESOLUTION
(Appointment of Alicia GATTAZ as member of the Supervisory Board)

The General Meeting, acting under the quorum and majority conditions required for ordinary meetings, having read the information submitted in accordance with Article R.225-83 5° of the Commercial Code, decided to appoint to the Supervisory Board:
Alicia GATTAZ
Born 16 May 1986 in Argenteuil (95)
Residing at 32 route de la Plaine, 78110 Le Vésinet,

in application of the provisions of Article L. 225-75 of the Commercial Code and in accordance with Article 13 of the bylaws, for a period of six (6) years expiring at the end of the Ordinary General Meeting of shareholders convened to take place in 2020, to approve the financial statements for the financial year ending 31 December 2019.

Alicia GATTAZ has declared her intention to accept this appointment and that she is not subject to any measure likely to disqualify her from exercising this role.

NINTH RESOLUTION
(Appointment of Mathieu GATTAZ as member of the Supervisory Board)

The General Meeting, acting under the quorum and majority conditions required for ordinary meetings, having read the information submitted in accordance with Article R.225-83 5° of the Commercial Code, decided to appoint to the Supervisory Board:
Mathieu GATTAZ
Born 20 March 1984 in Grenoble (38)
Residing at 106 rue de Criel, 38500 Voiron,

in application of the provisions of Article L. 225-75 of the Commercial Code and in accordance with Article 13 of the des bylaws, for a period of six (6) years expiring at the end of the Ordinary General Meeting of shareholders convened to take place in 2020, to approve the financial statements for the financial year ending 31 December 2019.

Mathieu GATTAZ has declared his intention to accept this appointment and that he is not subject to any measure likely to disqualify him from exercising this role.

TENTH RESOLUTION
(Ratification of the transfer of the registered office)

The Chairman of the Meeting (presiding officer) reminds shareholders that on 22 May 2013 the Executive Board of the Company decided to transfer the Company's registered office within the same district to 25 rue Madeleine Vionnet in Aubervilliers (93300).

Under the provisions of Article 4 of the Company's bylaws, the General Meeting, acting under the quorum and majority conditions required for ordinary general meetings, decided to ratify the transfer of registered office to the above address.

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

ELEVENTH RESOLUTION
(Authorisation granted to the Executive Board to reduce the share capital by cancelling treasury shares, pursuant to the provisions of Article L. 225-213 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 Article L. 225-213 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 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 10% 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.

The General Meeting grants full powers to the Executive Board, with the option to delegate in accordance with the law, to decide, at its sole discretion, to reduce the share capital, to determine the number of shares to be cancelled within the limit of 10% per twenty-four (24) month period, out of the total number of shares comprising the share capital existing on the date of the transaction, to determine the terms and conditions for capital reduction transactions and to recognise such reduction transactions, if applicable to ascribe the difference between the purchase value of the shares to be cancelled and their nominal value to any reserve or premium account, to modify the Articles of Association accordingly, and to perform all necessary formalities.
This authorisation is granted for eighteen (18) months from the date of this General Meeting, and cancels and replaces, for any unused amounts, any prior authorisation with the same purpose.

TWELFTH RESOLUTION
(Amendments to the bylaws resulting from the transfer of registered office)

In application of the Executive Board's decision to transfer the Company's registered office to 25 rue Madeleine Vionnet in Aubervilliers (93300), and in accordance with Article 23 of the Company's bylaws, the Extraordinary General Meeting decided to ratify the amendments to the bylaws relating to the transfer of the registered office to the above-mentioned address.

2. MANAGEMENT BODIES

Supervisory Board

Yvon Gattaz	Chairman of the Supervisory Board
Bruno Gattaz	Vice-Chairman
Roselyne Gattaz	Member of the Supervisory Board
Didier Lombard	Member of the Supervisory Board
Marc Ventre	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 VP – 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 VP – Chief Financial Officer and member of the Executive Board
Dominique Pellizzari	Executive VP – Sales & Business Development,
André Hartmann	Executive VP – 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:

Guillaume Potel

Jean-Michel Thierry

Financial Communication:

Guy de Royer

Tel.: +33 1 49 35 35 35
infofinance@radiall.com

3. INFORMATION ON CORPORATE OFFICERS

Information on the terms of office held in any company at 31 December 2013:

- **Yvon Gattaz**

Chairman of the Supervisory Board
- Date of first appointment: 17 December 1993.
Current term of office expires: 2015.
- 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.

- **Marc Ventre**

Member of the Supervisory Board
- Date of first appointment: 7 December 2010.
Current term of office expires: 2015.
- Also Deputy Chief Executive Officer – Operations of Safran Group, Director of Techspace Aero, and Representative Non-Executive Director of Safran to the Board of Directors of Aircelle, Herakles, Hispano-Suiza, Labinal Power Systems, Messier-Bugatti-Dowty, Snecma and Turbomeca, Director of Ortec Expansion since 2013 and Nexcelle LLC until June 2013.

- **Didier Lombard**

Member of the Supervisory Board
- Date of first appointment: 20 May 2003.
Current term of office expires: 2015.
- Also Director of Thalès and Technicolor, Chairman of the Supervisory Board of St. Microélectronique, and Chairman of European Issuers.

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.

- **Pierre Gattaz**

Chairman of the Executive Board
- Date of first appointment: 4 January 1994.
Current term of office expires: 2018.
- Also, in France, Chairman of the Executive Board of Hodiall and member of the Board of Directors of Raydiall, and Manager of Société d'Investissement Radiall.
- In Europe, Director of Radiall Nederland BV.
- In Asia, Director of Shanghai Radiall Electronics Co. Ltd. and 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 Director of Radiall Aktiebolag.
- In Asia, Director of Radiall Electronics Asia Ltd.
- 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 Nov. 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, Manager of Radiall GmbH and member of the Board of Directors of Radiall Ltd.
- In Asia, Director of Radiall India Private Limited, Nihon Radiall KK and Shanghai Radiall Electronics Co. Ltd.
- In the Americas, also Chairman of the Board of Directors of Radiall America Inc., and Chief Financial Officer and Secretary of Radiall USA Inc.

➢ Summary table of gross remuneration (including benefits in kind) and options and shares allocated to each corporate officer

	FY 2013	FY 2012
Pierre Gattaz (Chairman of the Executive Board)		
Remuneration due in respect of the financial year	458,570	416,982
Value of options granted during the financial year	No options allocated in 2013	No options allocated in 2012
Value of performance shares granted during the financial year	No performance shares allocated in 2013	No performance shares allocated in 2012
TOTAL	**458,570**	**416,982**
Dominique Buttin (Member of the Executive Board)		
Remuneration due in respect of the financial year	287,241	
Value of options granted during the financial year	No options allocated in 2013	
Value of performance shares granted during the financial year	No performance shares allocated in 2013	
TOTAL	**287,241**	
Guy de Royer (Member of the Executive Board)		
Remuneration due in respect of the financial year	226,734	205,482
Value of options granted during the financial year	No options allocated in 2013	No options allocated in 2012
Value of performance shares granted during the financial year	No performance shares allocated in 2013	No performance shares allocated in 2012
TOTAL	**226,734**	**205,482**

Executive corporate officers at 31 December 2013	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 2013 financial statements	X		X			X		X
Dominique BUTTIN Chief Operating Officer 18/07/2013 AGM 2013 financial statements	X		X			X		X
Guy de ROYER Chief Financial Officer 20/04/2012 AGM 2013 financial statements	X		X			X		X

➢ **Breakdown of the gross remuneration (including benefits in kind) paid during 2012 and 2013 to corporate officers by Radiall, its subsidiaries or its controlling companies:**

Summary table of each corporate officer's remuneration *

	FY 2012		FY 2013	
	Amounts owed	**Amounts paid**	**Amounts owed**	**Amounts paid**
Pierre Gattaz **Chairman of the Executive Board**				
Fixed remuneration	309,120	309,120	318,230	318,230
Variable remuneration	102,162	14,369	134,640	102,162
Bonus remuneration				
Director's fees				
Benefits in kind	5,700	5,700	5,700	5,700
TOTAL	**416,982**	**329,189**	**458,570**	**426,092**
Dominique Buttin **Member of the Executive Board and Chief Operating Officer**				
Fixed remuneration			216,411	216,411
Variable remuneration			68,436	38,983
Bonus remuneration				
Director's fees				
Benefits in kind			2,394	2,394
TOTAL			**287,241**	**257,788**
Guy de Royer **Member of the Executive Board and Chief Financial Officer**				
Fixed remuneration	171,482	171,482	179,188	179,188
Variable remuneration	31,672	24,127	45,218	31,672
Bonus remuneration				
Director's fees				
Benefits in kind	2,328	2,328	2,328	2,328
TOTAL	**205,482**	**197,937**	**226,734**	**213,188**

** For their term of office.*

The variable part of the remuneration paid to the members of the Executive Board in March 2014 corresponded to the personalised targets relating to the collective and individual results achieved during the 2013 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 2012 financial year**	**Amounts paid during the 2013 financial year**
Yvon Gattaz		
Attendance fees	5,000	5,000
Other remuneration *	120,584	117,657
Bruno Gattaz		
Attendance fees	5,000	5,000
Other remuneration		
Roselyne Gattaz		
Attendance fees	5,000	5,000
Other remuneration		
Didier Lombard		
Attendance fees	8,000	8,500
Other remuneration		
Marc Ventre		
Attendance fees	8,000	8,500
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 22 May 2013**

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 22 May 2013	Resolution n°7	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	Not used
Combined General Meeting of 22 May 2013	Resolution n°8	Authorisation granted to the Executive Board to reduce the share capital through cancellation, on one or more occasions, of all or part of Radiall shares, and to carry out share capital reductions resulting from the cancellation transactions.	10% of the total number of Radiall shares on the date of the transaction, for a period of 24 months.	18 months	Not used

4. EXECUTIVE BOARD'S 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 2013 financial year, the Executive Board did not grant any share warrants.

5. EXECUTIVE BOARD'S 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 2013 financial year, no share transactions were carried out by executives.

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area offices
local contacts

Our most important connection is with you.™

It's not just a slogan. It's a statement of our earnest desire to put you at the forefront of all our business practices. As part of Radiall's mission to be available and accessible, we make it a priority to have local offices around the globe ready and able to assist you – wherever you are, whenever you need us.

Europe

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Also Represented In...

AUSTRALIA AUSTRIA BELGIUM BRAZIL CZECH REPUBLIC DENMARK ESTONIA GREECE HUNGARY INDONESIA ISRAEL KOREA LATVIA LITHUANIA MALAYSIA NORWAY PHILIPPINES POLAND PORTUGAL RUSSIA SINGAPORE SPAIN SWITZERLAND TAIWAN THAILAND VIETNAM SOUTH AFRICA