



*Our Most Important
Connection is with You.™*





2014 FINANCIAL REPORT

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



2014: an excellent year, the result of Radiall's long-term strategy

Dear Shareholders,

Driven by a healthy aeronautics industry and the rollout of 4th generation telecom networks, 2014 was marked by very strong organic growth of 20.9% and an excellent operational performance, allowing us to increase the operating margin by 82.3%, achieve a net profit of 12.2% of sales, and generate in excess of €30 million in cash flow over the full year.

Whilst the European economic environment is lacklustre, Radiall has successfully sought growth outside France, which now only represents 12.3% of Group sales. It is in Asia (up 40%) and North America (up 26%) that Radiall has found its growth drivers.

These healthy results stem from a strategy based on customer proximity and operational excellence, founding values which have motivated all Radiall's teams since its creation.

This proximity allows us to better understand our customers' requirements, anticipate their needs and thus design the most innovative solutions. In markets such as aeronautics, defence, space and telecommunications, results are measured over the long term. In particular, Radiall's remarkable performance in aeronautics (up 27%) can be traced back to the end of the 1990s, when Radiall set out to conquer the US market, and specifically, Boeing. In the defence and space markets, and despite falling state budgets, Radiall also achieved growth in 2014 (up 11%), thanks to programmes that were initiated many years previously.

This performance would not be possible without the commitment of Radiall's teams in pursuit of operational excellence. Our greatest reward is the recognition of our customers, as was the case with Airbus in 2014 who presented Radiall with the "Supplier of Year Award" in the "Electrics Suppliers" category.

We are also very committed to the diversity of our markets, to not being too dependent on a cyclical turnaround, and once more, it is over time that performance is measured. Having suffered for many years from the bursting of the telecoms bubble at the beginning of the 2000s, this market is once again growing strongly for Radiall (up 41%), thanks to the combined efforts of our European and Chinese teams.

Our business development efforts in the industrial sector, where we are investing to improve our market balance, are beginning to produce their first results. This market remains a priority when seeking merger and acquisitions opportunities.

In parallel with these business developments, we have continued to prepare for the future by accelerating the launch of new products, with major successes in aeronautics and telecoms that will bear fruit in the coming years. We have improved our processes by working to shorten production cycles with our LEAP project, which aims to transform our Supply Chain and our production methods in order to make us a more agile business, capable of adapting to an increasingly fluctuating demand.

Radiall is therefore strategically well positioned to continue to capitalise on the growth of the aeronautics and telecoms markets. In the absence of any major new programmes in 2015, we nevertheless expect organic growth more in line with the average of the connector industry. If the strengthening of the dollar continues over time, the Group should benefit from favourable currency effects, which will help improve its performance.

It is with a team mobilised around a strong corporate culture, aligned with a strategy shared by all, technical expertise and operational excellence recognised by our customers that we confidently envisage continued growth that is both profitable and sustained.



Pierre Gattaz
Chairman of the Executive Board



Dominique Buttin
Chief Executive Officer

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I. GENERAL INFORMATION

1. PERSONS RESPONSIBLE

1.1 Person responsible for information

Pierre Gattaz, Chairman of the Executive Board.

1.2 Statement by the person responsible

I hereby declare that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and that they provide a true and fair view of the assets and liabilities, financial position and results of the Company and the entities included in the consolidation, and that the management report provided on pages 13 to 17 provides a fair view of the changes in the business, results and financial position of the Company and the entities included in the consolidation, as well as a description of the principal risks and uncertainties they face.

Aubervilliers, 17 April 2015



Pierre Gattaz
Chairman of the Executive Board

2. BUSINESS OVERVIEW

2.1 Presentation of company subsidiaries

2.1.1 The product range

2.1.1.1 - Coaxial components

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

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

2.1.1.2 - Multi-contact connectors

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

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

2.1.1.3 - Optical components

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

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

2.1.2 - Key technologies

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

2.1.2.1 - Precision machining

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

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

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

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

2.1.2.2 - Foundry

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

2.1.2.3 - Plastic moulding

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

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

2.1.2.4 - Assembly

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

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

2.2 Main markets

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

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

The Company's activity is not significantly seasonal.

2.2.1 - Military and aeronautic markets

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

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

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

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

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

2.2.2 - Telecommunications

There are three ways of transmitting data: traditional copper wire, microwave radio relay and fibre 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 remains affected by a downward trend in the number of connectors per telecommunication sub-system and by frequent, significant fluctuations in capital expenditure made by telecoms operators.

2.2.3 - The industrial markets

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

2.2.4 – Breakdown of sales by market

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

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

2.2.5 - Customers

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

Civilian Aeronautics, Space and Military	Telecoms	Industrial and other
<ul style="list-style-type: none"> - Labinal (France and USA) - Thalès (France and USA) - Boeing (USA) - Hamilton Sundstrand (USA) - Rockwell Collins (USA) - AIRBUS Group (Europe) 	<ul style="list-style-type: none"> - Nokia Siemens (Europe and Asia) - ZTE (Asia) - Commscope (Europe and Asia) - Alcatel-Lucent (Europe, Asia and USA) - Huawei (Asia) - Celestica (Asia & Europe) 	<ul style="list-style-type: none"> - Rohde & Schwarz (Europe) - Philips (Europe and USA) - Aeroflex (USA) - Bruker (Europe) - National Instruments (Europe and USA) - Agilent (Asia)

In 2014, the Group's top ten customers, all business segments included, accounted for 44.1% of revenue. The Company extended its credit insurance in 2014 to cover the risk of customer credit default. This insurance covers customers invoiced by the European, Chinese and Hong-Kong subsidiaries, accounting for over 50% of total sales.

3. ORGANISATION CHART

2.3 Competitive position

Company name	Country	Markets	2014 sales *	Listing	Market cap 12/2014
Main competitors					
Huber & Suhner	Switzerland	All	CHF 749 M	Zürich	CHF 924 M
Amphenol	USA	Aeronautics and military	USD 5,346 M	NYSE	USD 17,895 M
Rosenberger	Germany	Telecom and Industrial	Unavailable	Not listed	N/A
TE Connectivity (primarily AMP and Deutsch)	USA	All	USD 13,912 M	NYSE	USD 27,207 M
Other competitors					
Souriau (Esterline)	France	Aeronautics and military	Unavailable	Not listed	N/A

* Source: Company press release.

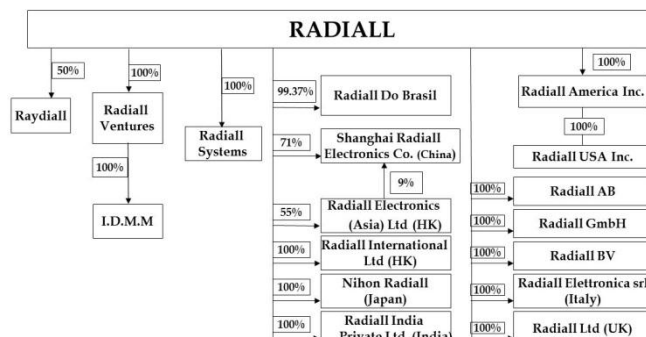
The companies included in the “Other competitors” category differ from the main competitors in that they are only competitors with respect to a very small part of Radiall's revenue.

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.

3.1 Presentation of company subsidiaries

The diagram below shows the organisation chart of the Company's subsidiaries at 31 December 2014:



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

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

In order to pursue its activities, the Company relies on its subsidiaries throughout the world, as represented in the above organisation chart, which include sales offices and/or factories.

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

At 31 December 2014, the Company held the following equity interests:

EUROPE

France (head office, sales offices and industrial sites)

- 50% of the capital of Raydiall, a simplified limited company with capital of €8,000,000, with its head office located at Voiron (38500) – 30 rue Léon Béridot, entered in the Grenoble Trade and Companies Register under number 537.387.193.

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

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

Netherlands (sales office)

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

United Kingdom (sales office)

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

Italy (sales office)

- 100% of Radiall Elettronica srl, an Italian limited company with capital of €257,400, with its head office located at Via Della Resistenza 113, 20090 Buccinasco, Milan, Italy.

Germany (sales office)

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

Sweden (sales office)

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

AMERICAS

USA (sales offices and factories)

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

Brazil (sales office)

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

ASIA

China (sales office and factory)

- 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% of 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, Hong Kong, and registered under number 679070.

- 55% of Radiall Electronics (Asia) Ltd, a Hong Kong company with capital of HKD 300,000 and a head office at 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 – 01 – 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	Group headcount 2014 including temporary staff and on-site service providers (average 2014)
25 rue Madeleine Vionnet, 93300 Aubervilliers - France	Head office and sales office	1,884 m ²	Commercial lease dated 23 May 2013 for a term of nine years beginning on 1 December 2013.	New head office of Radiall since December 2013	67.
Rue Velpeau ZI Nord BP30 -37110 Château-Renault- France	Factory	Neuville: 2,010 m ² Château-Renault: 8,420 m ²	Property and commercial lease dated 13 April 2012 for a term of 9 years.		405.
641 rue Emile Romanet – 38340 Voreppe – France	Factory and storage	1,340 m ²	Commercial lease dated 1 September 2009 for a term of 9 years.		369.
642 rue Emile Romanet – 38340 Voreppe – France	Factory	3,560 m ²	Owned		
642 rue Emile Romanet – 38340 Voreppe – France	Factory	2,290 m ²	Property and commercial lease dated 31 December 2010 for a term of 12 years.		
81 boulevard Denfert-Rochereau 38500 Voiron – France	Site demolished and in disuse	4,711 m ²	Owned	Deed of sale signed on 16 June 2014, for the sale of a portion of the land with a surface area of 32 ares and 89 centiares (approx. 3,289 m ²)	
15, rue de la Garenne ZI Chesnes Tharabie 38295 Saint-Quentin-Fallavier – France (Isle d'Abeau- IDA)	Factory and storage	7,208 m ²	Owned		355.
13 rue Henri Jeanrenaud 39100 Dole - France	Factory and sales office	6,900 m ²	Lease agreement with call option dated 20 February 2008 for a term of 15 years beginning 1 January 2008.		152.
ZI Champfeuillet 30 rue Léon Béridot 38500 Voiron – France	Factory and offices	1,310 m ²	Lease agreement for a term of 30 years beginning on 25 July 2010	Site of joint venture Raydiall	50.
25 (D), II Phase, Peenya Industrial Area, Bangalore 560,058, India	Factory and sales office	3,500 m ²	Lease agreement dated 25 July 2000 for a term of three years, beginning on 1 August 2000 and renewable for successive periods of 3 years.		183.
390 Yong He Road Shanghai – China	Factory and sales office	4,700 m ²	Lease agreement for a term of 30 years beginning on 1 July 1996	Term will be reduced to 3 years following pre-emption of shareholding (see § 6.8)	459
90 et 104 John W. Murphy Drive, New Haven, Connecticut, USA	Factory	7,233 acre site (approx. 29,271 m ²) and 65,066 square feet facilities (approx. 8,000 m ²)	Owned		148
Ciudad Obregon, Sonora, Mexico, attached to Radiall USA Inc.	Factory	12,546 m ²	Lease agreement dated 1 November 2006 and amendment of 1 March 2007, for a term of 10 years renewable.	Comprising three buildings, one of which was completed in June 2008, with a surface area of 3,785 m ²	707
8950 South 52nd Street, Suite 401, Tempe, 85284 Arizona, USA	Administrative and sales offices	10,368 square feet facilities	Lease agreement dated 16 November 2011 for a term of 62 months beginning on 15 December 2011.		41

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

The average number of temporary staff and on-site service providers for the year represented 1,200 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 sponsored by bodies which finance 30 to 50% of expenditure, or via Radiall's design departments cooperating with their customers, or by developing or improving certain components used to manufacture Radiall connectors. The sponsoring bodies that provide part of the financing for these projects include, depending on the case, Bpi France's divisions or the French Directorate-General for Enterprise (DGE, formerly DGICS).

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

(€ thousands)	2014	2013	2012
R&D costs *	19,232	17,107	16,551
% of sales	6.9%	7.4%	7.5%

* Amounts before research tax credit.

The consistently high research expenditure in 2014 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 2014, previously capitalised Research and Development projects were fully amortised.

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

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

- Small projects that sometimes only need a few days' research. This work is generally linked to a customer's specific order. In this respect, any evaluation of the commercial prospects and the existence of a specific market for this development is difficult if not impossible. The individual sums involved are relatively insignificant;

- Larger projects (amount fixed internally at €150,000 or more). These projects are subject to a quarterly technical, financial, and commercial review to evaluate, among other aspects, the project's capital value pursuant to IAS 38 criteria. In most cases, the majority of the expenditure is incurred before all the IAS 38 criteria have been satisfied. In general, the two main criteria that are satisfied too late are either reasonable assurance that technical feasibility will be achieved or that the future economic prospects will generate economic benefits.

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

The R&D sums shown in the above table represent these costs before the application of the Research Tax Credits the Company benefits from in France. In 2014, the Research Tax Credit provided to Radiall SA totalled €1,462 thousand. In 2013, this amounted to €1,069 thousand.

5.2 Intellectual property

5.2.1 Patents

The Company owns 68 inventions and 234 active patents and utility models, including those pending. 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, RAYDIAL, QUICK FUSIO, QUICK INSTALL RADIAL, and "Our Most Important Connection is with You" 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 27 March 2015, and chaired by Pierre Gattaz, approved the consolidated financial statements for the year 2014.

6.1 Key figures

(€ thousands)	2014	2013*	Change 2014 – 2013
Sales	279,255	230,885	20.9%
Profit from recurring operations	45,476	24,949	82.3%
Margin from recurring operations	16.3%	10.8%	
Other operating income and expenses	(751)		n.a.
Operating profit	44,725	24,949	79.3%
Net cost of financial debt	(137)	(520)	73.7%
Other financial income and expenses	(1,209)	(27)	(4,377.8%)
Income tax	(9,443)	(5,872)	(60.8%)
Net profit	33,937	18,530	83.1%
Net margin	12.2%	8.0%	
Cash flow from operating activities	44,759	18,486	142.1%
Equity (including Non controlling interests)	188,551	150,058	25.7%
Net financial debt	(65,787)	(34,386)	91.3%

* Data restated for the Raydiall subsidiary, equity-accounted pursuant to IFRS 11 applied since 1 January 2014.

6.2 Very strong sales growth

The Group's consolidated sales were €279,255 thousand in 2014 compared with €230,885 thousand in 2013 after restatement of 2013 data by applying the equity method to the subsidiary Raydiall in accordance with IFRS 11 applied since 1 January 2014, equating to growth of 20.9% under an identical consolidation method in comparison with 2013, and of 21.2% at constant exchange rates.

This strong growth in 2014 illustrates the suitability of the Group's strategy, which for the fifth consecutive year since 2010 continued to report sales growth in a sometimes difficult economic environment, particularly in Europe.

Sales growth by quarter

(€ thousands)	2014	2013*	Change 2014 – 2013*
1 st quarter	68,766	52,714	30.4%
2 nd quarter	66,969	57,934	15.6%
3 rd quarter	70,319	57,446	22.4%
4 th quarter	73,201	62,791	16.6%
FY total	279,255	230,885	20.9%

* Data restated for the Raydiall subsidiary, equity-accounted pursuant to IFRS 11 applied since 1 January 2014.

Quarterly sales for the 2014 financial year grew significantly in comparison with 2013 and sequentially, thereby reflecting a favourable business trend.

Sales by geographic region and market:

(€ thousands)	2014	2013*
BY MARKET		
Wireless telephony	51,739	36,734
Military, Aeronautics, Space	191,740	159,274
Automotive telematics	16	1,194
Industrial	35,760	33,683
BY GEOGRAPHIC REGION		
France	34,318	34,671
European Union, excluding France	39,944	40,802
Americas	112,835	89,674
Asia and rest of the world	92,159	65,738
TOTAL GROUP	279,255	230,885

* Data restated for the Raydiall subsidiary, equity-accounted pursuant to IFRS 11 applied since 1 January 2014.

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.

International sales, which grew by 24.8%, accounted for 87.7% of Group sales for 2014 as a whole. This was driven by the strong recovery of the Telecoms sector in China and the continued good performance of Aeronautics, particularly in the Americas region, as well as in most other markets. The “Rest of the World” region, which includes Asia as well as the Americas region, posted strong growth. The European region, including France, contracted slightly over the full year.

The Defence and Space segments increased by 10.5% overall in 2014. Military spending was stable thanks to healthy business levels in France, Israel, and Asia, although this sector remained affected by budgetary restrictions in many western countries, including the US. In the space sector, the first installations for US clients in 2013 (Boeing), in Asia, and for Airbus in the UK, created new opportunities and led to growth in 2014.

In the defence sector, the outlook remains at best stable outside Asia. In the space sector, due to cyclical activity linked to certain programmes, the order book for early 2014 means that, to date, no significant growth is expected in 2015.

Civil aeronautics, which grew by 27.0%, was supported by the healthy state of that market and Radiall's positioning in numerous programmes, allowing the Group to grow more rapidly than the industry, particularly in North America. During the fourth quarter, Radiall also benefited from better €/€ parity and, in tandem, greater shipments. In 2014, Radiall pursued its new installations with a new programme on the Airbus 350 aircraft, and the successful launch of the “Quick Fusio” product, which recorded its first success in a “cabin” application.

Although with lower growth as a result of several programmes arriving at completion, the outlook for the next five years remains excellent given the orders received from aircraft manufacturers. Due to its momentum, this market will remain one of the cornerstones of the Group's growth over the next few years.

Since the fourth quarter of 2013, telecoms market sales have seen a strong upturn thanks to the start of the rollout of 4G in China. Over 2014 as a whole, they grew 40.8% in comparison with 2013.

2015 should see more moderate growth with the continuation of 4G/LTE investments across all continents taking into account the rising demand for “very high bandwidth” access services for mobile devices. Over the medium term, the outlook remains good, since “network” needs related to the simultaneous development of mobile Internet and “big data” are still the growth driver in this sector.

The industrial market grew 6.2% as a result of good performances in the Test & Measures market, notably in Asia. The situation nevertheless remains fragile since it is dependent on certain major projects and sales via distribution within a difficult economic environment in Europe. Our business development efforts and attempts to adapt our product range are both going to continue in a context in which only bringing in new external product lines will be able to significantly strengthen our presence.

Our attempts at diversification favour industrial applications where growth in volumes of digital data processing will take place within a challenging and complex environment, such as the energy or transport markets.

The automotive business of the joint venture Raydiall, which has been equity accounted since 1 January 2014, posted a 17.0% increase in sales at constant scope. Plans to increase industrial productivity which led to an improvement in profitability, as well as new commercial developments and the preparation of future product ranges, are producing their first results within a market context that has become more favourable once again. The arrival of new products during the year and the bolstering of commercial resources will ensure that the growth in sales initiated this year will continue in 2015.

6.3 New level of operating profitability

Thanks in particular to strong sales growth in 2014, combined with more favourable product and market mixes, as well as a controlled increase in capacity costs, enabled Radiall to increase its profit from recurring operations very significantly in 2014. Radiall achieved this performance in 2014 whilst continuing to maintain a research and development effort at a high level of €19,232 thousand or 6.9% of sales. Therefore, the Group's profit from recurring operations in 2014 totalled €45,476 thousand (16.3% of sales), against €24,949 thousand in 2013 (10.8% of sales) an increase of 82.3% compared with the previous financial year.

6.4 Increase in both operating profit and net profit

After recognition of a non-recurring expense of €751 thousand in 2014, primarily due to goodwill impairment, whereas no non-recurring income/expense was recognised in 2013, 2014 operating profit was €44,725 thousand, an increase of 79.3%.

Net financial expense for the 2014 financial year amounted to €1,346 thousand, compared with a net expense of €547 thousand in 2013, primarily due to the unfavourable impact of the change in €/€ parity on the foreign exchange difference. The income tax charge stood at €9,443 thousand in 2014 taking into account the sharp rise in operating profit, against €5,872 thousand in 2013. It represents an overall tax rate for the Group of 21.8%, compared with 24.1% in 2013. As such, 2014 net profit totalled €33,937 thousand, equating to 12.2% of sales, an increase of 83.1% in comparison with the 2013 financial year in which net profit of €18,530 thousand was recorded (8.0% of sales).

6.5 Headcount

CHANGE IN HEADCOUNT **	31 December 2014	31 December 2013	Change 2014 - 2013
France	1,386	1,353	33
Europe (excl. France)	34	37	(3)
North America and Mexico*	954	830	124
Asia	613	621	(8)
Total	2,987	2,841	146

* Includes Hodiall (6 employees at the end of 2014, 4 at the end of 2013) and temporary and on-site service provider staff of the Mexican maquiladora.

** restated to exclude Raydiall

Business growth led to a 5.1% increase in headcount, being 146 additional staff members, from December 2013 to December 2014, primarily in Mexico and in France. 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 13 and the number of fixed-term contracts by 7.

6.6 Self-financing capacity, net cash position and equity

The self-financing capacity rose significantly by 62% to €56.5 million in 2014 compared to €34.8 million in 2013, as a result of the growth in sales and the significant improvement in profitability.

Despite the growth in business, working capital requirements fell by €3.5 million during the financial year. Whilst this growth did not have a significant negative effect on operating receivables, it led to a moderate rise of €3.3 million in inventories. Nevertheless, this increase was largely offset by a sharp reduction in the working capital requirements of other assets and liabilities, totalling €6.5 million, primarily as a result of the growth in variable remuneration liabilities owed to staff in respect of the Group's performance in 2014.

After the impact of the change in working capital requirements, and tax and interest payments of €15.2 million, the cash flow generated by the business during the financial year totalled €44.8 million, a significant increase compared with the €18.5 million generated over the previous financial year.

With €10.3 million in 2014, the level of capital expenditure was close to the €11.1 million invested in 2013. They primarily related to industrial equipment for customer projects, or to the improvement of or increase in industrial capabilities, to prepare for the future. They also include the 5% shareholding acquired in E-BLINK.

After deduction of cash flow related to financing activities totalling €5.2 million, including primarily in 2014 payments of dividends to Radiall shareholders and minority shareholders, €2.9 million in loan repayments and a favourable currency effect of €0.9 million, net cash flow generation totalled €30.2 million over the financial year. As a result of these changes, available cash totalled €79.1 million at 31 December 2014. It was €48.9 million at 31 December 2013 after restatement for IFRS 11.

Bank borrowings, primarily long-term, fell from €14.5 million at the end of December 2013 to €13.3 million at the end of December 2014. The net cash surplus rose from €34.4 million at the end of December 2013 to €65.8 million at the end of December 2014.

After allocation of the 2014 net profit, equity amounted to €188,551 thousand.

Over the course of this year, the Group has continued to nurture the long-term proximity it has maintained with its customers, by supporting them in all the development stages of their projects. The measure of the quality of this proximity is notably reflected in the regular recognition shown by our customers, as was the case in 2014 with Airbus who gave Radiall the Supplier of Year Award in the Electrics Suppliers category. In 2014, we also continued to progress in our operational performance with in particular, the rollout of our LEAP project which, by reducing implementation cycles, aims to transform our flow management and our production methods to be an ever more agile business, capable of adapting to an increasingly fluctuating demand. These programmes will be continued in 2015, as well as preparation for the rollout in Europe in 2016 of the SAP system following its successful installation in the United States in late 2014.

6.7 Parent company results

2014 sales grew by 10.9% compared with the previous financial year to €151,876 thousand, of which just over half related to intercompany flows. This increase in sales was due both to more sustained export sales to customers outside the Group and growth in intercompany business.

Operating profit in 2014 totalled €4,851 thousand, versus €3,738 thousand in 2013.

Net financial income represented €14,853 thousand in 2014, compared with €9,671 thousand in 2013. This increase was the result of dividend levels and financial income that were higher than in 2013. After taking account of a net non-recurring income of €1,095 thousand linked to the capital gain on the sale of non-current assets of €188 thousand, a balance of €766 thousand in accelerated depreciation charges and reversals, net profit was €21,270 thousand, against net profit of €14,917 thousand in 2013.

At 31 December 2014, equity amounted to €126,272 thousand and the net cash position increased from €27,250 thousand to €50,149 thousand.

KEY FIGURES (€ thousands)	2014	2013	Change 2014 / 2013
Sales	151,876	136,954	10.9%
Operating profit	4,851	3,738	29.8%
Operating margin	3.2%	2.7%	
Net financial income	14,853	9,671	53.6%
Profit from ordinary activities	19,704	13,409	46.9%
Net non-recurring income	1,095	616	77.8%
Income tax	(471)	(892)	(47.2%)
Net profit	21,270	14,917	42.6%
Equity	126,272	108,483	16.4%
Net cash and cash equivalents*	50,149	27,250	84.0%

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

6.8 Subsequent events

The Group specifies that on 13 February 2015, Radiall SA exercised its pre-emption right over 20% of the securities of its subsidiary Shanghai Radiall Electronics co Ltd held by the company Feilo Shanghai co Ltd, as part of a public sale process, for a definite fixed price, free of any additional earnout or right to dividends, of RMB 45.66 million. At the balance sheet date the actual transfer of ownership and the payment for these securities, which remain subject to the local Chinese administrative procedures in force, had not yet taken place.

6.9 2015 Outlook

Although business in 2015 should continue to rely on the momentum of the aeronautics and telecoms markets and an exchange rate environment becoming much more favourable once again, for 2015 Radiall is targeting much more moderate growth that is more in line with the average of the connector industry, due to:

- a slower increase in production rates at airplane manufacturers;
- signs of a slowdown in orders noted over the last few months;
- added price pressure in a highly competitive market.

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.

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

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

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

6.10.2 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 2014, the Group had on its books several optional Euro/USD contracts exercisable in 2015 for a total of USD 20.7 million.

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

6.10.3 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 2014 comprises €5.6 million payable in under 30 days and €6.3 million payable between 30 and 45 days from the end of the month.

The schedule for French supplier invoices at 31 December 2013 comprised €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 Non tax deductible expenses and spending on luxuries

During the financial year just ended, the Company did not commit to or incur any expenses referred to in Articles 39-4, 39-5, and 54 paragraphs four and five of the French General Tax Code, other than the depreciation and amortisation deemed excessive calculated based on the passenger vehicles used by the Company, namely €37,082.56.

6.13 Shareholders' handbook

Stock market performance

(€)	High	Low	Year end	EPS (Group share)*
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
2014	259.00	96.00	259.00	17.20

* Net earnings per share in accordance with IFRS.

Share capital ownership	31 December 2014		31 December 2013	
	% 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 2014, Radiall held 37,139 treasury shares recorded as financial assets, representing 2.01% of the share capital.

Stock option plans at 31 December 2014

No stock option plans were in effect during the year 2014.

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 2014. For the record, no options issued in previous financial years remained exercisable at 31 December 2014.

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

No corporate officer exercised any stock warrants or options during the financial year 2014. For the record, no options issued in previous financial years remained exercisable at 31 December 2014.

Share transactions by executives

Nil

Dividends paid during the last five financial years (€)

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

Draft resolution to the Ordinary General Meeting for the year 2014

The General Meeting, ruling under the conditions of quorum and majority required for ordinary general meetings, acknowledges that the net profit for the year 2014 totals €21,270,042.25.

Considering retained earnings carried forward of €29,854,965.41, distributable profits total €51,125,007.66.

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 2014 as follows:

- to dividends, being €2.50 per share: €4,620,310^(a)
- the balance, to retained earnings: €16,649,732.25

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

The retained earnings after distribution will be €46,504,697.66. Dividend will be payable from 28 May 2015.

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

Application of IFRS 11 "Joint arrangements", which enabled the Group to consolidate its subsidiary Raydiall under the equity accounting method rather than the proportionate consolidation method.

6.15 Equity interest acquired during the financial year

During the financial year, Radiall acquired a €1,500 thousand interest representing 5% of the share capital in the company Eblink on 29 July 2014.

6.16 Displacement of agreements

Under the internal charter adopted by the Supervisory Board at its meeting of 2 December 2014, the following two agreements, which until that moment were classified as regulated, were downgraded:

- Cash management agreement with RAYDIALL.
Individuals concerned:
Pierre Gattaz and Guy de Royer.
- Current account agreement with HODIALL
Individuals concerned include Pierre Gattaz, Guy de Royer, Yvon Gattaz, Bruno Gattaz and Roselyne Gattaz.

7. CORPORATE GOVERNANCE AND INTERNAL CONTROL

Introduction: Summary of statutory duties

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

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

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

7.1 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 26 March 2014, the Supervisory Board fixed the amounts below which its prior authorisation would not be required to create sureties.

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

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

7.1.2 Composition and operation of the administrative bodies

• Supervisory Board

At 31 December 2014, the Supervisory Board comprised seven (7) members, two (2) of which are independent. The General Meeting of Shareholders which took place on 20 May 2014, appointed two new members to the Supervisory Board:

- Alicia Gattaz, and
- Mathieu Gattaz.

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

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

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 2014. On average, meetings are attended by two thirds of members.

"Majority" members:

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

Independent members:

- Marc Ventre, Member
- Didier Lombard, Member

Directors satisfying the definition and criteria in the MiddleNext Code for small and medium-sized enterprises of December 2011 are considered independent. Information on the members of the Supervisory Board and the list of their corporate offices are provided in the 2014 Financial Report.

Content of the Supervisory Board meetings:

The main items discussed in 2014 by the Supervisory Board were:

- Review of the financial statements and approval of the Management Report,
- Discussion of the Executive Board's quarterly business reports,
- Approval of the draft resolutions by the General Meeting,
- Review of the regulated agreements,
- Changes in the Group's structure and equity interests,
- Discussion on internal control procedures,
- Acquisition or divestment projects,
- Authorisation given to the Executive Board to create sureties and guarantee subsidiaries' commitments,
- Authorisation of investments,
- Authorisation to restore the equity capital of Radiall Ventures.

• **Executive Board**

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

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

Information on the members of the Executive Board and the list of their corporate offices are provided in the 2014 Financial Report.

The Executive Board is convened by the Chairman or two of its members. The Executive Board met four times in 2014. All members were present at the meetings.

Content of the meetings of the Executive Board:

The main items discussed in 2014 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,
- Authorisation given to the Supervisory Board to create sureties and guarantee subsidiaries' commitments,
- Authorisation of investments,
- Patent infringement proceedings,
- Authorisation of the reconstitution of the equity capital of Radiall Ventures,
- Delegations of power of the Executive Board,
- Delegations of power to the Human Resources directors and managers of the sites.

• **Management Committees**

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

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

Composition of the ESC at 31 December 2014:

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

7.2 Internal control procedures

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

7.2.1 Definition and purpose of internal control

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

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

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

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

➤ *Purpose of the report*

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

7.2.2 Organisation of internal control

7.2.2.1 Radiall's values and charter

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

Radiall's charter focuses on three goals:

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

And seven values:

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

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

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

7.2.2.2 Persons responsible for internal control

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

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

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

• Finance Department

This Department groups together the following functional activities:

- **Accounting** prepares Radiall's parent company financial statements, tax statements and consolidated financial statements.
- **Financial control** prepares a monthly management report and ensures the reliability of financial information. It oversees the budgeting process. It has authority within a

dual Division/Geographic region-based organisational system.

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

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

• IT Department

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

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

- **Human Resources Department**

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

- **Group Quality Assurance Department**

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

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

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

The subsidiaries have relatively broad autonomy to meet budgetary objectives, but they must respect the Group's procedures (recruitment, investments, etc.). In addition, certain key functions remain tightly controlled by head office (see 'Persons responsible for internal control'). There was no significant change in the Company's legal and operational control over its subsidiaries in 2014.

7.3 Risk management

7.3.1 General policy

➤ *Defining and implementing the strategy*

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

7.3.2 Risk assessment

➤ *Mapping major risks*

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

➤ *Mapping operational risks*

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

7.3.3 Key elements of the Company's internal control system

➤ *Budgeting process*

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

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

➤ *Delegation of signing authority*

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

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

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

➤ *Delegation of authority*

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

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

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

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

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

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

7.3.4 Prevention tools

➤ *IT systems infrastructure*

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

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

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

➤ *The Group's insurance policy*

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

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

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

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

➤ *Organisation of accounting*

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

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

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

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

➤ *Relations with the Statutory Auditors*

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

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

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

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

7.3.6 Compensation of Executives and Corporate Officers

The Company believes that the recommendations of the MiddleNext corporate governance code for small and medium sized enterprises regarding the 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.

2015 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 2015. These recommendations focus on the following areas:

- Audit of the Group's product flows
- Audit of one or several legal entities
- Review of accounting rules and IFRS applied by the Group and significant new standards to come.

Aubervilliers, 27 March 2015

Yvon Gattaz
Chairman of the Supervisory Board

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

Prepared for the year ended 31 December 2014 pursuant to Article L. 225-235 of the Commercial Code.

To the Shareholders,

In our capacity as RADIALL's Statutory Auditors, and under the provisions of Article L. 225-325 of the Commercial Code, we hereby present our report on the report prepared by the Chairman of the Supervisory Board of your company pursuant to Article L. 225-68 of the Commercial Code for the year ended 31 December 2014.

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, 17 April 2015

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

This social responsibility policy is based on values and ethics that are shared by all employees: 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 promote diversity and equal opportunity on the basis of "The Corporate Diversity Charter" of which it is a signatory, and to respect the principle of non-discrimination, whatever the area.

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

9.1.3 CSR governance

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

9.1.4 Consideration given in supplier and subcontractor relationships

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

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

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

9.2 Corporate and social information

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

Through its ambitious human resources policy, Radiall seeks to:

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

9.2.1 Employment

It should be noted that as of 1 January 2014, Raydiall employees are no longer taken into account in the Group's workforce. Please refer to the methodological note for further details.

Breakdown of Group headcount

	Europe	Americas	Asia	TOTAL
Salaried staff at 31 Dec. 2014	1,202	177	397	1,776
% women	47.75%	49.72%	37.53%	45.66%
Permanent staff at 31 Dec. 2014 (of which part-time)	1,102	177	208	1,487
	93	2	0	95
% women	48.18%	49.72%	36.06%	46.67%
Fixed term at 31 Dec. 2014	100	0	189	289
% women	43%	-	39.15%	40.48%

Change in headcount over the last financial years

	Europe	Americas	Asia	TOTAL
2014	1,202	177	397	1,776
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

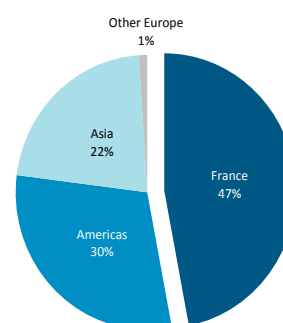
Temporary staff and on-site service providers (yearly average)

	Europe	Americas	Asia	TOTAL
TOTAL	210	712	265	1,187
On-site	0	707	1	708
Temporary	210	5	264	479

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

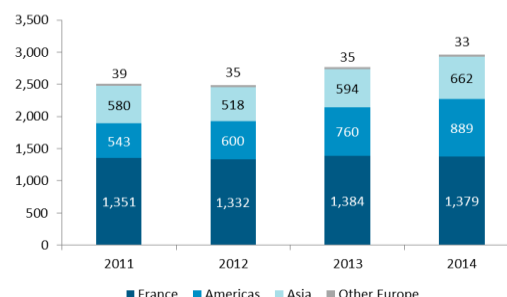
	Europe	Americas	Asia	TOTAL
2014	210	712	265	1,187
2013	209	557	206	972
2012	186	400	131	717

Geographic breakdown of the total headcount*



*As specified in section "9.4 Methodological note", total headcount includes salaried staff at 31 December 2014 as well as annual average on-site service provider staff and temporary staff.

Change in total headcount*



*As specified in section "9.4 Methodological note", total headcount includes salaried staff at 31 December 2014 as well as annual average on-site service provider staff and temporary staff.

Gender equality:

Women represented 45.66% of the Group's salaried headcount at 31 December 2014.

Radiall SA' sites submit a comparative study report on gender equality to their respective works council. This measure was also mentioned during the mandatory yearly negotiations with union representatives. A company-wide agreement was signed with the Company's central union representatives on 5 December 2011.

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

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

Changes in headcount (excluding transfers)*

	France	Europe (excl. France)	Americas	Asia	TOTAL
Recruitments	150	2	18	76	246
Departures	(112)	(4)	(43)	(67)	(226)
TOTAL	38	(2)	(25)	9	20
Permanent	13	(2)	(25)	27	13
Fixed					
Fixed-term	25	0	0	(18)	7

* As of 1 January 2014, Raydiall employees are no longer accounted for in the Group workforce. Please refer to the methodological note for further details.

Information on Radiall's total operations in France:

		Salaried headcount at 31 Dec. 2014	Salaried headcount at 31 Dec. 2013
Radiall	Radiall Paris (93)	66	70
	Château-Renault (37)	321	302
	St-Quentin Fallavier (38)	294	269
	Centr'Alp (38)	364	367
I.D.M.M.	Dôle (39)	124	122
TOTAL France		1,169	1,130

Details of departures and transfers in France:

	Permanent	Fixed term	TOTAL
Resignation	7	17	24
Redundancy for economic reasons	-	-	-
Contractual termination	5	-	5
Early termination of fixed-term contract	-	1	1
Redundancy for other reasons	5	-	5
Other (death, etc.)	-	-	-
Retirement	23	-	23
End of trial period	2	-	2
End of contract	-	34	34
Conversion into permanent contract	-	17	17
Transfer	2	-	2
Total France*	44	69	113

* As of 1 January 2014, Raydiall employees are no longer accounted for in the Group workforce. Please refer to the methodological note for further details.

Internal geographic mobility

France towards France	Abroad towards France
1	1

Breakdown of headcount by age

2014	Europe	Americas	Asia	TOTAL
-26 years old	100	4	28	132
% women	31%	25%	29%	30%
26 – 30 years old	116	9	88	213
% women	40%	33%	41%	40%
31 - 50 years old	658	84	232	974
% women	51%	46%	41%	48%
51 + years old	328	80	49	457
% women	49%	56%	18%	47%

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:	732
Number of trainees:	1,625
Number of hours worked by trainees:	19,302

Training budget

The total expenditure for the year allocated to the Radiall training plan, in addition to contributions and obligatory payments, represented 3.04% of the payroll, i.e. €1,097,807.

Training beneficiaries

	Number of hours of training	Number of employees
Executives:	6,626	228
Supervisors/ employees	8,164	274
Workers	4,491	230

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

9.2.3 Organisation of working time in France

Principle

The organisation of working hours is governed by the Company-wide "ARTT" Agreement entered into in 2000. Staff employment contracts are drawn up in days or hours. Working time for day based employment contracts is 213 days per year. Working time for contracts drawn up in hours is based on an average working week of 35 hours. Our agreement provides the possibility to use annual modulation, if necessary. The Company practises so-called "alternate / staggered" schedules to enable the extended use of industrial facilities.

Time Savings Account (CET) system is in place for managing leave or reduction of working hours leave. This saving allows for later withdrawal in time or in money.

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
2014	4.25%	3.94%
2013	4.00%	3.67%
2012	4.69%	4.13%

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.

In order to involve the French national education system in these measures and to demonstrate to teachers on the one hand that the concepts taught are used tangibly in industry, and on the other hand, that they are of economic importance, Radiall takes part in the "*profs en entreprise*" [teachers in business] initiatives organised by the "C génial" [It's great] Foundation.

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 2014, the employment obligation is for 65 units. In order to fulfil its obligations of 57.84 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 €27,000.

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
2014	14	1.76%
2013	18	1.84%
2012	16	2.03%

The methods for calculating the frequency rate shown are the number of accidents at work divided by the number of hours worked multiplied by 10⁶;

France	Frequency rate of accidents	Severity rate of accidents
2014	8.39%	0.27%
2013	12.28%	1.84%
2012	6.60%	2.03%

Abroad (2014)	Frequency rate of accidents	Severity rate of accidents
China	14.83%	0.03%
Americas	3.56%	0.08%
India	0%	0%

Occupational diseases in France

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

6 instances of occupational diseases were reported in 2014.

9.2.5 Annual payroll

Annual payroll

(€)	2014	2013	2012
Gross Radiall	36,087,527	33,352,349	31,418,877
Gross I.D.M.M.	3,705,825	3,450,651	3,302,485

Compensation and change in compensation

In 2014, the cycle and scope of negotiations were reviewed. Mandatory annual negotiations took place at Company level with the sites deciding the arrangements for implementation at a later stage. The cycle was aligned with the publication of the Company's results, meaning better visibility. For 2014-2015, the total amount allocated to increases in overall remuneration was 3.7%.

Profit sharing and bonuses

€4,271,514, excluding charges, was budgeted at 31 December 2014 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 2014, Radiall SA negotiated an agreement for the introduction of a collective pension scheme, as well as an agreement on the Time Savings Account.

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 2014.

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

Adapting to the consequences of climate change

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

Measures taken to preserve or develop biodiversity

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

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. This is due to activities developed on these sites.

9.3.2 Environmental impacts

Water

32,157 m³ of water was consumed at Group level for industrial use, an increase of around 31% at Group level due to the increase in activity. There is a single water point of 2 m³ directly tapping into the natural environment.

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

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

Tap water consumption stood at **29,130 m³** 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 10 tons of chlorinated (trichloroethylene, dichloromethane) and non-chlorinated (hydrofluoroether, acetone, alcohol) cleaning solvents are used, representing approximately 1 ton of emissions.

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

Greenhouse gas emissions

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

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

The latest assessment of greenhouse gas emissions dates from 2011; 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 of reference, recorded the equivalent of **2,033 tonnes** of CO₂ equivalent. 95% of these emissions was generated by the combustion of natural gas and fuel for heating and emissions related to the production of electricity.

This assessment is currently being updated with 2014 data as required by regulations.

Water discharges

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

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

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

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

Waste – France

All the French sites combined produce around **375 metric tons** of non-hazardous industrial waste (NHIW), representing an **18% decrease** compared with 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 56% of this waste is recycled.

Hazardous waste (HW) represented **561 tonnes**, a fall of 22% in relation to 2013 which was due to an improvement in the management of concentrates produced by the water treatment facility at the Voreppe site.

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

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

Waste – Excluding France

The Shanghai and Obregon sites generated **933 tonnes** of industrial waste in 2014, including **373 tonnes** of hazardous waste, a significant proportion of which was recycled.

In total, the Group's waste generated represented **1,980 tonnes**, including **934 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 **29.7 GWh**, including **5.04 GWh** of natural gas and **24.66** of electricity. This consumption grew due to an increase in activity.

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. A project to use solar energy for outside lighting is underway at the Bangalore site.

Raw materials

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

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

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

Use of land

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

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

9.4 Methodological note

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

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

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

9.4.1 Scope

Corporate indicators

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

Since 1 January 2014, Raydiall is no longer consolidated using the proportional method, but using the equity method. Corporate indicators included in this report which relate to before the 2014 financial year included Raydiall employees. For comparison purposes, Raydiall's workforce in 2013 numbered 45 employees on permanent contracts, compared with 48 on permanent contracts and 1 on a fixed-term contract in 2014.

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 2014 data and takes into account data specified under Article R225-105-1, based on the following three principles:

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

Changes in scope

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

9.4.2 Data collection

Social indicators

Social data is reported on a monthly basis.

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

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

Environmental indicators

Most environmental data is prepared on a monthly basis by each site's Environmental Manager.

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

9.4.3 Specifications regarding certain indicators

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

Headcount

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

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

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

Absenteeism

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

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

Training

The indicator corresponds to the number of hours' training and relates exclusively to the France scope and includes all the training hours delivered, including 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 was directly withdrawn from the natural environment above or below ground.

Waste

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

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

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

Greenhouse gas emissions

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

Accidents at work

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

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

Payroll

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

9.4.4 Indicators not used

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

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

Information recommended	Information used	Page
Total headcount and analysis of employees by gender, age and geographic region	Total headcount and analysis of employees by gender, age and geographic region	27
Recruitment and redundancy	Recruitment and redundancy	27
Compensation and change in compensation	Compensation and change in compensation	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	29
Agreements signed with trade unions or staff representatives regarding health and safety conditions at work	No agreements signed in this regard	-
Training policies implemented	Training policies implemented in France	28
Number of hours of training	Total number of hours' training in France	28
Measures taken to promote gender equality	Measures taken to promote gender equality	28
Measures taken to promote the employment and integration of disabled people	Measures taken to promote the employment and integration of disabled people in France	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	30
Prevention, reduction and compensation measures regarding air, water and soil emissions that severely affect the environment	Prevention, reduction and compensation measures regarding air, water and soil emissions that severely affect the environment	30
Measures to prevent, recycle and eliminate waste	Measures to prevent, recycle and eliminate waste	30
Taking account of noise pollution and any other business specific pollution	Taking account of noise pollution and any other business specific pollution	30
Consumption and supply of water in accordance with local restrictions	Consumption and supply of water in accordance with local restrictions	30
Other measures taken to promote human rights	The sector in which the Group operates is considered to be a sector in which human rights are not a typical concern. This does not however preclude Radiall from being watchful within its sphere of influence.	Not applicable
Consumption of raw materials and measures taken to improve efficiency regarding their use	Consumption of raw materials and measures taken to improve efficiency regarding their use	31

Information recommended	Information used	Page
Energy consumption, measures taken to improve energy efficiency and the use of renewable energy.	Energy consumption, measures taken to improve energy efficiency and the use of renewable energy.	31
Greenhouse gas emissions	Greenhouse gas emissions	30
Measures taken to preserve or develop biodiversity	Measures taken to preserve or develop biodiversity	30
Territorial, economic and social impact of the activity regarding employment and regional development	Vocational integration	28
On neighbouring or local populations		28
Consideration of social and environmental issues in the purchasing policy regarding subcontractors and suppliers	Consideration of social and environmental issues in the purchasing policy regarding subcontractors and suppliers	25
Absenteeism	Absenteeism in France	29
Accidents at work, particularly their frequency and severity, as well as occupational diseases	Frequency of accidents at work in France	29
Respect for the freedom of association and the right to collective bargaining:	Respect for the freedom of association and the right to collective bargaining:	25
Elimination of discrimination in relation to employment and occupation	Elimination of discrimination in relation to employment and occupation	25
Elimination of forced or compulsory labour	Elimination of forced or compulsory labour	25
Abolition of child labour	Abolition of child labour	25
Amount of provisions and guarantees for environmental risks	Resources deployed for the prevention of environmental risks and pollution	29
Land usage	Conditions for land usage	30
Adapting to the consequences of climate change	Adapting to the consequences of climate change	30
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	29
Action taken to prevent corruption	Action taken to prevent corruption	25
Measures taken to improve consumer health and safety	Measures taken to improve consumer health and safety	25

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

Financial year ended 31 December 2014

To the Shareholders,

In our capacity as independent third party body and member of the Mazars network, RADIALL Statutory Auditors, accredited by COFRAC under number 3-1058, we hereby present our report on the consolidated corporate, environmental and social information presented in the management report for the year ended 31 December 2014 (hereinafter the "CSR Information") under the provisions of Article L.225-102-1 of the Commercial Code.

Responsibility of the company

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

Independence and quality control

Our independence is defined by regulatory requirements, our professional code of ethics and the provisions of Article L.822-11 of the Commercial Code. In addition, we have set up a comprehensive quality control system including documented policies and procedures to ensure compliance with ethical codes, professional standards and applicable legislation and regulations.

Responsibility of the Independent Third Party Body

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

- to attest to the presence of the required CSR Information in the management report or, in the event of any omission, that an explanation has been provided in accordance with the third paragraph of Article R.225-105 of the Commercial Code (Attestation of completeness of the CSR Information);

to give a considered opinion that the CSR Information, collectively, is presented fairly, in all material aspects, in the management report, in accordance with its Guidelines (Considered opinion on the fairness of the CSR Information).

Our work was carried out by a team of 4 people between December 2014 and March 2015, over a period of approximately three weeks.

Our work was carried out, in accordance with the professional standards applicable in France and the legal order of 13 May 2013 determining the manner in which the independent third party body carries out its work and, with regard to the considered opinion on the fairness of the CSR information, in accordance with the international standard ISAE 3000.

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 methodological note in Part 9.4 "Methodological note" 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.

2. Considered opinion on the fairness of the CSR Information

Nature and scope of procedures

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

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

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

For the CSR Information we considered to be most significant:

- at consolidating entity level, we consulted documentary sources and conducted interviews to corroborate qualitative information (organisation, policies, actions), we implemented procedures to analyse quantitative information using sampling techniques to verify the calculation and consolidation of data, and we verified the consistency of data and their correlation with other information contained in the management report;
- at the level of a representative sample of entities, which we selected on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that the procedures were correctly applied and to identify any omissions, and we conducted substantive tests, using sampling techniques, to verify the calculations performed and reconcile data with the supporting documents.

The selected sample represented an average of 38% of the workforce and between 28% and 52% of the quantitative environmental information.

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

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

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

Conclusion

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

Paris La Défense, 17 April 2015

The Independent third party body,

MAZARS SAS

Emmanuelle Rigaudias *CSR and Sustainable Development Partner*

Simon Beillevaire *Partner*

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1. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position at 31 December 2014

	Notes	31 December 2014	31 December 2013 *
<i>(€ thousands)</i>			
Intangible assets	Note 5	9,398	8,713
Goodwill	Note 5	8,450	8,498
Property, plant and equipment	Note 6	58,145	56,146
Securities held in associates and joint ventures	Note 7	1,444	1,359
Financial assets	Note 8	1,763	328
Deferred tax assets	Note 18	3,651	1,865
NON-CURRENT ASSETS		82,851	76,910
Inventories	Note 9	51,612	45,814
Trade receivables	Note 10	44,776	43,085
Other receivables	Note 11	13,864	10,524
Income tax	Note 18	6,738	3,975
Other cash management financial assets	Note 12	9,409	
Cash and cash equivalents	Note 12	69,683	48,935
CURRENT ASSETS		196,083	152,333
TOTAL ASSETS		278,934	229,243
Share capital		2,817	2,817
Share premium		11,929	11,929
Group reserve		126,834	114,059
Exchange differences		6,772	(1,779)
Net profit – Group share		31,143	17,154
Minority interests		9,055	5,877
EQUITY	Note 13	188,551	150,058
Deferred tax liabilities	Note 18	4,036	4,622
Long-term financial debt	Note 15	12,248	13,701
Non-current provisions	Note 14	10,398	7,987
NON-CURRENT LIABILITIES		26,682	26,309
Short-term financial debt	Note 15	1,057	848
Trade payables		25,912	25,658
Other liabilities	Note 16	35,645	25,259
Current provisions	Note 14	784	283
Income tax	Note 18	303	828
CURRENT LIABILITIES		63,701	52,875
TOTAL EQUITY AND LIABILITIES		278,934	229,243

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

Consolidated income statement for the year ended 31 December 2014

	Notes	31 December 2014	31 December 2013 *
<i>(€ thousands)</i>			
Sales	Note 4	279,255	230,885
Other operating revenue			
Revenue from ordinary activities		279,255	230,885
Materials		(79,642)	(65,563)
Change in work-in-progress and finished goods inventories		4,219	3,787
Payroll costs	Note 19	(103,446)	(91,443)
External charges		(40,679)	(38,942)
Taxes and duties		(2,919)	(2,554)
Other trading income and expenses	Note 21	1,162	314
Impairment of non-current assets	Note 22	(10,081)	(9,495)
Impairment of current assets and provision charges	Note 23	(2,497)	(1,568)
Share of profit of associates		104	(472)
Profit from recurring operations		45,476	24,949
Profit from recurring operations as % of sales		16.28%	10.81%
Other non-recurring operating income and expenses	Note 24	(751)	
Operating profit		44,725	24,949
Operating profit as % of sales		16.02%	10.81%
Income from cash and cash equivalents		507	174
Gross cost of financial debt		(644)	(694)
Net cost of financial debt		(137)	(520)
Other financial income and expenses	Note 25	(1,209)	(27)
Income tax	Note 18	(9,443)	(5,872)
Net profit		33,937	18,530
Attributable to minority interests		2,794	1,376
Net profit – Group share		31,143	17,154
Earnings per share (€)	Note 13	17.20	9.48
Diluted earnings per share (€)	Note 13	17.20	9.48

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

Consolidated statement of comprehensive income

	31 December 2014	31 December 2013 *
Net profit for the period	33,937	18,530
Recognition of actuarial gains and losses on pension commitments in items of other comprehensive income	(2,155)	339
Deferred tax on actuarial gains and losses recognised	718	(113)
Other		108
Items not recyclable through the income statement	(1,436)	334
Gains and losses resulting from the fair value measurement of hedge instruments	(469)	339
Deferred tax on the fair value measurement of financial instruments	156	(113)
Exchange difference	9,389	(2,879)
Items recyclable through the income statement	9,076	226
Total items of other comprehensive income	7,640	560
Total income and expenses recognised during the year	41,576	19,090
Attributable to		
- Radiall SA shareholders	37,942	14,688
- Minority interests	3,633	1,276

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

Consolidated cash flow statement

	31 December 2014	31 December 2013*
<i>(€ thousands)</i>		
Net profit – Group share	31 143	17 154
Share of minority interests in consolidated net profit	2 794	1 376
Share in profit from associates	(104)	472
Net amortisation and depreciation charges	9 651	9 481
Net change in provisions	1 104	(483)
Change in fair value of ineffective hedges	698	173
Capital gains/losses on disposals	336	78
Interest expense	644	694
Income tax charge (including deferred tax)	9 443	5 872
Self-financing capacity	56 459	34 817
Change in inventories	(3 340)	(5 618)
Change in trade receivables	1 276	(12 314)
Change in trade payables	(990)	6 749
Change in other assets and liabilities	6 523	1 721
Change in working capital requirements	3 468	(9 463)
Interest paid	(634)	(692)
Tax paid	(14 533)	(6 176)
Cash flow from operating activities	44 759	18 486
Acquisition of intangible assets	(443)	(475)
Acquisition of property, plant, and equipment	(10 068)	(11 178)
Acquisition of financial assets	(1 504)	(162)
Disposal of property, plant, and equipment and intangible assets	1 666	684
Disposal and refund of financial assets	67	29
Cash flow from investing activities	(10 282)	(11 102)
Dividends paid to RADIALl shareholders	(2 716)	(2 081)
Dividends paid to minority interests	(455)	(561)
Purchase and sale of treasury shares	90	
Proceeds from new borrowings	750	
Repayment of borrowings	(2 905)	(756)
Cash flow from financing activities	(5 236)	(3 398)
Impact of changes in exchange rates	915	318
Change in cash and cash equivalents	30 157	4 303
Cash and cash equivalents at the beginning of the period	48 935	44 631
Cash and cash equivalents at the end of the period	79 092	48 935
<i>of which Other cash management financial assets</i>	<i>9 409</i>	
<i>of which Cash and cash equivalents assets</i>	<i>69 683</i>	<i>48 935</i>

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

Consolidated statement of changes in equity

	Number of shares	Share capital	Share premium	Consolidated reserves	Exchange differences	Group share	Minority interests	Total shareholders' equity
<i>(€ thousands)</i>								
Equity restated at 31/12/2012	1,848,124	2,817	11,929	115,587	1,247	131,580	5,142	136,722
Items of other comprehensive income				560	(3,026)	(2,466)	(100)	(2,566)
Net profit for the period				17,154		17,154	1,376	18,530
Dividends				(2,081)		(2,081)	(561)	(2,642)
Treasury shares				0	0	0	0	0
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
Items of other comprehensive income				(1,749)	8,549	6,800	840	7,640
Net profit for the period				31,143		31,143	2,794	33,937
Dividends				(2,716)		(2,716)	(455)	(3,170)
Treasury shares				90	0	90	0	90
Change in scope				(5)	2	(3)	0	(3)
Equity at 31/12/2014*	1,848,124	2,817	11,929	157,977	6,772	179,495	9,055	188,551

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

Comparability of accounting periods

The first-time application of IFRS 11 “Joint arrangements”, applicable retrospectively, required the Group to restate its financial statements at 1 January 2013. In applying this new standard, the Raydiall subsidiary, which had been proportionally consolidated since 1 July 2012, is now consolidated in accordance with the equity method.

The impact on the previously published consolidated statement of financial position is as follows:

	31 December 2012 published	1 st application IFRS11	1 January 2013 restated	31 December 2013 published	IFRS11 impact	31 December 2013 restated
<i>(€ thousands)</i>						
Intangible assets	8,994	(6)	8,988	8,722	(8)	8,713
Goodwill	8,885		8,885	8,498		8,498
Property, plant and equipment	56,267	(1,206)	55,061	57,493	(1,346)	56,146
Securities held in associates and joint ventures		1,627	1,627		1,359	1,359
Financial assets	217	(2)	215	330	(2)	328
Deferred tax assets	2,379		2,379	1,865		1,865
NON-CURRENT ASSETS	76,742	413	77,155	76,908	3	76,910
Inventories	41,758	(639)	41,119	46,441	(627)	45,814
Trade receivables	32,564	(778)	31,786	44,025	(940)	43,085
Other receivables	7,544	201	7,745	10,175	349	10,524
Income tax	4,339		4,339	3,999	(24)	3,975
Cash and cash equivalents	44,888	(257)	44,631	49,173	(238)	48,935
CURRENT ASSETS	131,093	(1,473)	129,620	153,813	(1,480)	152,333
TOTAL ASSETS	207,835	(1,060)	206,775	230,721	(1,478)	229,243
Share capital	2,817		2,817	2,817		2,817
Share premium	11,929		11,929	11,929		11,929
Group reserves	102,350		102,350	114,059		114,059
Exchange differences	1,247		1,247	(1,779)		(1,779)
Net profit – Group share	13,237		13,237	17,154		17,154
Minority interests	5,142		5,142	5,877		5,877
SHAREHOLDERS' EQUITY	136,722		136,722	150,058		150,058
Deferred tax liabilities	5,145		5,145	4,626	(4)	4,622
Long-term financial debt	13,776		13,776	13,701		13,701
Non-current provisions	8,216	(165)	8,051	8,151	(164)	7,987
NON-CURRENT LIABILITIES	27,137	(165)	26,972	26,477	(168)	26,309
Short-term financial debt	644		644	848		848
Trade payables	19,730	(212)	19,518	26,102	(444)	25,658
Other liabilities	21,005	(661)	20,344	26,087	(828)	25,259
Current provisions	1,193	(22)	1,171	321	(38)	283
Income tax	1,404		1,404	828		828
CURRENT LIABILITIES	43,976	(895)	43,081	54,185	(1,310)	52,875
TOTAL EQUITY AND LIABILITIES	207,835	(1,060)	206,775	230,721	(1,478)	229,243

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

	31 December 2013 published	IFRS11 impact	31 December 2013 restated
<i>(€ thousands)</i>			
Sales	235,119	(4,234)	230,885
Other operating revenue			
Revenue from ordinary activities	235,119	(4,234)	230,885
Materials	(67,523)	1,960	(65,563)
Change in work-in-progress and finished goods inventories	3,816	(29)	3,787
Payroll costs	(92,835)	1,392	(91,443)
External charges	(39,810)	868	(38,942)
Taxes and duties	(2,604)	50	(2,554)
Other trading income and expenses	120	194	314
Impairment of non-current assets	(9,719)	224	(9,495)
Impairment of current assets and provision charges	(1,596)	28	(1,568)
Share of profit of associates		(472)	(472)
Profit from recurring operations	24,969	(20)	24,949
Profit from recurring operations as % of sales	10.62%		10.81%
Other non-recurring operating income and expenses			
Operating profit	24,969	(20)	24,949
Operating profit as % of sales	10.62%		10.81%
Income from cash and cash equivalents	167	7	174
Gross cost of financial debt	(702)	8	(694)
Net cost of financial debt	(535)	15	(520)
Other financial income and expenses	(31)	4	(27)
Income tax	(5,872)		(5,872)
Net profit	18,530		18,530
Attributable to minority interests	1,376		1,376
Net profit – Group share	17,154		17,154
Earnings per share (€)	9.48		9.48
Diluted earnings per share (€)	9.48		9.48

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

	31 December 2013 published	IFRS11 impact	31 December 2013 restated
<i>(€ thousands)</i>			
Net profit – Group share	17 154		17 154
Share of minority interests in consolidated net profit	1 376		1 376
Share in profit from associates		472	472
Net amortisation and depreciation charges	9 705	(224)	9 481
Net change in provisions	(446)	(37)	(483)
Change in fair value of ineffective hedges	173		173
Capital gains/losses on disposals	77	1	78
Interest expense	702	(8)	694
Income tax charge (including deferred tax)	5 872		5 872
Self-financing capacity	34 613	204	34 817
Change in inventories	(5 606)	(12)	(5 618)
Change in trade receivables	(12 506)	192	(12 314)
Change in trade payables	6 663	86	6 749
Change in other assets and liabilities	1 827	(106)	1 721
Change in working capital requirements	(9 623)	160	(9 463)
Interest paid	(700)	8	(692)
Tax paid	(6 200)	24	(6 176)
Cash flow from operating activities	18 090	396	18 486
Acquisition of intangible assets	(480)	5	(475)
Acquisition of property, plant, and equipment	(11 524)	346	(11 178)
Acquisition of financial assets	(162)		(162)
Disposal of property, plant, and equipment and intangible assets	686	(2)	684
Disposal and refund of financial assets	29		29
Cash flow from investing activities	(11 451)	349	(11 102)
Dividends paid to RADIALl shareholders	(2 081)		(2 081)
Repayment of borrowings	(756)		(756)
Cash flow from financing activities	(3 398)		(3 398)
Impact of changes in exchange rates	1 045	(727)	318
Change in cash and cash equivalents	4 285	18	4 303
Cash and cash equivalents at the beginning of the period	44 888	(257)	44 631
Cash and cash equivalents at the end of the period	49 173	(238)	48 935

Notes to the consolidated financial statements at 31 December 2014

Note 1 - General presentation

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

The consolidated financial statements were approved by Radiall's Supervisory Board on 27 March 2015.

Note 2 - Accounting principles

2.1 Accounting principles

Pursuant to EU Regulation n°1606/2002 of 19 July 2002 on international accounting standards, the 2014 consolidated financial statements have been prepared in accordance with IAS/IFRS international financial reporting standards and IFRIC-IC interpretations applicable at 31 December 2014, as approved by the European Union.

2.2 Standards and interpretations applied

2.2.1 Mandatory for financial years starting after 1 January 2014

"Consolidation package"

The "Consolidation package" has been applied by the Radiall Group since 1 January 2014. This package includes the following standards:

- IFRS 10 "Consolidated financial statements", which has replaced 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 has replaced 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".

Amendment to IAS 32 "Offsetting financial assets and liabilities"

IAS 36: "Recoverable amount disclosures for non-financial assets"

IAS 36 "Annual IFRS improvements – 2010-2012 and 2011-2013 Cycles"

Aside from IFRS 11, the impact of which on the previously published financial statements is described in the paragraph "Comparability of accounting periods", the application of the new standards had no material impact on Radiall Group's financial statements.

2.2.2 Mandatory for financial years starting after 1 January 2014 and not applied early by the Group

The Group did not opt for the early application of the following texts published by the IASB but the application of which is not mandatory in 2014 in accordance with IFRS as adopted by the European Union:

IFRIC 21 "Levies charged by public authorities on entities that operate in a specific market"

Amendment to IAS 19 "Defined benefit plans: employee contributions"

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

2.3 Consolidation methods

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

Radiall Group financial statements for the financial year ended 31 December 2014 include:

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

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

2.4 Conversion of foreign currency denominated items

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

Foreign currency denominated financial statements

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

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

Foreign currency transactions

The accounting for 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 functional 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 recurring operating 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: in this case, they are 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).

	2014		2013	
	Closing rate	Average rate	Closing rate	Average rate
USD	1.214	1.329	1.379	1.328
CNY	7.536	8.188	8.349	8.165
GBP	0.779	0.806	0.834	0.849
HKD	9.417	10.305	10.693	10.302
JPY	145.230	140.377	144.720	129.659
INR	76.719	81.069	85.366	77.875

2.5 Use of estimates

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

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

- Inventory writedowns,
- Deferred tax assets,
- Certain items of financial liabilities.

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

2.6 Research, study and development costs

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

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

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

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

2.7 Other intangible assets

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

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

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

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

- Licences, patents: Contractual term not exceeding 10 years;
- Trademarks: Not amortised when the useful life is indefinite: in which case, they are annually tested for impairment;
- Customer portfolio: Term determined on the acquisition date but not exceeding 20 years;
- Software: 4 to 8 years.

Useful lives are reviewed at each year end.

2.8 Property, plant and equipment

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

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

Maintenance and repair costs are recorded as expenses as they are incurred, unless they significantly increase the performance of the assets in terms of capacity, quality improvement or useful 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 assets with a construction period which would require the capitalisation of borrowing costs in their cost price.

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

- Buildings: 20 years
- Machinery, equipment and tools: 3 to 20 years.
- IT hardware: 3 to 4 years.
- Other PPE: 3 to 15 years.

2.9 Impairment of fixed assets

Principles

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

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

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

The majority of CGUs identified within the Group are legal entities.

Method used

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

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

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

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

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

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

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

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

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

2.10 Financial assets and liabilities

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

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

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

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

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

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

Pursuant to IAS 7 "Statement of cash flows", the components of "cash and cash equivalents" disclosed in the consolidated balance sheet and cash flow statement include cash and short-term deposits, defined as liquid and with an investment period of less than three months. Cash deposits with an investment period of between three and twelve months are presented in **Other cash management financial assets**.

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

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

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

Hedge accounting applies if:

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

The application of hedge accounting has the following consequences:

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

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

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

2.11 Inventories

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

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

2.12 Deferred tax

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

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

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

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

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

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

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

2.13 Treasury shares

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

2.14 Provisions

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

2.15 Pensions and related commitments

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

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

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

These calculations mainly include:

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

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

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

2.16 Sales

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

Radiall's sales are not influenced by seasonal activities.

2.17 Earnings per share

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

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

2.18 Related parties

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

Note 3 - Scope of consolidation

3.1 Change in scope

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 IFRS 10, the governance principles of this company meet the definition of significant influence. Pursuant to IFRS 11, Management opted to account for the subsidiary using the equity method from 1 January 2014.

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	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%
Equity accounted	Country	Region	% interest	% control
Raydiall SAS	France	France	50%	50%

3.3 Non-controlling equity interests

3.3.1 Associates

	Raydiall	
(€ thousands)	2014	2013
Sales	11,544	9,834
Share of consolidated net profit	104	(472)
Non-current assets	3,600	6,570
Current assets	5,956	4,321
Non-current liabilities	433	341
Current liabilities	6,236	3,980

3.3.2 Other non-controlling equity interests

Of the equity interests not giving control in controlled entities, only those held by Radiall Shanghai are material. Radiall Shanghai contributed €8,192 K to consolidated equity in 2014 and €5,196 K in 2013 under "Non controlling interests". A third party held an equity interest of 24% in Radiall Shanghai in both 2014 and 2013.

	Radiall Shanghai	
(€ thousands)	2,014	2,013
Sales	26,049	14,963
Contribution to consolidated net profit	10,561	4,981
Non-current assets	883	(542)
Current assets	38,683	28,221
Non-current liabilities	0	0
Current liabilities	11,203	11,832
Net assets	28,362	15,847
Net assets attributable to non-controlling equity interests	8,192	5,196
Cash flow from operating activities	8,931	5,209
Cash flow from investing activities	(1,911)	(392)
Cash flow from financing activities	(1,106)	(1,735)
Impact of changes in exchange rates	(412)	545
Net change in cash and cash equivalents	5,501	3,627
Dividends paid to non-controlling equity interests*	237	473

* included in cash flow from financing activities

Note 4 - Segment reporting

4.1 Business segments and geographic regions

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

4.2 Information analysed by subsidiaries' geographic location

2014	France	Europe (excl. France)	Americas	Asia	Intragroup eliminations	Total
(€ thousands)						
Sales (non-Group)	85,622	22,612	112,641	58,381		279,255
Interregional sales	88,272	2,390	11,662	26,362	(128,686)	
Total	173,894	25,002	124,302	84,743	(128,686)	279,255
Other non-recurring operating income and expenses	(273)			(478)		(751)
Operating profit	9,912	1,250	20,340	13,224		44,725
Income tax	337	(347)	(7,276)	(2,157)		(9,443)
Net profit – Group share	8,450	914	13,080	8,699		31,143
Impairment of non-current assets	(6,499)	(9)	(2,503)	(1,069)		(10,081)
Purchase of intangible assets	356			88		443
Purchase of property, plant and equipment	6,387	2	1,759	1,921		10,068

2013*	France	Europe (excl. France)	Americas	Asia	Intragroup eliminations	Total
(€ thousands)						
Sales (non-Group)	77,521	22,712	91,078	39,574		230,885
Interregional sales	75,529	2,325	10,523	23,504	(111,881)	
Total	153,050	25,037	101,601	63,078	(111,881)	230,885
Other non-recurring operating income and expenses						
Operating profit	3,754	1,000	12,138	8,056		24,949
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	(6,386)	(28)	(2,297)	(784)		(9,495)
Purchase of intangible assets	475	1	3	0		480
Purchase of property, plant and equipment	7,781	6	3,259	478		11,524

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

Note 5 - Goodwill and intangible assets

5.1 Change in goodwill

(€ thousands)

31 December 2013	8,498
Increases	
Decreases	
Writedowns	(871)
Translation adjustment	823
Other	
31 December 2014	8,450

5.2 Breakdown of goodwill (net value)

(€ thousands)

	31 Dec. 2014	31 Dec. 2013
Radiall Shanghai	1,576	1,423
Radiall USA	4,934	4,344
Radiall India	545	943
D-Lightsys		393
I.D.M.M.	1,395	1,395
TOTAL	8,450	8,498

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

In 2014, without changing the measurement methods used every year, the Group reviewed the value of goodwill associated with its cash generating units (CGUs) or groups of CGUs.

A description of the methods used to perform goodwill impairment tests is provided in Note 2.10.

Presentation of the key assumptions used to determine recoverable amounts

The main assumptions used were as follows:

Region	Assets tested	Financial discount rate		Growth rate to infinity	
		2014	2013	2014	2013
US	Radiall USA	11.0%	10.6%	2%	2%
	AEP brand	11.0%	10.6%	2%	2%
Europe	D-Lightsys	11.6%	9.5%	2%	2%
	I.D.M.M.	11.6%	9.5%	2%	2%
China	Radiall Shanghai	10.4%	11.4%	2%	2%
India	Radiall India	14.3%	13.8%	2%	2%

Sensitivity of recoverable amounts:

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

individually:

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

This test was implemented by Radiall at 31 December 2014 based on internally-determined recoverable amounts.

Following these reviews, the Management concluded that the recoverable amount of each CGU or group of CGUs tested exceeded its book value at 31 December 2014, with the exception of:

- the goodwill of D-Lightsys, for which analyses highlighted indications of impairment leading to the writedown of the entire goodwill of €393 K in 2014.
- the goodwill of Radiall India Ltd, for which analyses highlighted indications of impairment leading to the recognition of a writedown of €478 K at 31 December 2014.

These two writedowns were recognised under "other non-recurring operating income and expenses".

Since the fair value of Radiall India Ltd was similar to its book value at 31 December 2014, any negative change in assumptions would lead to the recognition of impairment. A 2% increase in the discount rate, a 10% decrease in sales, a 10% erosion of gross profit, or a decrease of 3 percentage points in the growth rate to infinity (resulting in a decline of 1% to infinity) would lead to writing down the entire goodwill of Radiall India Ltd. The various sensitivity tests showed that, with the exception of the goodwill of Radiall India Ltd, for which the impact of the sensitivity tests is detailed above, none of the changes in assumptions presented above, when considered individually, would lead to impairment, nor were there likely scenarios in which the recoverable amount of the cash generating unit would fall below its book value.

5.4 Intangible assets

Gross value	Development costs	Patents and licences	Goodwill	Other intangible assets	Total
(€ thousands)					
31 December 2013*	344	12,167	70	6,996	19,577
Acquisitions		336		107	443
Decreases		(43)			(43)
Translation adjustment		754		830	1,584
Other		134	(0)	(13)	121
31 December 2014	344	13,348	70	7,920	21,682
Amortisation and impairment					
(€ thousands)					
31 December 2013*	(344)	(8,777)	(70)	(1,672)	(10,863)
Acquisitions		(737)		(47)	(784)
Decreases		43			43
Translation adjustment		(488)		(133)	(622)
Other		(58)			(58)
31 December 2014	(344)	(10,017)	(70)	(1,852)	(12,284)
Net value 2013*		3,389	0	5,324	8,713
Net value 2014		3,330		6,068	9,398

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

Note 6 - Property, plant and equipment

6.1 Change in net book value

Gross value (€ thousands)	Land	Buildings	Industrial facilities	Other PPE	Assets under construction	Total
31 December 2013 *	1,185	33,038	101,522	7,216	5,920	148,881
Acquisitions		568	4,608	512	4,887	10,575
Disposals	(9)	(57)	(2,836)	(156)	(725)	(3,782)
Translation adjustment	36	748	3,694	187	425	5,090
Other		498	3,138	106	(3,898)	(156)
31 December 2014	1,214	34,795	110,126	7,865	6,609	160,609

Depreciation and impairment (€ thousands)	Land	Buildings	Industrial facilities	Other PPE	Assets under construction	Total
31 December 2013 *		(18,662)	(68,376)	(5,697)		(92,735)
Charges		(1,813)	(6,947)	(699)		(9,459)
Disposals		38	2,032	98		2,168
Translation adjustment		(352)	(1,985)	(155)		(2,492)
Other		(8)	(390)	452		54
31 December 2014		(20,796)	(75,666)	(6,000)		(102,464)
Net value 2013 *	1,185	14,377	33,147	1,518	5,920	56,146
Net value 2014	1,214	13,999	34,460	1,865	6,609	58,145

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

6.2 Lease-financed assets

(€ thousands)	Land	Buildings	Industrial facilities	Other PPE	Total
Net value 2013	351	5,149	3,279		8,779
Net value 2014	351	4,716	3,445		8,511

Note 7 – Securities held in associates and joint ventures

(€ thousands)	
1 January 2013 *	1,627
Share of net profit	(472)
Income and expenses accounted for under equity	204
31 December 2013	1,359
Share of net profit	104
Income and expenses accounted for under equity	(19)
31 December 2014	1,444

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

Note 8 - Other financial assets

(€ thousands)	
31 December 2013	330
Acquisitions	1,504
Disposals	(74)
Translation adjustment	4
Other	
31 December 2014	1,763

Acquisitions primarily include the €1,500 K equity investment, being 5% of the share capital, in E-Blink made on 29 July 2014.

Note 9 – Inventories

(€ thousands)	31 December 2014	31 December 2013*
Raw materials and supplies	36,556	33,720
Work in progress of goods and services	5,573	5,154
Finished products	16,319	13,214
Gross value	58,447	52,088
Provisions for raw materials and supplies	(5,282)	(4,828)
Provisions for finished products	(1,553)	(1,447)
Writedowns	(6,835)	(6,275)
Net value	51,612	45,814

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

Fully provided inventories totalling €1,958 thousand were scrapped during the financial year.

Note 10 - Trade receivables

(€ thousands)	31 December 2014	31 December 2013*
Trade receivables	45,259	43,609
Writedowns	(483)	(526)
Writedowns as %	1.07%	1.18%
Net value	44,776	43,084

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

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

Note 11 - Other receivables

(€ thousands)	31 December 2014	31 December 2013*
Tax and social security receivables	9,534	8,170
Prepaid expenses	629	1,049
Other miscellaneous receivables	3,702	1,305
Total other receivables	13,864	10,524

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

Note 12 - Cash and cash equivalents

(€ thousands)	31 December 2014	31 December 2013*
Other cash management financial assets	9,409	
Investments maturing in less than three months	43,047	15,456
Cash	26,636	33,479
Total cash and cash equivalents	69,683	48,935
Available cash**	79,092	48,935

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

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

Note 13 - Equity

13.1 Composition of share capital

At 31 December 2014, the Company's share capital totalled €2,817,454.94, comprising 1,848,124 shares with a par value of €1.52. Double voting rights are attached to registered shares that have been held for at least four years.

13.2 Treasury shares

(€ thousands)	31 December 2014	31 December 2013
Opening balance	37,841	37,841
Shares purchased		
Shares sold		
Shares cancelled during the year	(702)	
Closing balance	37,139	37,841
As part of the market stimulation objective		
For various other purposes	37,139	37,841

13.3 Earnings per share

(number of shares)	31 December 2014	31 December 2013
Net profit - Group share (€)	31,143,240	17,154,130
Weighted average number of shares outstanding during the period	1,848,124	1,848,124
Weighted average number of treasury shares during the period	37,553	37,975
Number of shares used in calculation	1,810,571	1,810,149
Earnings per share (€)	17.20	9.48

13.4 Proposed dividend

The Executive Board and the Supervisory Board, at the meeting held on 27 March 2015, proposed a dividend of €2.50 per share. This dividend will be submitted to the shareholders at the Combined Shareholders' Meeting to be held on 21 May 2015.

Note 14 - Provisions

14.1 Change in current asset provisions

(€ thousands)	31 December 2013*	Charges	Reversals	Translation adjustment	Change in scope	31 December 2014
Provisions for bad debt	(526)	(40)	100	(16)		(483)
Provisions for inventory writedowns	(6,275)	(1,375)	1,101	(286)		(6,835)
Total current asset provisions	(6,801)	(1,415)	1,201	(302)		(7,318)

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

14.2 Change in current and non-current provisions

(€ thousands)	31 December 2013*	Charges	Used reversals	Unused reversals	Foreign exchange differences	Reclassifications	31 December 2014
Retirement benefits	7,807	2,825	(388)	(0)	(1)		10,244
Other non-current provisions	180	14		(55)	15		154
Non-current provisions	7,987	2,839	(388)	(55)	14		10,398
Provision for technical and commercial risks	0	199					199
Provision for other risks	283	427	(82)	(45)	2		586
Current provisions	283	626	(82)	(45)	2		784

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

14.3 Retirement benefit commitments

Assumptions used for retirement benefits

	at 31 Dec. 2014	at 31 Dec. 2013
Retirement age		
- Born before 1951	60	60
- Born between 1951 and 1956	63	63
- Born after 1956	65	65
Rate of salary increase	2.80%	2.73%
Discount rate	1.70%	3.00%
Turnover *		
- 16 to 39 years old	6.17%	7.12%
- 40 to 49 years old	2.48%	2.86%
- 50 to 54 years old	0.61%	0.71%
- 55 to 65 years old	0.00%	0.00%
Employer contribution rate		
- Executives	47.13%	46.33%
- Non executives	45.74%	44.55%
Mortality table		
Male	TH 00-02	TH 00-02
Female	TF-00-02	TF-00-02

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

Sensitivity of assumptions

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

(€ thousands)	Impact of negative change	Impact of positive change
0.25 point change in the discount rate	354	(338)
0.25 point change in the rate of salary increase	(346)	361
20% change in the turnover rate	246	(226)
1 year change in the retirement age	(79)	(27)

The information provided in this note only applies to Radiall and IDMM. 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 2.9%, which is consistent with the actual average rate observed over the past seven financial years.

Past service cost

(€ thousands)	31 December 2014	31 December 2013*
Past service costs at start of period	7,807	7,766
Cost of services provided during the year	405	412
Benefits paid during the year	(335)	(267)
Actuarial losses (gains) generated during the year	2,126	(328)
Financial costs for the year	241	224
Total	10,244	7,807

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

Plan assets

There were no plan assets at 31 December 2014.

Note 15 – Financial debt

	Current	Non-current		
	< 1 year	1 to 5 years	> 5 years	Total
31 December 2014 (€ thousands)				
Repayable loans	19	548	186	734
Bonds				
Other financial debt	231	5,470		5,470
Lease finance agreements	807	2,977	3,067	6,044
Total	1,057	8,995	3,253	12,248
Liabilities in EUR	1,057	8,995	3,253	12,248
Liabilities in USD				
Liabilities in other currencies				
Total	1,057	8,995	3,253	12,248

	Current	Non-current		
	< 1 year	1 to 5 years	> 5 years	Total
31 December 2013 (€ thousands)				
Repayable loans		4		4
Bonds				
Other financial debt	221	7,632		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

Note 16 - Other liabilities

(€ thousands)	31 December 2014	31 December 2013*
Prepayments on orders	1,120	548
Tax and social security liabilities	29,745	21,401
Fixed asset suppliers	677	1,061
Derivative financial instruments	1,779	692
Miscellaneous liabilities	1,575	293
Accruals	750	1,263
Total other liabilities	35,645	25,259

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

The growth in other liabilities is primarily due to the increase of €8,344 K in tax and social security liabilities.

Note 17 - Financial instruments and management of financial risks

17.1. Fair value of financial instruments

Book value and fair value by category of financial instruments

(€ thousands)	Level	31 December 2014		31 December 2013 *	
		Book value	Fair value	Book value	Fair value
Assets					
Other financial assets	N/A	1,763	1,763	328	328
Trade and other current receivables	N/A	44,776	44,776	43,085	43,085
Derivative financial instruments - assets	Level 2			80	80
Cash and cash equivalents	Level 1	79,092	79,092	48,935	48,935
Total		125,632	125,632	92,428	92,428
Liabilities					
Financial debt	N/A	13,305	13,305	14,549	14,549
Derivative financial instruments - liabilities	Level 2	1,779	1,779	692	692
Total		15,084	15,084	15,241	15,241

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

Levels of fair value financial instruments

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

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

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

17.2 Management of financial risks and derivative instruments

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

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

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

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

The Group applies hedge accounting to the financial instruments covering major interest risks. At 31 December 2014, the Group also applied hedge accounting to cover exchange rate risks.

17.2.1 Value of derivative instruments in the balance sheet

(€ thousands)	2014		2013	
	Asset	Liability	Asset	Liability
Management of interest rate risk	0	(664)	0	(692)
Management of foreign exchange risk	0	(1,115)	80	0
Derivative financial instruments	0	(1,779)	80	(692)

17.2.2 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 Group's functional currency.

Sensitivity to fluctuations in exchange rates

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

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

(€ thousands)	2014
Sales	(17,393)
Impact on equity (foreign exchange differences)	(7,067)

Hedge instruments in place

At 31 December 2014, these instruments represented a cumulative total of USD 20,338 thousand, to be converted in monthly instalments from January to September 2015 based on a USD/EUR conversion rate of between 1.2140 and 1.3400, and knock-out options effective in the event that the cumulative difference reaches USD 0.15.

	Nominal (currency thousands)	Fair value - Cash Flow Hedge (€ thousands)	Fair value - Trading (€ thousands)
Futures (USD put option)	11,000	(503)	
Options (zero-premium collar) (USD put option)	2,000	(165)	
Knock-out instruments (USD put option)	7,738		(447)
Total	20,738	(668)	(447)

The fair value movement in the intrinsic value presented under "Cash flow hedge" was a negative €537 K for 2014 and a positive €35 K in 2013, and is recorded as a negative €572 K in the statement of comprehensive income. The movement in fair value over the time value of cash flow hedges and hedges classified as trading hedges was a negative €578 K in 2014 and a positive €45 K in 2013, and was recorded in net financial income as an expense of €623 K.

Financial exposure

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

17.2.3 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 for the majority of the European and Asian entities.

Aged analysis of net trade receivables

(€ thousands)	31 December 2014	31 December 2013*
Not due	40,930	38,244
Outstanding:		
for less than 30 days	3,639	4,273
31 to 60 days	304	558
61 to 90 days	(3)	9
91 to 180 days	(94)	
Total	44,776	43,084

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

There were no other significant unpaid, non-written down financial assets at 31 December 2014.

17.2.4 Interest rate risk

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

Sensitivity to movements in interest rates

At 31 December 2014, variable-rate financial debt corresponded mainly to the €5 million credit line taken out in 2012, for which the interest rate is based on Euribor 3 months hedged by a fixed rate against variable rate swap until its repayment.

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

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

(€ thousands)	Maturity	Fixed rate	Nominal	Market value
Interest rate swap Variable/ Fixed (on credit facility)	July 2016	1.565%	10,000	(469)
Interest rate swap Variable/ Fixed (on lease contract)	September 2022	3.25%	1,588	(196)

17.2.5 Management of liquidity and capital structure risks

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

Note 18 - Income tax

18.1 Analysis of income tax charge

The income tax charge is analysed as follows:

(€ thousands)	31 December 2014	31 December 2013
France	(1,222)	(202)
International	(10,080)	(5,802)
Tax payable	(11,301)	(6,003)
France	1,559	(149)
International	299	280
Deferred tax	1,858	131
Tax gain (charge)	(9,443)	(5,872)

The Group's effective tax rate decreased from 24.1% at 31 December 2013 to 22.2% at 31 December 2014 due to the capitalisation of tax losses carried forward in the 2014 financial year, to be used by RADIALL within one year.

18.2 Reconciling the theoretical and effective tax charges

The reconciled items are as follows:

(€ thousands)	31 December 2014	31 December 2013
Profit before tax	43,380	24,402
Theoretical tax at the rates in force in each country	(12,445)	(6,989)
Impact of equity-accounted entities	35	(95)
Change in deferred tax recognised on losses carried forward	1,774	(447)
Effect of usage of tax losses carried forward not previously recognised	1,094	721
Impact of non-deductible charges and non-taxable income	(997)	(192)
Deferred taxes not recognised on losses for the period	(6)	(17)
Research tax credit	489	356
Competitiveness and employment tax credit	487	292
Other tax credits	21	400
Taxes without base	51	(34)
Additional contribution	(94)	(65)
Reduced rate taxation	61	223
Other	87	(25)
Total	(9,443)	(5,872)

18.3 Net deferred tax position

(€ thousands)	31 December 2014	31 December 2013*
Deferred tax assets	3,651	1,865
Deferred tax liabilities	(4,036)	(4,622)
Net deferred taxes	(385)	(2,756)

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

18.4 Main deferred consolidated tax assets and liabilities

(€ thousands)	31 December 2014	31 December 2013*
Effect of tax losses carried forward	4,523	7,184
Tax effect of timing differences connected with:		
- Other non-current assets	(9,254)	(9,228)
- Inventories	1,416	1,088
- Other current assets	1,190	831
- Provisions for liabilities and charges	4,106	3,775
- Other liabilities	771	458
- Other	(41)	(23)
Tax impact of timing differences	(1,812)	(3,099)
Gross deferred tax assets (liabilities)	2,712	4,085
Provision for writedown of deferred tax assets	(3,097)	(6,841)
Net deferred tax liabilities	(385)	(2,756)

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

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 includes deferred tax on Radiall SA and IDMM accelerated amortisation/depreciation, and deferred tax recognised on Radial USA's intangible assets.

18.5 Breakdown of current tax in balance sheet assets

(€ thousands)	31 December 2014	31 December 2013*
Tax receivable	6,738	3,975
(advance payments and tax credit)		
Total under balance sheet assets	6,738	3,975
Tax liabilities	(303)	(828)
Total under balance sheet liabilities	(303)	(828)

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

Note 19 - Headcount and payroll

(€ thousands)	31 December 2014	31 December 2013*
External staff	17,295	14,422
Salaries	52,248	54,134
Social contribution	33,904	22,887
Total	103,446	91,443
France	72,557	64,609
International	30,889	26,835
Total	103,446	91,443

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

Pursuant to the recommendation of Autorité des Normes Comptables, CICE income of €1,460 K was deducted from payroll costs. Note that the CICE income was €852 K for the 2013 financial year*.

(average headcount)	2014		2013*	
	internal	external	internal	external
France	1,066	301	1,107	208
International	412	1,174	625	762
Total	1,479	1,475	1,732	970

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

Note 20 - Research and development costs

(€ thousands)	31 December 2014	31 December 2013*
Non-capitalised costs	19,232	17,106
Amortisation of capitalised development costs		
Total costs incurred	19,232	17,106

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

Note 21 - Other operating income and expenses

(€ thousands)	31 December 2014	31 December 2013*
Foreign exchange losses	313	(271)
Capital gain/(loss) on asset disposals	(332)	(77)
Grants	631	713
Other income and expenses	551	(52)
Total	1,162	314

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

Note 22 - Impairment of non-current assets

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

Note 23 - Writedown of current assets and provision charges

(€ thousands)	31 December 2014	31 December 2013*
Writedown of inventories	(2,232)	(1,623)
Writedown of current assets	56	8
Provisions for liabilities	(321)	47
Total	(2,497)	(1,568)

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

In 2014, inventory writedowns were mainly incurred by Radiall SA and Radiall USA.

Note 24 - Non-recurring income and expenses

(€ thousands)	31 December 2014	31 December 2013
Goodwill impairment	(871)	
Book value of non-current assets sold	(768)	
Proceeds on disposal of non-current assets	888	
Total	(751)	

Other non-recurring expenses include goodwill impairment of €871 K on D-Lightsys and Radiall India, as well as the net book value of a portion of land disposed at the Voiron site totalling €768 thousand. Other non-recurring income relates to the proceeds of €888 thousand from this disposal.

Note 25 - Other financial income and expenses

(€ thousands)	31 December 2014	31 December 2013*
Foreign exchange gain on intragroup financing and bank balances	213	209
Other financial income	4	91
Financial instrument gains	0	0
Total other financial income	217	300
Foreign exchange loss on intragroup financing and bank balances	(681)	(154)
Financial instrument expense	(698)	(173)
Other financial expenses	(47)	(0)
Total other financial expenses	(1,426)	(327)
Total	(1,209)	(27)

* Restatements (which relate to the application of IFRS 11) are detailed in the section "Comparability of accounting periods"

Note 26 - Statutory Auditors' fees

(€ thousands)	MAZARS				FIDUS			
	Amount (excl. tax)		%		Amount (excl. tax)		%	
	2014	2013	2014	2013	2014	2013	2014	2013
Audit								
<i>- Statutory Auditors, certificates, parent company and consolidated financial statements</i>								
Radiall	124	152	37%	44%	63	62	77%	62%
Fully-consolidated subsidiaries	162	165	49%	47%	19	38	23%	38%
<i>- Other services directly connected to the Statutory Auditors' duties</i>								
Radiall	10	11	3%	3%				
Fully-consolidated subsidiaries	3	0	1%	0%				
Sub-total	299	298	90%	94%	82	100	100%	100%
Other services								
Legal, social, tax	34	21	10%	6%				
Other advisory duties			0%	0%				
Sub-total	34	21	10%	6%				
TOTAL	333	349	100%	100%	82	100	100%	100%

Note 27 - Off-balance sheet commitments

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

27.1 Commitments relating to undrawn confirmed credit lines

At 31 December 2014, the Group was entitled, under a financing contract signed in July 2011, to draw down €44 million, €5 million of which as revolving credit and €39 million intended mainly for specific merger and acquisition transactions.

Compliance with covenants at 31 December 2014:

Based on the Radiall Group's consolidated financial statements at 31 December 2014, the ratios in the Financing Agreement were complied with.

27.2 Commitments relating to financial lease agreements

(€ thousands)		31 Dec. 2014	31 Dec. 2013
Property	Maturity		
	<= 1 year	315	305
	1 to 5 years	1,393	1,340
	More than 5 years	3,065	3,432
	Total	4,773	5,077
Other assets	Maturity		
	<= 1 year	492	322
	1 to 5 years	1,587	1,212
	More than 5 years		81
	Total	2,079	1,615

27.3 Commitments relating to operating lease agreements

(€ thousands)		31 Dec. 2014	31 Dec. 2013
Property	Maturity <= 1 year	2,071	1,957
	1 to 5 years	3,956	4,014
	More than 5 years	236	3,388
	Total	6,262	9,359
Other assets	Maturity <= 1 year	313	290
	1 to 5 years	707	228
	More than 5 years	-	0
	Total	1,020	518

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.

The decrease in lease commitments due in more than 5 years relates to the reduction of the duration of the Radiall Shanghai lease, brought down to 3 years as a result of the future change of shareholder which took place in the 1st quarter of 2015 (see Note 29).

Note 28 - Information on related parties

28.1 Related party concept

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

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

At 31 December 2014, 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 assistance and advice to Radiall for the following operations: Group strategy, financial and tax services, financial management and communication, corporate management, legal assistance, legal secretarial duties, administrative services and management of insurance policies. The amount of this agreement is €1,680 thousand for the 2014 financial year.

The transactions between Radiall SA and these related parties were detailed as follows at 31 December 2014:

(€ thousands)	Hodiall	S.I.R.
Trade receivables		
Current account		
Total Assets		
Trade payables	110	
Financial debt	1,121	
Total Liabilities	1,231	
Sales	17	
Purchases	(1,680)	
Total Profit/(Loss) from recurring operations	(1,663)	
Financial interest	(6)	
Dividends paid by Radiall S.A.	1,425	440

28.3 Raydiall

At 31 December 2014, 50% of Raydiall's capital was held by Radiall. As such, Raydiall is a related party to Radiall. Transactions between RADIALL and Raydiall are detailed as follows:

(€ thousands)	Raydiall
Trade receivables	142
Current account	1 660
Total Assets	1 802
Trade payables	
Financial debt	
Total Liabilities	
Sales	727
Purchases	(11)
Total Profit/(Loss) from recurring operations	716
Financial interest	29

28.4 Compensation and other benefits granted to senior management

Radiall Group's senior management includes the members of the Executive and Strategic Committee (ESC) and the directors. The ESC had 5 members in 2014, unchanged from 2013.

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

	31 December 2014	31 December 2013
Short-term benefits excl. employer contributions	1,411	1,287
Employer contributions	609	537
Post-employment benefits (*)		
Other long-term benefits (**)		
Share-based payments		
Other items		
Total	2,020	1,823

(*) Past service cost

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

At 31 December 2014, the total amount of retirement commitments due in respect of members of the CES was €200 K compared with €157 K at 31 December 2013. The amount of directors' fees paid to members of the Supervisory Board and Executive Board totalled €156 K for 2014 and €150 K for 2013.

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

Note 29 - Subsequent events

The Group notes that on 13 February 2015 Radiall exercised its pre-emption rights on 20% of the securities in its subsidiary Shanghai Radiall Electronics co Ltd held by Feilo Shanghai co Ltd through a public auction for a fixed price, free of any earnouts or dividend rights, of RMB 45.66 million. At the closing date, transfer of title and payment, which are subject to local Chinese administrative procedures, had not yet taken place.

2. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Financial year ended 31 December 2014

To the Shareholders,

In compliance with the assignment entrusted to us at your General Meeting, we hereby present our report for the year ended 31 December 2014, on:

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

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

I - Opinion on the consolidated financial statements

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

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

Without qualifying the above opinion, we draw your attention to the note to the consolidated financial statements on the comparability of accounting periods, which describes the impacts of the first-time application of IFRS 11 – “Joint arrangements”.

Paris and Courbevoie, 17 April 2015,
The Statutory Auditors

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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 2.5. to the consolidated financial statements describes the material estimates and assumptions used by the management. Our work involved assessing the data and hypotheses on which these estimates and assumptions are based, reviewing, by testing, the calculations made by your company, comparing estimations for previous periods with corresponding actual figures, examining management's approval procedures, 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 2.9 to the consolidated financial statements. We examined the manner of implementation of this impairment test as well as the cash flow forecasts and assumptions used and we verified that Note 5.3 provides appropriate information.

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.

SIMON BEILLEVAIRE

ERIC LEBEGUE

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1. PARENT COMPANY FINANCIAL STATEMENTS

BALANCE SHEET AT 31 DECEMBER 2014 – RADIALL S.A.

Assets (€ thousands)	31 December 2014			31 December 2013
	Gross	Amort., Depr. & Prov.	Net	
Fixed assets				
Intangible assets	7,220	5,391	1,829	1,799
Research and development costs	344	344	0	0
Patents & licences	671	505	166	242
Software	5,364	4,472	892	902
Business goodwill	132	70	62	40
Intangible assets in progress	709		709	615
Property, plant and equipment	85,042	61,958	23,084	22,857
Land	432		432	440
Buildings	17,720	12,236	5,484	5,794
Plant and machinery	57,157	45,937	11,220	12,275
Other fixed assets	4,732	3,785	947	923
Property, plant and equipment in progress	4,188		4,188	3,066
Advance payments	813		813	359
Financial investments	45,231	5,333	39,898	36,067
Participating interests	43,015	5,333	37,682	33,731
Other long-term securities	0		0	6
Other financial investments	2,216		2,216	2,330
Total fixed assets	137,493	72,682	64,811	60,723
Current assets				
Inventories and work in progress	30,184	3,775	26,409	26,226
Raw materials and supplies	20,334	3,175	17,159	17,178
Work in progress goods and services	3,761		3,761	3,372
Semi-finished and finished products	6,089	600	5,489	5,676
Trade receivables	28,208	120	28,088	29,147
Other current assets	14,296	487	13,809	15,553
Prepayments on orders	66		66	56
Other receivables	14,230	487	13,743	15,497
Cash and cash equivalents	50,180	0	50,180	27,315
Treasury shares	0		0	0
Marketable securities	43,047		43,047	15,456
Cash	7,133		7,133	11,859
Total current assets	122,868	4,382	118,486	98,241
Prepaid expenses	131		131	286
Bond issue expenses to be amortised	267		267	335
Foreign exchange differences	240		240	384
Total assets	260,999	77,064	183,935	159,969

BALANCE SHEET AT 31 DECEMBER 2014 – RADIAL S.A.

<i>(€ thousands)</i>	31 December 2014	31 December 2013
Equity and liabilities		
Share capital	2,817	2,817
Share, merger and contribution premiums	21,897	21,897
Legal reserve	339	339
Statutory and contractual reserves	41,729	41,672
Retained earnings	29,855	17,710
Profit for the financial year	21,270	14,917
Regulated provisions	8,365	9,131
Total equity	126,272	108,483
Provisions		
for liabilities	975	618
for charges	9,830	7,539
Total provisions	10,805	8,157
Liabilities		
Financial debt	8,881	10,569
Bank borrowings	5,715	7,933
Other financial debt	3,166	2,636
Trade payables	15,222	15,437
Other liabilities	22,133	17,081
Prepayments on orders	767	395
Tax and social security liabilities	19,956	14,450
Liabilities on fixed assets	662	1021
Other liabilities	748	1,215
Total liabilities	46,236	43,087
Foreign exchange differences	622	242
Total equity and liabilities	183,935	159,969

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014 – RADIALL S.A.

(€ thousands)	2014	2013
Operating revenue		
Sales of goods	149,896	134,840
Sales of services	1,980	2,114
Total sales	151,876	136,954
Change in inventories (own work)	(76)	820
Own work capitalised	210	181
Operating grants	525	679
Provision reversals and charges transferred	1,850	2,450
Other revenue	13,424	9,709
Total operating revenue	167,809	150,793
Operating expenses		
Purchase of raw materials and other supplies	56,040	52,505
Change in inventory	(203)	(856)
Other purchases and external charges	35,647	33,701
Taxes and duties	3,613	3,406
Payroll costs	41,481	35,911
Social contributions	17,575	15,400
Charges:		
- fixed asset amortisation and depreciation	4,249	4,480
- amortisation of loan issue costs	67	78
- provisions for current assets	889	1,155
- provisions for liabilities and charges	3,307	432
Other expenses	293	843
Total operating expenses	162,958	147,055
Operating profit	4,851	3,738
Financial income		
Financial income	16,207	11,091
Positive foreign exchange differences	1,348	751
Total financial income	17,555	11,842
Financial expenses		
Financial expenses	1,183	1,103
Negative foreign exchange differences	1,519	1,068
Total financial expenses	2,702	2,171
Net financial income	14,853	9,671
Pre-tax profit	19,704	13,409
Non-recurring income	3,959	3,187
Non-recurring expenses	2,864	2,571
Net non-recurring income	1,095	616
Income tax charge (refund)	(471)	(892)
Net profit	21,270	14,917

CASH FLOW STATEMENT AT 31 DECEMBER 2014 – RADIALl S.A.

(€ thousands)	2014	2013
Net profit	21,271	14,918
Share of minority interests in net profit	0	0
Share of profit of equity-accounted subsidiaries	0	0
Amortisation and depreciation charges	3,978	4,355
Net change in provisions	2,154	(1,595)
Capital gains/losses on disposals	(308)	169
Provisions recognised as other operating income and expenses		39
Interest expense	453	487
Income tax charge	990	177
Self-financing capacity	28,538	18,549
Change in inventories	(184)	(962)
Change in trade receivables	1,057	(8,057)
Change in trade payables	(174)	1,062
Change in other assets and liabilities	9,502	2,655
Change in working capital requirements	10,201	(5,303)
Interest paid	(442)	(534)
Tax paid	(2,850)	(2,022)
Cash flow from operating activities (A)	35,447	10,690
Acquisition of intangible assets	(366)	(480)
Acquisition of property, plant, and equipment	(5,782)	(6,892)
Acquisition of financial assets	(2,730)	(160)
Disposal of property, plant, and equipment	1,598	513
Disposal of financial assets	(1,154)	(108)
Net cash from acquisitions/disposals of subsidiaries	0	0
	0	0
Cash flow from investment activities (B)	(8,434)	(7,127)
Dividends paid to RADIALl SA shareholders	(2,716)	(2,081)
Purchase and sale of treasury shares	48	0
Proceeds from new borrowings	750	0
Repayment of borrowings	(2,202)	(287)
Cash flow from financing activities	(4,120)	(2,368)
Change in cash and cash equivalents(A+B+C+D)	22,893	1,196
Cash and cash equivalents at the beginning of the period	27,202	26,006
Cash reclassifications	0	0
Cash and cash equivalents at the end of the period	50,095	27,202

Notes to the parent company financial statements at 31 December 2014

Note 1 - Significant events

During the 2014 financial year, Radiall sold a portion of the land of the former Voiron site for €888,460 exclusive of tax.

Due to the loss of half the share capital of Radiall Ventures, Radiall had to recapitalise this subsidiary during the 2014 financial year.

Note 2 - Accounting principles

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

2.1 Principles and methods of evaluation

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

2.2 Research and development costs

Research and study costs cannot be capitalised.

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

- The intention and its financial 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 in the financial year during which they were incurred.

2.3 Intangible assets

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

2.4 Property, plant and equipment

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

- Buildings: 10 to 20 years.
- Machinery and equipment: 3 to 20 years.
- IT hardware: 3 to 5 years.
- Other PPE: 3 to 15 years.

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

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

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

- Machinery, equipment and tools: 3 to 7 years.
- IT hardware: 3 to 5 years.

2.5 Equity securities

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

2.6 Inventories and work in progress

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

2.7 Receivables and payables

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

2.8 Marketable securities, treasury shares and cash

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

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

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

2.9 Provisions for liabilities and charges

2.9.1 Provisions for retirement benefits

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

These calculations mainly include:

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

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

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.

2.9.2 Other provisions for liabilities and charges

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

2.10 Financial instruments

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

Note 3 - Other information

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 110,018.
- The number of hours of training which were not requested totalled 96,996.
- No provision for ITR was recognised at 31 December 2014.

Note 3.1 - Subsequent events

The Group specifies that on 22 February 2015 Radiall SA exercised its pre-emption right on 20% of securities in its subsidiary Shanghai Radiall Electronics Co Ltd held by Feilo Shanghai co Ltd, as part of a public auction, for firm and final price free of any earnouts or entitlement to dividends of RMB 45.66 million. At the balance sheet date, the effective transfer of ownership and payment of such securities, which remain subject to local Chinese administrative procedures, are still pending.

Note 4 - Change in fixed assets

Intangible assets

(€ thousands)	31 Dec. 2013	Acquisitions	Transfers	Disposals	31 Dec. 2014
Research and development costs	344				344
Patents, licences, software	5,778	244	13		6,035
Business goodwill	110	22			132
Intangible assets in progress	615	107	(13)		709
Total	6,847	373	-	0	7,220

Property, plant and equipment

(€ thousands)	31 Dec. 2013	Acquisitions	Transfers	Disposals	31 Dec. 2014
Land	440			8	432
Buildings	17,228	542	5	55	17,720
Plant and equipment	56,741	1,551	603	1,738	57,157
Other PPE	4,350	408	5	31	4,732
PPE under construction	3,066	2,304	(457)	725	4,188
Advances and prepayments	359	610	(156)		813
Total	82,184	5,415	-	2,557	85,042

Note 5 - Change in amortisation and depreciation of fixed assets

Amortisation of intangible assets

(€ thousands)	31 Dec. 2013	Charges	Reversals	31 Dec. 2014
Research and development costs	344			344
Patents, licences and software	4,634	343		4,977
Business goodwill	70			70
Total	5,048	343	0	5,391

Depreciation of property, plant and equipment

(€ thousands)	31 Dec. 2013	Charges	Reversals	31 Dec. 2014
Buildings	11,434	838	36	12,236
Plant and equipment	44,466	2,679	1,208	45,937
Other PPE	3,427	389	31	3,785
Total	59,327	3,906	1,275	61,958

At 31 December 2014, a €493 thousand provision for impairment of property, plant and equipment was recorded in addition to depreciation charges.

Note 6 - Change in financial assets

(€ thousands)	31 Dec. 2013	Additions	Disposals	31 Dec. 2014
Participating interests	40,285	2,730		43,015
Other financial investments	2,336	1	121	2,216
Total gross	42,621	2,731	121	45,231

Transactions involving participating interests:

- On 29 July 2014, Radiall acquired 375,000 shares in E-Blink for €1,500 thousand. At 31 December 2014, Radiall held 5% of the share capital of E-Blink.

- Radiall participated in the transaction aimed at restoring the equity capital of its wholly-owned subsidiary Radiall Ventures by fully subscribing to the share capital increase comprising 123,000 shares priced at €10 each, followed by a share capital reduction via cancellation of said 123,000 shares.

For Radiall, this transaction resulted in an increase of €1,230 thousand in the acquisition cost of Radiall Ventures shares.

- During the 2014 financial year, 702 share warrants were exercised and served using treasury shares held by Radiall. At 31 December 2014, 37,139 treasury shares were held as part of the buyback programme.

Provisions for writedown of financial assets:

(€ thousands)	31 Dec. 2013	Increase	Decrease	31 Dec. 2014
Provision for writedown of participating interests	6,554		1,221	5,333
Total	6,554	0	1,221	5,333

The reversal of a provision of €1,112 thousand was recognised on Radiall Ventures securities following the restoration of this company's equity capital during the 2014 financial year and the increased net worth of IDMM, a subsidiary wholly-owned by Radiall Ventures.

The reversal of a provision of €109 thousand was also recognised in relation to Radiall Ltd securities.

Note 7 - Change in inventories

7.1 Inventories

(€ thousands)	31 Dec. 2013	31 Dec. 2014	Change
Raw materials and supplies	20,424	20,334	(90)
Work in progress goods and services	3,372	3,761	389
Semi-finished and finished products	6,262	6,089	(173)
Total gross values	30,058	30,184	126

7.2 Provision for inventory writedowns

(€ thousands)	31 Dec. 2013	Charges	Reversals	31 Dec. 2014
Provisions for raw materials and supplies	3,246	552	623	3,175
Provisions for finished products	586	297	283	600
Total provisions	3,832	849	906	3,775

Note 8 - Trade receivables

This item corresponds to the amount of trade receivables and bills received. Bills totalled €480 thousand. These are due in less than one year.

Note 9 - Detail of other receivables

(€ thousands)	31 December 2014			31 December 2013		
	< 1 year	> 1 year	Total	< 1 year	> 1 year	Total
Income tax	534	5,134	5,668	849	2,989	3,838
Other receivables from the State	3,278		3,278	3,600		3,600
Subsidiaries current accounts	4,511		4,511	6,623		6,623
Accrued dividends	0		0	1,179		1,179
Receivables on litigation in process	456		456	0		0
Receivables from suppliers	139		139	75		75
Sundry accruals	178		178	182		182
TOTAL	9,096	5,134	14,230	12,508	2,989	15,497

The income tax receivable of €5,668 thousand corresponds mainly to a research tax credit of €4,600 thousand which is expected to be refunded in 2015, 2016, 2017 and 2018, and a competitiveness and employment tax credit of €2,132 thousand, which is to be repaid in 2017 and 2018.

Other receivables from the State, amounting to €3,278 thousand, mainly include VAT receivables of €2,038 thousand, grants pending of €907 thousand and deductions at source of €329 thousand.

Note 10 - Inventory of marketable securities

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

Accrued interest not yet due at 31 December 2014 relates to certificates of deposits valued at €35 thousand.

Unrealised capital gains of €203 thousand have been recorded on investment products.

(€ thousands)	
Certificates of deposit	: 28,800
Investment in short-term mutual funds	: 14,247
Provision for writedowns	: -
Total	: 43,047

Note 11 - Statement of changes in equity

(€ thousands)	31 Dec. 2013	Increase	Decrease	31 Dec. 2014
Share capital	2,817			2,817
Share premium	21,897			21,897
Legal reserve	339			339
Statutory or contractual reserves	41,672	57		41,729
Retained earnings	17,710	12,145		29,855
Profit for the year	14,917	21,270	14,917	21,270
Regulated provisions	9,131	1,554	2,320	8,365
Total equity	108,483	35,026	17,237	126,272

Dividends distributed by Radiall in 2014 totalled €2,772 thousand, including €57 thousand in dividends attributable to treasury shares and allocated to reserves.

At 31 December 2014, the Company's share capital totalled €2,817,454.94. It comprised 1,848,124 shares. Double voting rights are attached to registered shares that have been held for at least four years.

Note 12 - Shareholding structure

	31 Dec. 2014		31 Dec. 2013	
	% 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. 2013	Increases	Used reversals	Unused reversal	31 Dec. 2014
Exchange rate risks	384	240	384		240
Technical and commercial risks	127	199	45		281
Miscellaneous risks	107	429	82		454
Total provisions for liabilities	618	868	511	0	975
Provisions for restructuring	0				0
Retirement benefits *	7 539	2 679	388		9 830
Total provisions for charges	7 539	2 679	388	0	9 830

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

13.2 Retirement benefits

ASSUMPTIONS	2014	2013
Retirement age:		
- Born before 1951	60	60
- Born between 1951 and 1956	63	63
- Born after 1956	65	65
Rate of salary increase:	2.80%	2.73%
Discount rate:	1.70%	3.00%
Turnover:		
- 16 to 39 years old	6.17%	7.12%
- 40 to 49 years old	2.48%	2.86%
- 50 to 54 years old	0.61%	0.71%
- 55 to 65 years old	0.00%	0.00%
Employer contribution rate:		
- executives	47.13%	46.33%
- other	45.74%	44.55%
Mortality table:		
Male	TH00-02	TH00-02
Female	TF00-02	TF00-02

Note 14 - Debt maturity schedule

(€ thousands)	31 Dec. 2014			31 Dec. 2013		
	< 1 year	> 1 year	Total	< 1 year	> 1 year	Total
Convertible bonds			0			
Bank borrowings	315	5,400	5,715	333	7,600	7,933
Other financial debt	18	734	752	2	2	4
Intra-group current accounts	2,414		2,414	2,632		2,632
Bills of exchange payable	595		595	495		495
Trade payables	15,289		15,289	15,963		15,963
Advances and prepayments	767		767	395		395
Tax and social security liabilities	19,956		19,956	14,450		14,450
Other	131	617	748	153	1,062	1,215
Total	39,485	6,751	46,236	34,423	8,664	43,087

During the 2014 financial year, a second instalment of €200 thousand was repaid on the €1,000 thousand credit facility contracted in 2011 to finance the acquisition of Radiall INDIA securities from minority shareholders.

An early repayment of €2,000 thousand was made during the 2014 financial year on the €7,000 thousand loan taken in 2012.

At 31 December 2014, the outstanding balance of loans contracted by Radiall with financial institutions totalled €5,600 thousand.

Other non-current liabilities include deferred income of €617 thousand related to grants.

Note 15 – Statement of accrued income and deferred charges

15.1 Accrued income

(€ thousands)	31 Dec. 2014	31 Dec. 2013
Accrued interest receivable	35	11
Trade receivables - unissued invoices	762	2,601
Trade payables - accrued credit notes	126	30
Accrued royalties receivable	92	75
Miscellaneous accrued income	467	1,192
Total accrued income	1,482	3,909

15.2 Deferred charges

(€ thousands)	31 Dec. 2014	31 Dec. 2013
Accrued interest payable	85	68
Trade receivables - unissued credit notes	16	41
Trade payables - accrued invoices	3,834	1,251
Accrued royalties payable	11	22
Accrued social contributions and taxes payable	16,356	11,165
Miscellaneous deferred charges	115	111
Total deferred charges	20,417	12,658

Note 16 -Information on related parties

(€ thousands)	31 Dec. 2014	31 Dec. 2013
Participating interests (gross)	41,515	40,285
Trade receivables	13,648	14,714
Other receivables and current accounts in debit	4,511	7,801
Sundry financial liabilities (current accounts in credit)	(2,414)	(2,632)
Trade payables	(1,791)	(2,948)
Other liabilities	(10,850)	
Financial expenses	16	8
Financial income	14,366	10,202

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

Note 17 - Off-balance sheet commitments

Hedge instruments implemented

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

	Nominal (currency thousands)	Fair value - Cash Flow Hedge (€ thousands)	Fair value - Trading (€ thousands)
Futures (USD put option)	11,000	(503)	
Options (zero-premium (USD put option)	2,000	(165)	
Knock-out instruments (USD put option)	7,738		(447)
Total	20,738	(668)	(447)

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

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

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

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

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

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

(€ thousands)	Maturity	Fixed rate	Nominal	Market value
Interest rate swap Variable/ Fixed (on credit facility)	July 16	1.565%	10,000	(469)
Interest rate swap Variable/ Fixed (on lease contract)	Sept. 22	3.25%	1,588	(196)

Lease commitments

(€ thousands)	< 1 year	1 to 5 years	> 5 years	31 Dec. 2014
Property leasing (Voreppe)	209	855	660	1,724
Equipment leasing	100	374	0	474

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 €208 thousand were paid during 2014.

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 2014.

Commitments relating to operating lease agreements

(€ thousands)	< 1 year	1 to 5 years	> 5 years	31 Dec. 2014
Property	574	1,997	0	2,571
Equipment leasing (motor vehicles)	184	198	0	382

Commitments relating to undrawn confirmed credit lines

At 31 December 2014, the Group was entitled, under a financing contract signed in July 2011, to draw down €44 million, €5 million of which as revolving credit and €39 million primarily intended for specific merger and acquisition transactions.

Compliance with covenants at 31 December 2014:

Based on the Radiall Group's consolidated financial statements at 31 December 2014, the ratios in the Financing Agreement were complied with.

Note 18 - Sales

(€ thousands)	2014	2013
France	30,847	31,509
- With related companies	816	1,001
- Other	30,031	30,508
International	121,029	105,445
- With related companies	73,979	68,330
- Other	47,050	37,115
Total	151,876	136,954

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

Average headcount changed as shown below:

	2014	2013
Employees/workers	480	465
Technicians/Supervisors	296	284
Managers and senior executives	257	238
Total	1,033	987

Note 20 - Corporate officers' compensation

(€) FY 2014	Gross remuneration (1) (2)	Attendance or directors' fees (2)
Total	510,903	155,548

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

(2) Paid by RADIALL.

Note 21 - Net financial income

Financial income for the year 2014 mainly comprises dividends collected from subsidiaries totalling €14,286 thousand. It also includes a €1,112 thousand reversal of a provision on the Radiall VENTURES equity securities and a €109 thousand reversal of a provision on the Radiall Limited equity securities.

Financial expenses include provision charges of €487 thousand for writedown of the Radiall Systems current account.

Note 22 - Non-recurring income and expenses

(€ thousands)	31 Dec. 2014	31 Dec. 2013
Exceptional income on management transactions	1	
Proceeds from the sale of fixed assets	1,638	513
Reversals of risk provisions		30
Reversals of accelerated depreciation	2,320	2,644
Total non-recurring income	3,959	3,187
Non-recurring expenses for management operations	21	142
Net book value of fixed assets sold	1,289	681
Accelerated depreciation charges	1,554	1,748
Total non-recurring expenses	2,864	2,571

Proceeds from the sale of fixed assets notably include €888 thousand received as a result of the partial disposal of land at the former Voiron production site.

The net book value of the fixed assets sold includes a portion of survey, demolition and decontamination costs of the former Voiron production site totalling €500 thousand.

Note 23 - Income tax

The Company recorded a research tax credit of €1,462 thousand. In addition, the Company benefited from a competitiveness tax credit of €1,251 thousand recognised under personnel costs.

At 31 December 2014, it also had tax losses which can be carried forward indefinitely totalling €16,856 thousand.

Breakdown of income tax

(€ thousands)	Before tax	After tax
Profit from ordinary activities	19,704	20,175
Net non-recurring income	1,095	1,095
Income tax	471	
Net profit	21,270	21,270

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 provide for the subsidiaries to share the tax among them as if they had been taxed separately and there had been no consolidation. At 31 December 2014, the Group consolidated by Radiall had cumulative tax losses of €16,188 thousand, which can be carried forward indefinitely. In addition, at 31 December 2014 Radiall no longer had any tax losses accumulated prior to the tax consolidation.

At 31 December 2014, RADIALL had a taxable net profit of €6,770 thousand before tax consolidation.

Note 24 - ELEMENTS LIABLE TO INCREASE OR REDUCE FUTURE TAX LIABILITIES

(€ thousands)	31 Dec. 2013	Increase	Decrease	31 Dec. 2014
Regulated provisions and expenses to be added back at a later stage				
Accelerated depreciation and amortisation	9,131	1,554	2,320	8,365
Investment grants				
Future tax base	9,131	1,554	2,320	8,365
Future taxation (based on a tax rate of 33.33%)	3,044			2,788
Non-tax deductible expenses in the year				
Provisions and charges temporarily not deducted	7,973	2,919	822	10,070
Organic contribution	223	256	223	256
Employee profit-sharing				
Base for taxes paid in advance	8,196	3,175	1,045	10,326
Future tax savings (based on a tax rate of 33.33%)	(2,732)			(3,442)

Accumulated tax losses of €16,188 thousand represent a future tax saving of €5,396 thousand.

Note 25 - Research and development

No research and development costs were capitalised in 2014.

2. TABLE OF SUBSIDIARIES AND PARTICIPATING INTERESTS AT 31 DECEMBER 2014

	Share capital (1)	Additional paid-in capital	% interest	Book value of securities		2014 net sales	2014 net profit/ (loss) (1)	Dividends paid to Radiall S.A.
				Gross	Net			
France								
Radiall Ventures (Aubervilliers (93))	1,000	(80)	100.00	10,462	7,616	-	445	-
Raydiall (Voiron (38))	8,000	(1,428)	50.00	4,000	4,000	11,544	170	-
Radiall Systems (Aubervilliers (93))	37	(495)	100.00	3	-	-	(9)	-
INTERNATIONAL								
Radiall GmbH (Germany)	486	429	100.00	228	228	16,537	390	439
Radiall Srl (Italy)	257	580	100.00	596	596	731	20	1,200
Radiall BV (Netherlands)	16	91	100.00	11	11	2,209	409	500
Radiall AB (Sweden)	33	128	100.00	47	47	401	21	-
Radiall America (US)	11,135	12,704	100.00	13,526	13,526	-	10,533	10,683
Radiall Asia (Hong Kong)	28	1,011	55.00	18	18	5,225	709	259
Radiall do Brasil (Brazil)	274	(318)	99.85	754	-	-	(10)	-
Radiall Ltd. (UK)	257	19	100.00	2,128	398	5,125	88	-
Radiall India Private Ltd. (India)	364	3,130	100.00	3,350	3,350	5,140	199	-
Nihon Radiall KK (Japan)	401	249	100.00	397	397	6,971	359	204
Shanghai Radiall (China)	9,311	9,098	75.95	5,994	5,994	49,499	10,236	1,991
Radiall Int. Ltd. (Hong Kong)	1	2,191	100.00	1	1	17,908	652	189

For foreign subsidiaries, amounts in local currencies have been converted at the closing rate for the relevant items in the balance sheet (capital and reserves) and at the average rate for items in the income statement

Main currencies used

	Closing rate (€)	Average (€)
US Dollar	1.214	1.329
Hong Kong Dollar	9.417	10.305
Pound Sterling	0.779	0.806
Swedish Krona	9.393	9.097
Indian Rupee	76.719	81.069
Japanese Yen	145.230	140.377
Chinese Yuan	7.536	8.188
Brazilian Real	3.221	3.123

3. COMPANY FINANCIAL PERFORMANCE OVER THE PAST FIVE FINANCIAL YEARS

(€)	2010	2011	2012	2013	2014
Financial position at year-end					
a. Share capital	2 817 455	2 817 455	2 817 455	2 817 455	2 817 455
b. Number of shares issued	1 848 124	1 848 124	1 848 124	1 848 124	1 848 124
Comprehensive income from actual transactions					
a. Net sales	122 512 800	136 858 160	132 990 433	136 953 545	151 876 123
b. Earnings before tax, profit sharing and amort., depr. and prov. charges	8 148 312	7 616 832	19 346 227	17 307 570	26 243 835
c. Income tax	227 732	(434 789)	(289 222)	(891 830)	(471 322)
d. Earnings after tax, before profit sharing and amort., depr and prov. charges	7 920 580	8 051 621	19 635 449	18 199 400	26 715 157
e. Net profit	2 305 434	5 432 178	14 460 308	14 917 615	21 270 042
f. Dividends	1 570 905	1 663 312	2 125 343	2 772 186	4 620 310 *
Earnings per share					
a. Earnings per share before amort., depr. and prov. charges	4,29	4,36	10,62	9,85	14,46
b. Net earnings per share	1,25	2,94	7,82	8,07	11,51
c. Dividend paid per share	0,85	0,9	1,15	1,50	2,50 *
Personnel					
a. Employees (average headcount)	964	1 020	974	987	1 033
b. Total payroll costs	29 233 794	32 469 130	31 418 877	33 352 349	36 094 572
c. Employee benefits	12 936 301	14 004 772	14 210 402	15 400 205	17 574 881

* Subject to approval at the Ordinary General Meeting held to approve the financial statements for the year ended 2014.

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

Financial year ended 31 December 2014

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 2014, on:

- our audit of the accompanying parent company financial statements of RADIALL,
- 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.

We reviewed the methods used to assess participating interests, inventories and work-in-progress, as described in Notes 2.5 and 2.6, respectively, to the parent company financial statements. Our work consisted in assessing the fairness of the data and assumptions on which these items are based and in reviewing the calculations made by the Company.

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

I - Opinion on the parent company financial statements

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

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

II - Justification of assessments

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

Paris and Courbevoie, 17 April 2015,

The Statutory Auditors

MAZARS

FIDUS

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.

SIMON BEILLEVAIRE

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 2014

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 relating to this assignment. These guidelines require us to verify the consistency of the information provided to us with the source documents.

A/ AGREEMENTS AND COMMITMENTS SUBJECT TO THE APPROVAL OF THE GENERAL MEETING

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

Pursuant to Article L. 225-88 of the Commercial Code, we have been advised that the following agreements and commitments have received the prior authorisation of your Supervisory Board.

•Amendments n°19 and 20 to the support and advisory agreement with Hodiall

Individuals concerned: Pierre Gattaz (Chairman of the Executive Board of Radiall SA and Chairman of the Executive Board of Hodiall), Guy de Royer (Member of the Executive Board of Radiall SA and Member of the Executive Board of Hodiall), Yvon Gattaz (Chairman of the Supervisory Board of Radiall SA and Chairman of the Supervisory Board of Hodiall), Bruno Gattaz (Vice-Chairman of the Supervisory Board of Radiall SA and Vice-Chairman of the Supervisory Board of Hodiall), Roselyne Gattaz (Member of the Supervisory Board of Radiall SA and Member of the Supervisory Board of Hodiall).

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 19 and 20, approved by a Supervisory Board deliberation at its meeting of 2 December 2014, increasing the remuneration paid to Hodiall in this respect to €1,680 thousand for 2014 (with effect from 2 December 2014) and €1,900 thousand for 2015).

These two amendments were signed on 2 December 2014 and 12 January 2015 respectively.

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.

•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 SA and Chairman of the Executive Board of Hodiall), Guy de Royer (Member of the Executive Board of Radiall SA and Member of the Executive Board of Hodiall), Yvon Gattaz (Chairman of the Supervisory Board of Radiall SA and Chairman of the Supervisory Board of Hodiall), Bruno Gattaz (Vice-Chairman of the Supervisory Board of Radiall SA and Vice-Chairman of the Supervisory Board of Hodiall), Roselyne Gattaz (Member of the Supervisory Board of Radiall SA and Member of the Supervisory Board of Hodiall).

As part of a building project on the Voiron site, your company 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 undertaking to sell 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.

The deed of sale, subject of the commitment described above, was concluded between your company and the SCI (property investment company) les Balcons de Chartreuse on 16 June 2014 for a total amount of €1,066,152 inclusive of VAT.

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

Individuals concerned: Pierre Gattaz (Chairman of the Executive Board of Radiall SA and Chairman of the Executive Board of Hodiall), Guy de Royer (Member of the Executive Board of Radiall SA and Member of the Executive Board of Hodiall), Yvon Gattaz (Chairman of the Supervisory Board of Radiall SA and Chairman of the Supervisory Board of Hodiall), Bruno Gattaz (Vice-Chairman of the Supervisory Board of Radiall SA and Vice-Chairman of the Supervisory Board of Hodiall), Roselyne Gattaz (Member of the

Paris and Courbevoie, 17 April 2015,

The Statutory Auditors

MAZARS

FIDUS

Supervisory Board of Radiall SA 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 an amendment no 18 approved by the Supervisory Board in its decision dated 6 December 2013, increasing the remuneration thus paid to Hodiall to €1,360 thousand for 2014.

This amendment was signed on 30 January 2014.

SIMON BEILLEVAIRE

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 2014)

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 2014, 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 €21,270,042.25.

SECOND RESOLUTION

(Approval of the consolidated financial statements for the year ended 31 December 2014)

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 2014, as they have been prepared and presented, and the transactions recorded therein and summarised in these reports.

THIRD RESOLUTION

(Allocation of profit and setting of dividend at €2.50 per share)

The General Meeting, acting under the quorum and majority conditions required for ordinary general meetings, notes that the net profit for the 2014 financial year totalled €21,270,042.25 and that, taking into account retained earnings of €29,854,965.41, distributable profits to be allocated are €51,125,007.66.

Consequently, in approving the Executive Board's proposal, the General Meeting decides to allocate distributable profits of €21,270,042.25 for the 2014 financial year as follows:

Dividend of €2.50 per share:	€4,620,310.00 ¹
Allocation to retained earnings:	€16,649,732.25

The retained earnings after distribution are €46,504,697.66.

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

The ex-dividend date will be 26 May 2015 and the dividend will be payable from 28 May 2015.

It should be noted that, as the shares held by the Company are non-dividend bearing, the sum corresponding to the unpaid dividend on these treasury shares will be allocated to the General Reserve account at the time of payment.

It is also noted that:

- In respect of personal income tax, the dividend will be eligible, for beneficiaries satisfying the required conditions, for the tax relief provided for in Article 158-3. 2° of the General Tax Code,

- The dividend, when paid to individuals who are resident in France for tax purposes and whose shares or company interests are not registered in a PEA (French personal equity plan), will be subject to deduction at source in respect of social security contributions,

- The same beneficiaries will be subject to the 21% withholding tax without discharging effect on income tax.

The General Meeting notes that dividends paid in respect of the last three financial years were as follows:

<i>FY</i>	<i>Number of shares</i>	<i>Net dividend (€)</i>
2011	1,848,124	0.90
2012	1,848,124	1.15
2013	1,848,124	1.50

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

FOURTH RESOLUTION

(Approval of the agreements governed by Article L. 225-86 of the Commercial Code)

The General Meeting, acting under the quorum and majority conditions required for ordinary general meetings, ruling on the Statutory Auditors' special report on the agreements governed by Articles L. 225-86 and subsequent of the Commercial Code, takes note of this report and approves the transactions and agreements presented in this report.

¹ Subject to allocation to the general reserve for dividends on shares that may be held by the Company at the time of payment.

FIFTH RESOLUTION

(Setting of directors' fees paid to the Supervisory Board)

The General Meeting, acting under the quorum and majority conditions required for ordinary general meetings, decides to allocate to the members of the Supervisory Board, in remuneration of their duties, in the form of directors' fees, a total annual sum of thirty nine thousand (39,000) euros for the year ended 31 December 2014, it being specified that the total sum is to be divided between its members by the Supervisory Board itself.

SIXTH RESOLUTION

(Authorisation granted to the Executive Board to trade in the Company's shares as part of the implementation of a share buyback programme)

The General Meeting, acting under the quorum and majority conditions required for ordinary general meetings, having heard the Executive Board report and the items in the description of the programme drafted in accordance with Articles 241-1 and subsequent of the AMF's General Regulations, authorises the Executive Board, with the power to delegate in the conditions set out by law, in accordance with the provisions of Article L. 225-209 of the Commercial Code, with European Regulation n°2273/2003 of 22 December 2003, and the AMF's General Regulations, to trade in Radiall shares on the stock exchange or otherwise, as part of the implementation of a share buyback programme, for the purposes of:

- Using the shares bought back to facilitate or enable the purchase of a whole number of shares as part of reverse split share transactions in the Company,
- Cancelling all or part of the shares bought back under the conditions set out by law in order to reduce the share capital, in particular to optimise the financial management of the Company and the management of its assets and liabilities, as part of and subject to the adoption of the extraordinary eleventh resolution hereinafter presented,
- Honouring the obligations related to the issue of shares giving access to the share capital, to share purchase option plans, to the allocation of free shares to members of staff and corporate officers, to the allocation or sale of shares to employees as part of profit-sharing schemes, employee shareholding schemes or company savings schemes,
- Using the shares purchased in order to retain them and allocate them in payment or exchange or otherwise as part of any of Company's acquisition transactions,
- And, more generally, to carry out any transaction authorised either now or in the future by law or any market practice that may be approved by the AMF, it being specified that the Company would duly inform its shareholders through a notice.

The purchase, sale or transfer of these shares may be carried out by any means on stock markets, multilateral trading facilities or over-the-counter markets, including through the acquisition or sale of blocks of shares, under the conditions allowed by the relevant market authorities. To this end, these means include the use of any derivative financial instrument and the use of put or call options.

The Company reserves the option to continue implementing the current share buyback programme during a public takeover bid or exchange offering involving its equity shares solely within the framework of the provisions of Article 231-40 of the AMF's General Regulations.

There will be no minimum resale price per share. The maximum amount of funds that the Company may allocate to this share buyback programme is fifty million euros (€50,000,000).

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 20 May 2014.

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 2014 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 2014.

EIGHTH RESOLUTION

(Renewal of the term of office of Didier LOMBARD as member of the Supervisory Board)

The Chairman of the Meeting, acknowledging that the term of office of Didier LOMBARD expires today, specifies that Didier LOMBARD has held a term of office as a member of the Supervisory Board of the Company since 20 May 2003.

The Chairman points out, in accordance with AMF recommendations 2012-02 and 2013-20, that the duration of Didier LOMBARD's term of office is a positive element for Radiall Group's knowledge, its history and its industries, and that Didier LOMBARD's distinguished professional career represents a genuine asset for the Company.

He underlines that it is the freedom of judgment that is the essential criterion of the independence of a Board member, and that Didier LOMBARD cannot be suspected of being sensitive to any potential pressure from the Gattaz family, of which he is not a member, which specifically confers upon him separate status, and independence, on the Company's Supervisory Board.

Subject to the approval of the thirteenth resolution below, the General Meeting, acting under the quorum and majority conditions required for ordinary general meetings, decides to renew the term of office of Didier LOMBARD as member of the Supervisory Board, in application of the provisions of Article L. 225-75 of the Commercial Code and in accordance with Article 13 of the Articles of Association, for a period expiring at the end of the Ordinary General Meeting of shareholders called in 2017 to approve the financial statements for the financial year ending 31 December 2016.

Didier LOMBARD 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.

***NINTH RESOLUTION
(Renewal of the term of office of Marc VENTRE as member
of the Supervisory Board)***

The General Meeting acting under the quorum and majority conditions required for ordinary general meetings, having noted that the term of office of Marc VENTRE is expiring today, decides to renew the latter's term of office as member of the Supervisory Board, in application of the provisions of Article L. 225-75 of the Commercial Code and in accordance with Article 13 of the Articles of Association, for a period of six (6) years expiring at the end of the Ordinary General Meeting of shareholders called in 2021 to approve the financial statements for the financial year ending 31 December 2020.

Marc VENTRE 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
(Reappointment of the Principal and Alternate Statutory
Auditors' term of office)***

The General Meeting, acting under the quorum and majority conditions required for ordinary meetings, noting that the terms of office of MAZARS and Guillaume POTEL as Principal and Alternate Statutory Auditors respectively expire on the date of this meeting, decides to renew their term of office, in accordance with the provisions of Article L. 225-228 of the Commercial Code, for a term of six (6) years expiring at the end of the Ordinary General Shareholders' Meeting called in 2021 to approve the financial statements for the year ended 31 December 2020.

Principal Statutory Auditor:

Cabinet MAZARS,
Address: Tours Exaltis, 61 rue Henri Regnault – 92075 Paris
La Défense Cedex
Represented by a new partner, Gaël LAMANT

Alternate Statutory Auditor:

David CHAUDAT
Address: Tours Exaltis, 61 rue Henri Regnault – 92075 Paris
La Défense Cedex

Cabinet MAZARS and David CHAUDAT have both declared their intention to accept these appointments and that they are not subject to any measure likely to disqualify them from exercising these roles.

**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.225-204, L.225-207 and L.
225-209 and subsequent of the Commercial Code)***

The General Meeting, acting under the quorum and majority conditions required for extraordinary general meetings, having heard the Executive Board's report and the Statutory Auditors' special report, in accordance with the provisions of Article L. 225-209 and subsequent of the Commercial Code and the provisions of Articles L. 225-204 and L. 225-207 of the same Code, authorises the Executive Board, with the option of delegating under the conditions set out by law:

- to cancel at any time, without any further formalities, on one or more occasions, shares in the Company acquired as a result of buybacks effected as part of any authorisation given by the General Meeting in application of Article L. 225- 209 of the Commercial Code,
- to cancel Company shares which may have been acquired previously as part of a buyback offer open to all shareholders, in accordance with Articles L. 225-204 and L. 225-207 of the French Commercial Code.
- to reduce the capital accordingly, by ascribing the difference between the buyback value of the cancelled shares and their par value to the premiums and reserves available,
- and to amend the Articles of Association accordingly and to perform all necessary formalities.

The maximum number of Company shares that may be eligible to be cancelled under this authorisation may not exceed 15% of the shares making up the capital of the Company per twenty-four (24) month period, it being stipulated that this limit applies to a number of shares that will, where applicable, be adjusted to take into account transactions affecting the share capital subsequent to the date of this General Meeting. This authorisation is granted for eighteen (18) months from the date of this General Meeting, and cancels and replaces, for any unused amounts, any prior authorisation with the same purpose.

TWELFTH RESOLUTION
(Authorisation granted to the Executive Board to proceed
with a share capital increase reserved for Company
employees, in accordance with the provisions of Article
L.225-129-6 of the French 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, proposes, in application of the provisions of Article L. 225-129-6 of the French Commercial Code, to reserve for Company employees who are members of a Company Savings Scheme a share capital increase through the issue of shares for cash, under the conditions provided for in Article L.3332-18 of the French Labour Code.

Accordingly, the General Meeting:

- Would authorise the Executive Board to proceed, within a maximum of 26 months from the General Meeting, with a capital increase for a nominal maximum amount of one hundred thousand euros (€100,000) on in one or more transactions, through the issue of shares for cash reserved for Company employees belonging to a Company Savings Scheme, carried out in accordance with the provisions of Article L.3332-18 of the French Labour Code,
- Would decide as a result to cancel, in favour of the Company's employees, the preferential subscription right of shareholders to said new shares,
- Would decide that the beneficiaries of the authorised capital increases, will be members of a Savings Scheme of the Company or of affiliated companies within the meaning of Article L.225-180 of the French Commercial Code and who also satisfy any conditions that may be set by the Executive Board,
- Would decide that the price of the shares subscribed to by the beneficiaries specified above, in application of this delegation, may neither exceed the average of the initial prices of the share listed during the 20 stock exchange trading days preceding the Executive Board's decision setting the subscription opening date, nor be more than 20% below this average or more than 30% when the vesting period provided for by the scheme pursuant to Article L.3332-19 of the French Labour Code is equal to or more than ten years.

The General Meeting would grant all necessary powers to the Executive Board to implement this delegation and proceed with the share capital increase and to this end:

- Set the conditions that must be met by the beneficiaries of the new shares resulting from the capital increases, which are the purpose of this resolution,
- Determine the number of new shares to be issued and their dividend entitlement date, the amount to be issued, the issue price, and the dates and terms and conditions of each issue,
- Determine, within the limits defined by law, the terms and conditions under which the new shares are to be issued as well as the deadlines granted to employees to exercise their rights and the time limits and conditions under which the new shares are to be paid up,
- Record the completion of the capital increase to reflect the amount of the shares subscribed and amend the Articles of Association accordingly,
- Complete all the operations and formalities made necessary by the capital increase.

THIRTEENTH RESOLUTION
(Amendment to Article 13-II of the Articles of Association)

The General Meeting, acting under the quorum and majority conditions required for extraordinary general meetings, has decided, in accordance with Article 23 of the Company Articles of Association, and in compliance with the provisions of Article L.225-75 paragraph 1 of the French Commercial Code, to amend Article 13, II of the Articles of Association, as follows:

"II – The term of office of members of the Supervisory Board is freely determined by the Ordinary General Meeting, up to a maximum of six (6) years."

FOURTEENTH RESOLUTION
(Amendment to Article 13-IV of the Articles of Association)

The General Meeting, acting under the quorum and majority conditions required for extraordinary general meetings, has decided, in accordance with Article 23 of the Company Articles of Association, and in compliance with the provisions of Article L.225-70 of the French Commercial Code, to amend Article 13, IV of the Articles of Association, as follows:

"IV – The age limit for members of the Supervisory Board is set at one hundred (100) years. From this date, the duties of the party concerned cease automatically and they are deemed to have resigned.

No more than one third of the members of the Supervisory Board in office may be over the age of eighty (80)."

2. MANAGEMENT BODIES

Supervisory Board

Yvon Gattaz	Chairman of the Supervisory Board
Bruno Gattaz	Vice-Chairman of the Supervisory Board
Roselyne Gattaz	Member of the Supervisory Board
Didier Lombard	Member of the Supervisory Board
Marc Ventre	Member of the Supervisory Board
Alicia Gattaz	Member of the Supervisory Board
Mathieu Gattaz	Member of the Supervisory Board

Executive Board

Pierre Gattaz	Chairman of the Executive Board
Dominique Buttin	Chief Operating Officer and member of the Executive Board
Guy de Royer	Executive Vice-President – Chief Financial Officer and member of the Executive Board

Executive and Strategic Committee

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

Principal Statutory Auditors

MAZARS

Exaltis - 61 rue Henri Regnault
92 075 La Défense Cedex

FIDUS

12, rue de Ponthieu
75008 Paris

Alternate Statutory Auditor:

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 2014:

- [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: Thursday 17 December 1993.

Current term of office expires: 2018.

- Also Vice-Chairman of the Supervisory Board of Hodiall.

- [Roselyne Gattaz](#)

Member of the Supervisory Board

Date of first appointment: Thursday 16 May 2006.

Current term of office expires: 2018.

- Also member of the Supervisory Board of Hodiall.

- [Alicia Gattaz](#)

Member of the Supervisory Board

Date of first appointment: Thursday 20 May 2014.

Current term of office expires: 2020.

- [Mathieu Gattaz](#)

Member of the Supervisory Board

Date of first appointment: Thursday 20 May 2014.

Current term of office expires: 2020.

- [Marc Ventre](#)

Member of the Supervisory Board

Date of first appointment: Thursday 07 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 and Ecole Centrale de Paris.

- [Didier Lombard](#)

Member of the Supervisory Board

Date of first appointment: Thursday 20 May 2003.

Current term of office expires: 2015.

- Also Chairman of the Board of Directors of Technicolor and Vice Chairman of the Supervisory Board of STMicroelectronics since June 2014.

- [Pierre Gattaz](#)

Chairman of the Executive Board

Date of first appointment: Thursday 04 January 1994.

Current term of office expires: 2018.

- Also, in France, Chairman of the Executive Board of Hodiall and member of the Board of Directors of Raydiall, and Manager of Société d'Investissement Radiall.

- In Asia, Director of Radiall India Private Limited.

- [Dominique Buttin](#)

Chief Operating Officer and member of the Executive Board

Date of first appointment: 12 December 2012

Current term of office expires: 2019

- In France, also Chairman of IDMM.

- In Europe, also Director of Radiall Aktiebolag.

- In Asia, Director of Radiall Electronics Asia Ltd., Shanghai Radiall Electronics Co. Ltd. and Radiall India Private Limited.

In the Americas, Chairman of the Board of Directors of Radiall USA Inc. and Chairman of Radiall America Inc.

- [Guy de Royer](#)

Member of the Executive Board

Date of first appointment: 17 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 and Radiall Ltd, and Manager of Radiall GmbH.

- In Asia, Director of Radiall India Private Limited, Nihon Radiall KK, Radiall Electronics Asia Ltd., Radiall International Ltd and Shanghai Radiall Electronics Co. Ltd.

- In the Americas, Chairman of the Board of Directors of Radiall America Inc. and Chairman of Radiall America Inc.

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

	FY 2014	FY 2013
Pierre Gattaz (Chairman of the Executive Board)		
Remuneration due in respect of the financial year	496,705	458,570
Value of options granted during the financial year	No options allocated in 2014	No options allocated in 2013
Value of performance shares granted during the financial year	No performance shares allocated in 2014	No performance shares allocated in 2013
TOTAL	496,705	458,570
Dominique Buttin (Member of the Executive Board)		
Remuneration due in respect of the financial year	368,763	287,241
Value of options granted during the financial year	No options allocated in 2014	No options allocated in 2013
Value of performance shares granted during the financial year	No performance shares allocated in 2014	No performance shares allocated in 2013
TOTAL	368,763	287,241
Guy de Royer (Member of the Executive Board)		
Remuneration due in respect of the financial year	272,452	226,734
Value of options granted during the financial year	No options allocated in 2014	No options allocated in 2013
Value of performance shares granted during the financial year	No performance shares allocated in 2014	No performance shares allocated in 2013
TOTAL	272,452	226,734

Executive corporate officers at 31 December 2014	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 2014 financial statements		X*	X			X		X
Dominique BUTTIN Chief Executive Officer 18/07/2013 AGM 2014 financial statements	X		X			X		X
Guy de ROYER Chief Financial Officer 20/04/2012 AGM 2014 financial statements	X		X			X		X

* Pierre Gattaz's compensation is exclusively related to his duties as corporate officer within Hodiall and Radiall

** Additional pension pursuant to Article 83 of the French General Tax Code

➤ Breakdown of the gross remuneration (including benefits in kind) paid during 2013 and 2014 to corporate officers by Radiall, its subsidiaries or its controlling companies:

Summary table of each corporate officer's remuneration *

	FY 2013		FY 2014	
	Amounts owed	Amounts paid	Amounts owed	Amounts paid
Pierre Gattaz Chairman of the Executive Board				
Fixed remuneration	318,230	318,230	326,259	326,259
Variable remuneration	134,640	102,162	164,935	134,640
Bonus remuneration				
Director's fees				
Benefits in kind	5,700	5,700	5,511	5,511
TOTAL	458,570	426,092	496,705	466,410
Dominique Buttin Member of the Executive Board and Chief Executive Officer				
Fixed remuneration	216,411	216,411	222,541	222,541
Variable remuneration	68,436	38,983	143,306	68,436
Bonus remuneration				
Director's fees				
Benefits in kind	2,394	2,394	2,916	2,916
TOTAL	287,241	257,788	368,763	293,893
Guy de Royer Member of the Executive Board and Chief Financial Officer				
Fixed remuneration	179,188	179,188	181,263	181,263
Variable remuneration	45,218	31,672	88,861	45,261
Bonus remuneration				
Director's fees				
Benefits in kind	2,328	2,328	2,328	2,328
TOTAL	226,734	213,188	272,452	228,852

* For their term of office.

The variable part of the remuneration paid to the members of the Executive Board in March 2015 corresponded to the personalised targets relating to the collective and individual results achieved during the 2014 financial year (growth, profitability, operational excellence, etc.).

Attendance fees and other remuneration received by non-executive corporate officers

Non-executive corporate officers	Amounts paid during the financial year 2013	Amounts paid during the financial year 2014
Yvon Gattaz		
Attendance fees	5,000	5,400
Other remuneration *	117,657	121,301
Bruno Gattaz		
Attendance fees	5,000	5,400
Other remuneration *		
Roselyne Gattaz		
Attendance fees	5,000	5,400
Other remuneration *		
Didier Lombard		
Attendance fees	8,000	8,900
Other remuneration *		
Marc Ventre		
Attendance fees	8,500	8,900
Other remuneration *		

* Compensation for the position of Chairman of the Supervisory Board of Radiall.

➤ **Table of financial delegations granted to the Executive Board by the General Meeting of 20 May 2014**

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 20 May 2014	Resolution n°6	Authorisation granted to the Executive Board to purchase or sell Radiall shares, as part of the implementation of a share buyback programme.	10% of the total number of Radiall shares on the date of the transaction.	18 months	Nil
Combined General Meeting of 20 May 2014	Resolution n°11	Authorisation granted to the Executive Board to reduce the share capital through cancellation, on one or more occasions, of all or part of Radiall shares, and to carry out share capital reductions resulting from the cancellation transactions.	10% of the total number of Radiall shares on the date of the transaction, for a period of 24 months.	18 months	Nil

4. EXECUTIVE BOARD SPECIAL REPORT ON SHARE WARRANTS

In accordance with the provisions of Article L. 225-184 of the Commercial Code providing for the allocation of share subscription options for the benefit of employees and executives, we inform you that, during the 2014 financial year, the Executive Board did not grant any share warrants.

5. EXECUTIVE BOARD SPECIAL REPORT ON SHARE TRANSACTIONS BY EXECUTIVES

In accordance with the provisions of Article L. 621-18-2 of the Monetary and Financial Code regarding corporate shares and Article 222-14 of the AMF Regulations, we inform you that, during the 2014 financial year, no share transactions were carried out by executives.

area offices local contacts

**Our Most
Important
Connection
is with You.™**

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

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Also Represented In...

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