2017 ANNUAL FINANCIAL REPORT

CONTENTS

MVG Microwave Vision Group

A. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

CONTENTS

1. Statement of financial position

ASSETS *(In thousands of euros)*	12/31/2017	12/31/2016	Note
Goodwill	13,531	13,531	10.1
Intangible fixed assets	830	759	10.2
Tangible fixed assets	10,616	10,618	10.3
Other non-current financial assets	1,002	663	10.4
Deferred tax assets	3,221	4,041	10.12
Other long-term assets	49	87	10.5
NON-CURRENT ASSETS	**29,247**	**29,700**	**-**
Inventories	10,526	10,366	10.6
Trade receivables and related accounts	28,751	30,800	10.7
Current tax receivables	2,979	2,725	10.8
Other current assets	2,295	2,806	10.7
Cash and cash equivalents	25,236	26,655	10.9
CURRENT ASSETS	**69,787**	**73,351**	**-**
TOTAL ASSETS	**99,034**	**103,051**	**-**

LIABILITIES *(In thousands of euros)*	12/31/2017	12/31/2016	Note
Capital	1,256	1,256	-
Premiums	52,485	52,485	-
Reserves	13,454	12,562	-
Currency translation adjustments	<367>	223	-
Consolidated profit (loss)	1,343	1,044	-
EQUITY CAPITAL (GROUP SHARE)	**68,171**	**67,570**	**5**
NON-CONTROLLING INTERESTS	**1,629**	**2,849**	**5**
TOTAL EQUITY CAPITAL	**69,800**	**70,420**	**-**
Long-term financial debts	4,735	5,657	10.13
Commitments to staff	896	793	10.11
NON-CURRENT LIABILITIES	**5,631**	**6,450**	**-**
Short-term financial debts	924	3,080	10.13
Current provisions	752	791	10.11
Trade payables and related accounts	11,131	10,486	10.14
Current tax liabilities	409	476	-
Other current liabilities	10,389	11,348	10.14
CURRENT LIABILITIES	**23,604**	**26,181**	**-**
TOTAL LIABILITIES	**99,034**	**103,051**	**-**

2. Statement of comprehensive income

NET INCOME *(in thousands of euros)*	12/31/2017	12/31/2016	Note
Revenue	71,072	66,019	10.17
Other income from operations	-	-	-
INCOME FROM ORDINARY OPERATIONS	**71,072**	**66,019**	**-**
Purchases consumed	<26,204>	<24,511>	10.18
External expenses	<12,681>	<11,891>	10.19
Payroll expenses	<23,653>	<22,445>	10.20
Taxes	<367>	<443>	-
Other current operating income and expenses	<366>	<478>	-
CURRENT OPERATING INCOME BEFORE ALLOCATIONS TO AMORTIZATION AND DEPRECIATION	**7,801**	**6,250**	**-**
Allocations to amortization, depreciation, and impairments, net of writebacks	<3,395>	<2,533>	10.21
RECURRING NET OPERATING INCOME	**4,405**	**3,718**	10.22
Other non-current operating income and expenses	<152>	<1,715>	10.23
NET OPERATING INCOME	**4,253**	**2,003**	**-**
Income from cash and cash equivalents	172	40	10.24
Gross finance costs	<591>	<672>	10.24
NET FINANCE COSTS	**<419>**	**<632>**	10.24
Other financial income and expenses	<1,602>	166	10.24
NET FINANCIAL INCOME	**<2,022>**	**<465>**	**-**
NET INCOME BEFORE TAXES	**2,232**	**1,537**	**-**
Income tax	<1,580>	<1,374>	10.25
NET INCOME OF CONSOLIDATED COMPANIES	**652**	**163**	**-**
NET INCOME FOR THE PERIOD	**652**	**163**	**-**
Net income - Group share	1,343	1,044	-
Net income - Non-controlling interests	<691>	<881>	-

2.1/ Earnings per share

The earnings per share, presented below, are calculated using the net income - Group share, in the manner described below:

- the base earnings per share are determined based on the average weighted number of shares outstanding during the period calculated according to the collection date of funds coming from cash capital increases and the first consolidation date for capital increases carried out as remuneration of external contributions of securities of new consolidated companies;
- the diluted earnings per share are calculated by adjusting the Group share of the net income and the weighted average number of shares outstanding for the dilutive effect of the exercise of share subscription warrants open at closing of the fiscal year. The share redemption method is applied to the market price based on the annual average price of the share.

NET INCOME PER SHARE *(in thousands of euros)*	12/31/2017	12/31/2016
NET INCOME ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**1,343**	**1,044**
Weighted average number of shares outstanding	6,282,166	6,282,166
BASE EARNINGS PER SHARE	**0.21**	**0.17**

DILUTED EARNINGS PER SHARE *(in thousands of euros)*	12/31/2017	12/31/2016
NET INCOME ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**1,343**	**1,044**
Weighted average number of shares outstanding	6,282,166	6,282,166
Weighted average number of securities retained in respect of dilutive items	310,000	318,000
Weighted average number for the calculation of the diluted net profit per share	6,592,166	6,600,166
DILUTED EARNINGS PER SHARE	**0.20**	**0.16**

The only dilutive instruments are the share subscription warrants presented in note 10.10.

3. Statement of the other elements of the comprehensive income

NET INCOME *(in thousands of euros)*	12/31/2017	12/31/2016
NET INCOME FOR THE PERIOD	**652**	**163**
Actuarial gains and losses on the defined-benefit plans	<2>	<51>
Taxes	1	17
Currency translation adjustments	<1,328>	86
TOTAL OF THE OTHER ELEMENTS OF THE COMPREHENSIVE INCOME	**<1,329>**	**52**
COMPREHENSIVE INCOME	**<677>**	**215**
Comprehensive income - Group share	544	1,026
Comprehensive income - Minority interests	<1,221>	<866>

4. Financing table by analysis of cash flows

CASH FLOW TABLE *(in thousands of euros)*	12/31/2017	12/31/2016
Group share of net income	1,343	1,044
Minority interests share of net income	<691>	<881>
Net income (including minority interests)	**652**	**163**
Net allocations to depreciation, amortization, and provisions	2,911	2,670
Disposal gains and losses	55	<1>
Self-financing capacity after net finance costs and taxes	**3,618**	**2,832**
Net finance costs	591	672
Tax expense (including deferred taxes)	1,580	1,374
Self-financing capacity before net finance costs and taxes	**5,789**	**4,878**
Taxes paid	<1,620>	<879>
Change in WCR related to operations	1,482	681
CASH FLOW GENERATED BY OPERATIONS	**5,650**	**4,679**
INVESTMENT ACTIVITIES		
Disbursements related to tangible and intangible fixed asset acquisition	<2,751>	<3,601>
Proceeds from sales of tangible and intangible fixed assets	8	30
Disbursements related to acquisitions of non-current financial assets	<299>	<36>
Disbursements related to sales of non-current financial assets	3	9
CASH FLOW RELATED TO INVESTMENT ACTIVITIES	**<3,040>**	**<3,599>**
FINANCING ACTIVITIES		
Collections related to new debt	-	64
Loan repayments	<1,154>	<1,350>
Net financial interest paid	<594>	<685>
CASH FLOW RELATED TO FINANCING ACTIVITIES	**<1,748>**	**<1,971>**
CHANGES IN CASH POSITION	**862**	**<892>**
Impacts of changes in exchange rates	<512>	91
OPENING CASH POSITION	**24,886**	**25,678**
CLOSING CASH POSITION	**25,236**	**24,886**

5. Change in equity capital – Group Share

(In thousands of euros)	Capital	Reserves	Treasury shares	Net income for the period	Equity capital - Group share	Non-controlling interests	Equity capital of the consolidated whole
EQUITY CAPITAL AT DECEMBER 31, 2015	**1,256**	**66,059**	**<904>**	**<72>**	**66,340**	**3,715**	**70,055**
Appropriation of profit or loss	-	<72>	-	72	-	-	-
Redemption of treasury shares	-	-	150	-	150	-	150
Currency translation adjustments	-	71	-	-	71	15	86
Net income for the period	-	-	-	1,044	1,044	<881>	163
Adjustments of N-1 net profit (loss)	-	-	-	-	-	-	-
Other changes	-	<34>	-	-	<34>	-	<34>
EQUITY CAPITAL AS OF DECEMBER 31, 2016	**1,256**	**66,024**	**<754>**	**1,044**	**67,571**	**2,849**	**70,420**
Appropriation of profit or loss	-	1,044	-	<1,044>	-	-	-
Treasury shares	-	<47>	104	-	56	-	56
Currency translation adjustments	-	<798>	-	-	<798>	<530>	<1,328>
Net income for the period	-	-	-	1,343	1,343	<691>	652
Other changes	-	-	-	-	-	-	-
EQUITY CAPITAL AS OF DECEMBER 31, 2017	**1,256**	**66,222**	**<650>**	**1,343**	**68,171**	**1,628**	**69,799**

Note: The currency translation adjustments primarily correspond to the effect of USD/EUR exchange rates.

6. Main accounting methods

6.1/ Declaration of compliance

Pursuant to European Regulation no. 1606/2002 of July 19, 2002, consolidated financial statements published for financial year ended December 31, 2017 are drafted in accordance with the international accounting standards set out by the IASB (International Accounting Standards Board), as adopted in the European Union.

6.2/ Judgments and estimates

In preparing its financial statements, the Group must make estimates and assumptions that affect the book value of certain assets and liabilities, revenues and expenses, as well as information contained in the notes. The Group regularly reviews its estimates and assessments to take into account past experience and other factors deemed relevant in light of economic conditions. The amounts appearing in future financial statements may differ from these estimates as a result of changes in assumptions or circumstances.

Information about the main assumptions relating to the estimates and judgments made in applying the accounting methods with a significant effect on the amounts recognized in the financial statements are described in the following notes:

- impairment of intangible assets (note 6.7)
- estimated recoverable value of capitalized loss carry-forwards (note 6.20)
- estimated recoverable value of inventories (note 6.10)
- estimation of pension obligations (notes 6.15 and 10.11)

6.3/ Preparation of the financial statements

The preparation of financial statements according to IFRS requires Management to make judgments, estimates, and assumptions that have an effect on the application of the accounting methods and the amounts of the assets, liabilities, income, and expenses. Actual values may differ from estimated values.

New texts adopted by the European Union applicable as of December 31, 2017

The new standards or amended standards and interpretation of the following standards were applied to the financial statements ended December 31, 2017.

New texts adopted by the European Union applicable in advance as of December 31, 2017

The Group has studied the impact of these new standards in these future consolidated financial statements. As of December 31, 2017, the Group has not opted to apply these text in advance:

- IFRS 15 – Revenue from Contracts with Customers.
  IFRS 15 establishes the principles for recognizing revenue from contracts with customers. It replaces the previous standards and interpretations regarding the revenue recognition.

The standard introduces a unique five-step model to determine the performance obligations of contracts and thus the timing and amount of income to be recognized under the contract. It provides guidance for licenses in particular and specific provisions regarding capitalization methods for the costs of obtaining or performing a contract that are not addressed by other standards. The standard requires the publication of new qualitative and quantitative information in annex.

The Group plans to apply IFRS 15 to its consolidated financial statements starting January 1, 2018 using the modified retrospective method. According to this method, the effect of the first application of the standard will be recognized in the equity as of January 1, 2018 without restatement of comparative periods.

The Group has analyzed the impact of the first application of the standard. This adoption will include an update of its rules and accounting policies concerning revenue recognition and possible adaptations to the management system in order to capture the entries necessary for its implementation and to prepare the information required for the annexes to the financial statements.

IFRS 15 will entail a more detailed identification of Microwave Vision's various performance or delivery obligations under customer contracts and a specific analysis of the nature of the rights granted under licensing agreements. Consequently, the application of IFRS 15 may have the effect of changing the revenue recognition date of certain contracts.

The main identified effects concern contracts involving licenses and/or specific developments for which part of the revenue for fiscal years 2015 to 2017 may be:

- shifted to future periods for performance obligations associated with licenses granting user rights to intellectual property rights that have not yet been marketed or used by the beneficiary of the license; or
- spread out over the period of the agreement for performance obligations associated with licenses granting a right of use to beneficiaries or that concern specific developments that cannot be disassociated from such a license in the absence of a specific functionality.

Based on current work, the Group does not expect any major impact on the reading of the presented financial statements.

- **IFRS 9 - Financial Instruments.**

The standard replaces standard IAS 39 "Financial Instruments: Recognition and Measurement" and addresses the classification and valuation as well as impairment and hedge accounting of financial assets and liabilities. The new standard is applicable as of January 1, 2018. Early application is authorized.

The Group plans to apply IFRS 9 to its consolidated financial statements starting January 1, 2018.

New standards and interpretations that have not yet been adopted in Europe but may be applied in advance as of December 31, 2017:

- **IAS 12 addresses the accounting and valuation of deferred tax assets or liabilities.**

The published amendments are intended to clarify the provisions concerning the accounting of deferred tax assets related to debt instruments valued at fair value in order to address the diversity of practices,

Assuming that they are adopted by the European Union, these amendments apply starting January 1, 2017.

IFRIC 23 clarifies the application of the provisions of IAS 12 "Income Tax" with respect to recognition and measurement when there is an uncertainty as to the treatment of the income tax.

Assuming that it is adopted by the European Union, IFRIC 23 applies starting January 1, 2019.

The standards, amended standards, and interpretations adopted by IASB or IFRIC but not yet adopted by the European Union as of December 31, 2017 have not been applied in advance.

- **IFRS 16 - Leases**
  This standard represents a major change in the recognition of leases and provides a unique recognition model for lessees that requires lessees to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
  Application of IFRS 16 is mandatory as of January 1, 2019. The Group is not planning to apply the standard in advance, but has identified its leases and intends to carry out an evaluation phase in 2018.

6.4/ Consolidation principles

The consolidated financial statements include the financial statements of Microwave Vision S.A., the Group's parent company, and its direct and indirect subsidiaries at December 31, 2017. A subsidiary (including ad-hoc entities) is an entity controlled by the Group. The Group controls a subsidiary when it is exposed or it is entitled to variable yields because of its ties with the entity and it has the ability to influence these yields because of the power that it holds over it.

To assess control, current or potential exercisable voting rights are taken into consideration.

Full consolidation

Subsidiaries are fully consolidated from the date when control is obtained until the date when this control ceases. The financial statements of subsidiaries are prepared for the period corresponding the period of the financial year of presentation of the Group's consolidated financial statements using uniform accounting methods. All assets and liabilities, unrealized losses and gains, income and expenses, dividends, and other transactions resulting from intra-group transactions are eliminated during the preparation of the consolidated financial statements.

A change in a subsidiary's holding percentage, without loss of control, is recognized as an equity transaction. When the Group loses control of a subsidiary, it derecognizes the assets and liabilities as well as any controlling interest and other elements of equity relating to that subsidiary. Any profit or loss resulting from the loss of control is recognized in net income. Any interest retained in the former subsidiary is measured at its fair value at the date of loss of control.

Non-controlling interests

Non-controlling interests are valued in proportion to the identifiable net assets of the acquired company at the acquisition date.

Interests in equity-method companies

The Group's interests in equity-method companies include interests in associates and a joint venture. Associates are entities in which the Group has a significant influence over the financial and operating policies without having control or joint control. The Group's interests in associates and the joint venture are recognized according to the equity method. They are initially recognized at cost, which includes transaction costs. After initial recognition, the consolidated financial statements include the Group's share in net income and other comprehensive income of equity-method entities until the date when significant influence or joint control ends.

6.5/ Translation of transactions into foreign currencies

The transactions included in the financial statements of each of the Group's entities are valued using the currency of the economic environment in which the entity operates (functional currency). The Group's functional currency and the reporting currency of its financial statements are the euro.

The conversion rates for the major currencies used in the Group for the 12-month periods ended on December 31, 2017 and December 31, 2016 are as follows:

Closing rate	12/31/2017	12/31/2016	Average rate	12/31/2017	12/31/2016
Pound Sterling	1.1271	1.1680	Pound Sterling	1.1414	1.2212
Hong Kong dollar	0.1067	0.1223	Hong Kong dollar	0.1136	0.1164
Yen	0.0074	0.0081	Yen	0.0079	0.0083
Chinese yuan	0.1281	-	Chinese yuan	0.1311	-
US dollar	0.8338	0.9487	US dollar	0.8855	0.9037

6.6/ Presentation of the statement of financial position

The statement of financial position presents the Group's assets and liabilities on the basis of their current or non-current nature. An asset or liability is considered current if the Group expects to realize this asset or settle this liability within 12 months following the closing date of the financial year.

6.7/ Intangible fixed assets and Goodwill

Acquisitions completed from January 1, 2010

Business combinations completed since January 1, 2010, are recognized according to the acquisition method. The cost of an acquisition is determined as the fair value of the consideration transferred at the acquisition date, plus non-controlling interests in the acquired entity. For each acquisition, the Group assesses the value of non-controlling interests, either at their fair value or at their share in the identifiable net assets. Expenses related to the acquisition are recognized in expenses.

Conditional consideration is recognized at fair value at the acquisition date. Subsequent changes in the fair value of conditional counterparty, classified as assets or debts, are recognized in profit or loss.

At the acquisition date, the surplus between the transferred consideration plus non-controlling interests and the fair value of the acquired net assets is recognized in goodwill.

Goodwill is then valued at its cost, minus accumulated impairments. It is assigned to cash-generating units and is not amortized but undergoes an impairment test every year and each time there is an indication that the cash-generating unit has lost value.

If the goodwill has been assigned to a cash-generating unit (or group of cash-generating units) and if an activity within this unit is disposed, the goodwill related to the disposed activity is included in the book value of the activity during the determination of the earnings from disposal. The disposed goodwill is valued on the basis of the relative values of the disposed activity and the share of the cash-generating unit retained.

Acquisitions completed before January 1, 2010

The main differences in treatment of acquisitions completed before January 1, 2010, compared with the above principles, concern the following provisions:

- the acquisitions-related expenses were integrated into the acquisition cost when calculating the goodwill,
- non-controlling interests (previously referred to as minority interests) were valued at their share of net assets of the acquired entity, and conditional consideration was recorded during acquisition only when it corresponded to an actual obligation of the Group, if it was likely that it would result in outflows of resources and if it could be estimated with sufficient reliability. Subsequent adjustments of conditional counterparty were recognized in goodwill.

Research and development expenses

Expenditures incurred during the research phase are recognized in expenses for the period during which they are incurred.

Expenditures incurred during the development phase are capitalized in intangible financial assets only if they meet all of the following criteria in accordance with IAS 38 Intangible Assets: (a) technical feasibility necessary for completion of the development project,

(b) intention of the Group to complete the project, (c) ability of the project to use this intangible asset, (d) demonstration of the likelihood of future economic benefits attached to the assets, (e) availability of technical, financial, and other resources in order to complete the project, and (f) reliable valuation of the expenditures incurred. In this case, development expenses are amortized over an estimated useful life not exceeding three years from the date of initial marketing of the products or services.

Given the large number of development projects and the difficulty in identifying cross-spending by project, the Group considers the capitalization criteria not to be met.

Expenses incurred for fiscal year 2017 amount to €5,366 k.

Other intangible fixed assets

Software, patents, and licenses acquired as part of ongoing activity are recognized in intangible fixed assets.

Amortization/Depreciation

Amortization is recognized in expenses according to the straight-line method over the estimated useful life of the intangible asset unless this useful life is indefinite. Goodwill and intangible assets with an indefinite useful life undergo a systematic impairment test at least at each closing date. The useful life of an intangible fixed asset with an indefinite useful life is reviewed each year in order to determine whether the assessment of an indefinite useful life for this asset continues to be justified.

Otherwise, the change in assessment of the nature of the useful life, from indefinite to definite, is recognized prospectively. Other intangible assets are amortized from the date on which they are ready to be commissioned. The estimated useful lives for software, patents, and licenses are from three to five years on a straight-line basis, with the exception of the SAP software, for which the useful life was increased to six years in 2014.

6.8/ Tangible fixed assets

Freehold assets

A tangible fixed asset is valued at its cost minus accumulated depreciation (see below) and impairment losses.

When components of tangible fixed assets have different useful lives, they are recognized as distinct tangible fixed assets.

Leased assets

Lease agreements that effectively transfer to the Group almost all the risks and benefits inherent to ownership of an asset are classified as finance leases. Other lease agreements are classified as operating leases.

Assets acquired under a finance lease agreement are recognized for an amount equal to the fair value of the leased asset or, if the fair value is lower, the discounted value of the minimum lease payments at the beginning of the contract, minus accumulated depreciation (see below) and impairment losses. Minimum lease payments are distributed between finance charge and the reduction of the debt remaining due. The finance charge is allocated for each period during the lease period so as to obtain a constant periodic interest rate on the balance of the debt. Disposal gains resulting from sale and leaseback transactions involving tangible fixed assets are recognized fully at the time of the sale when the lease agreement is an operating lease and the transaction is carried out at fair value. They are spread out on a straight-line basis over the lease term in the case of a finance lease agreement.

Assets held under a finance lease agreement are depreciated over their expected useful life in the same way as owned fixed assets or, if it is shorter, over the term of the lease agreement.

Payments made under operating leases are recognized on the income statement on a straight-line basis over the term of the lease agreement. Premiums and benefits received upon entering into the lease agreement are recognized in profit or loss on a straight-line basis as being a full part of the lease expense.

Amortization/Depreciation

Depreciation is recognized in expenses on a straight-line basis over the estimated useful life for each component of a tangible fixed asset.

Land is not depreciated.

The estimated useful lives are as follows:

Fixed assets	Duration	Method
Fixtures and technical installations	5 to 10 years	Straight-line
Industrial equipment	3 to 7 years	Straight-line
Office equipment, computer equipment, and furniture	3 to 10 years	Straight-line

The Group has not retained any residual value for these assets. Industrial assets are intended to be used until the end of their useful life and are not intended to be sold.

6.9/ Impairment

The book value of the Group's assets, other than inventories, trade and other receivables, and deferred tax assets, is examined at each closing date in order to assess whether there is any indication that an asset has suffered a loss of value. If there is such an indication, the asset's recoverable value is estimated according to the method described below.

The recoverable value of intangible assets with an indefinite useful life and intangible assets that are not yet commissioned is estimated annually and as soon as an indication of an impairment loss appears.

Goodwill is tested for impairment whenever circumstances indicate that impairment may have occurred and in all cases at least once a year. Such circumstances include significant, unfavorable changes of a permanent nature in the economic environment or assumptions and objectives set forth during the acquisition.

An impairment loss is recognized if the book value of an asset or its cash-generating unit is greater than its recoverable value. Impairment losses are recognized on the income statement (in “Other expenses”).

An impairment loss recognized for a cash-generating unit is first allocated to the reduction of the book value of any goodwill assigned to this cash-generating unit (or this group of units), then to the reduction of the book value of the other assets of the unit (or group of units) in proportion to the book value of each asset of the unit.

Calculation of recoverable value

The recoverable value of investments held by the Group to maturity and receivables recognized at their amortized cost is equal to the value of estimated future cash flows, discounted at the initial effective interest rate of the financial assets (i.e., at the effective interest rate calculated at the initial recognition) when the effect is significant.

The recoverable value of other assets is the higher value between the fair value minus disposal costs and their value in use. In order to assess the useful value, future estimated cash flows are discounted at the rate before tax, which reflects the market's current assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable value is determined for the cash-generating unit to which the asset belongs. The Group performs goodwill impairment tests at the cash-generating unit level, which represents the lowest level of the entity at which the transactions are managed, in order to assess the return on investment.

Writeback of impairment loss

An impairment loss, observed on loans and receivables or investments held to maturity recognized at their amortized cost, is written back if the increase in the recoverable value can be objectively linked to an event occurring after the recognition of the impairment.

Goodwill impairment losses are irreversible.

An impairment loss recognized for another asset is written back if there has been a change in the estimations used to determine the recoverable value.

The book value of an asset, increased due to a writeback of an impairment loss, must not higher than the book value that would have been determined, net of depreciation, if no impairment loss had been recognized.

6.10/ Inventories

Inventories of raw materials, merchandise, and other supplies are valued at standard cost.

Manufactured products are valued at production cost. It excludes the cost of the sub-activity and financial expenses.

Where appropriate, they are impaired when the realizable value falls below the book value.

6.11/ Financial assets

Non-current financial assets

Non-current financial assets mainly include security deposits made as part of the activity.

Held-for-trading financial assets

Financial instruments held for trading mainly include marketable securities and are measured at fair value, with the corresponding gains and losses recognized in profit or loss.

The fair value of financial instruments held for trading is the market selling price at the balance sheet date, and any resulting change is recognized in profit or loss.

Trade and other receivables

The trade and other receivables are valued at their fair value during initial recognition.

Impairment losses are recognized in profit or loss for the estimated amounts considered unrecoverable, when there are objective indications that the asset has lost value. The factors taken into account to identify these potential impairment losses are mainly the proven financial difficulties of a debtor or late payments.

Cash and cash equivalents

Cash and cash equivalents include short-term investments (investment period generally less than or equal to three months) that are highly liquid (disposal possible at any time without impact on the net asset value) and are easily convertible into a known amount of cash and subject to an insignificant risk of change in value (having in particular a history evidencing the regularity of the growth of their performance).

Derivatives

The Group does not use derivatives to manage and operationally hedge the risks of changes in exchange rates.

6.12/ Capital

Dividends

Dividends are recognized as debt during the period when the distribution was approved.

Treasury shares

If the Group buys back its own equity instruments, the amount of consideration paid, including any directly attributable costs, is recognized as a decrease in equity capital. The shares bought back are classified as treasury shares in the reserve for treasury shares. When treasury shares are sold or reissued, the amount received is recognized as an increase in equity capital, and the positive or negative balance of the transaction is presented as a share premium.

6.13/ Financial debts

Interest-bearing loans

Interest-bearing loans are initially recognized at their fair value minus directly attributable transaction costs, where appropriate. After initial recognition, loans are valued at amortized cost using the effective interest rate method.

Effective interest rate

The effective interest rate is the rate used to exactly discount future cash flows to maturity so as to obtain the net value of the debt at the initial date of recognition. To calculate the effective interest rate of a financial debt, future cash flows are determined on the basis of contractual repayments.

Transaction costs

Transaction costs are marginal costs directly attributable to the establishment of a line of credit. Transaction costs include professional fees and commissions paid to agents and advisers. They do not include the allocation of administrative expenses and headquarters expenses.

With regard to financial debts valued at their amortized cost, transactions costs are included in the calculation of the amortized cost using the effective interest rate and are therefore amortized in profit or loss over the term of the loan in question.

Net financial debts

Net financial debts includes interest-bearing loans and interest payable, net of cash and cash equivalents.

6.14/ Provisions

A provision is recognized on the balance sheet when the Group has a current legal or constructive obligation resulting from a past event for an amount that can be reliably estimated and when it is likely that an outflow of resources representative of the economic benefits will be needed in order to settle the obligation.

When the time value effect is significant, the amount of the provision is determined by discounting the expected future cash flows at the rate reflecting current assessments by the market of the time value of money and, where appropriate, the risks specific to this liability.

Provisions for disputes and litigation

Provisions for disputes and litigation include the estimated costs for risks, disputes, litigation, and claims from third parties.

These provisions also include expenses relating to social and tax litigation. The amount of reassessments according to notifications from the tax authorities is not the subject of a provision if the points in the notification are considered to be unfounded or if there is a satisfactory probability of asserting the soundness of the Group's position in the ongoing dispute with the competent authority.

The share of non-disputed reassessments is recognized in debts as soon as the amount is known.

6.15/ Employee benefits

Pension obligations and similar benefits cover post-employment benefits, which mainly include retirement compensation.

These benefits are characterized in two ways:

- defined-contribution plans that have no future commitment when the employer's legal or constructive obligation is limited to the regular payment of contributions recognized in expenses when they are due;
- defined-benefit plans whereby the employer guarantees a future level of benefits.

The Group's net obligation for post-employment defined-benefit plans, including pension plans, is calculated separately by estimating the amount of future benefits to which employees are entitled for services rendered in the current period and in past periods. This amount is discounted in order to calculate its present value. The discount rate is an index of first-class bonds of industrial and commercial companies of the eurozone with a maturity of more than 10 years. The calculation is annually done by an independent actuary using the projected credit unit method.

The assumptions used for France are as follows:

Salary increase rate:	1% constant
Collective agreement:	Metallurgy
Departure at the initiative of:	Employee
Calculation method:	Prospectively, on a pro-rata basis
Discount rate:	1.29% (0% beyond)
Employee turnover:	5% until 50 years of age
Social security contribution rate:	47%
Retirement age:	67

The commitments in Italy (TFR "Trattamento di fine Rapporto" provision) are defined by law. The calculation bases are as follows:

- an annual contribution equal to 7.7% of gross wages,
- a wage revaluation of 1.8% per year

The liability recognized on the balance sheet for defined-benefit plans represents the discounted value of the obligation for defined-benefit plans at the closing date, adjusted for actuarial gains and losses. When the rights of employees increase (or are reduced) following a change in plan, the share in the increase (or decrease) related to past services rendered by employees is recognized in expenses (income) on a straight-line basis over the remaining average duration of the plans. When the rights are immediately acquired, the expense (income) is immediately recognized on the income statement.

The cost of services for the period and past periods is presented on the income statement in payroll expenses.

Expenses and income related to the discounting of the obligation for defined-benefit plans are presented in financial expenses and income.

Actuarial gains and losses are recognized in other comprehensive income.

6.16/ Revenue

Revenue is taken into account progressively in accordance with IAS 37 relating to construction contracts.

Accrued income (unbilled works) or deferred income is recorded based on estimated total revenue and the degree of progress noted per case (total costs realized at year-end compared with the total cost forecast at the end of the contract) to establish the difference between invoicing and revenue calculated on a progress basis.

The amount of income recognized on contracts completed or in progress is shown on the Revenue line.

When a loss on completion is expected, this loss is recognized through a provision for contingencies net of loss on the progress already recorded.

6.17/ Advertising and promotional expenses

These mainly include expenditures incurred for advertising and promotion to customers or customers. These costs are recognized in expenses for the financial year during which they are incurred, in accordance with the text “Improvements to IFRS” relating to the clarification of the provisions of IAS 38 on advertising expenditures.

6.18/ Other operating income and expenses

Operating income and expenses resulting from abnormal or unusual events are included under “Other operating income and expenses”. In particular, this item includes capital gains and losses from significant or unusual asset disposals, costs of restructuring or integrating acquired companies that are likely to hamper the interpretation of the recurring net income, by their unusual nature and their significance, the costs of cessation of activity, and related expenses of acquisitions in connection with business combinations. These elements are presented separately on the income statement to permit the valuation of the recurring performance of the Microwave Vision S.A. Group.

6.19/ Finance costs

Gross finance costs include interest payable on loans calculated using the effective interest rate method. The interest expense included in payments made under a finance lease agreement is recognized using the effective interest rate method.

Financial income includes interest receivable on investments and income from other dividends. Income from interest is recognized on the income statement when it is acquired according to the effective interest rate.

Other financial expenses include provisions for impairment of financial assets and miscellaneous financial expenses.

6.20/ Income tax

Income tax includes the tax expense (or income) payable and the deferred tax expenses (or income). The tax is recognized in profit or loss unless it relates to items recorded directly in equity capital, in which case it is recognized in equity capital.

The company considers the corporate value added contribution (CVAE) not to be an income tax.

The tax payable is the estimated amount of the tax due for the taxable profit of a period, determined using the tax rates that have been enacted or substantively enacted at the closing date, and any adjustment for the amount of tax payable in relation to previous periods.

The deferred tax is determined using the liability method for all the temporary differences between the book value of the assets and liabilities and their tax bases. The following items do not result in the recognition of deferred tax: goodwill not deductible for tax purposes, temporary differences related to equity interests in subsidiaries as long as they will not be reversed in the foreseeable future, as well as the initial recognition of an asset or liability in a transaction, which is not a business combination and does not affect book profit or taxable profit. The valuation of deferred tax assets and liabilities is based on the Group's assumptions for recovering the book value of assets and liabilities, using the tax rates that have been enacted or substantively enacted at the closing date.

A deferred tax asset is only recognized insofar as it is likely that future taxable profit will be available against which this asset can be applied. Deferred tax assets are reduced to the extent that it is no longer probable that a sufficient taxable profit will be available.

Deferred tax assets and liabilities are offset where there is a right to offset payable tax assets and liabilities and where they pertain to the earnings taxed by the same tax authority and the Group intends to settle the payable tax assets and liabilities on the basis of their net amount.

The calculation of the income tax for the financial year is explained in note 10.23.

6.21/ Subsidies

The Group makes expenditures for research and development and may thus be eligible for a Research Tax Credit. IAS 20 requires companies to allocate public subsidies to the costs, expenses, or assets that they are meant to offset. The research tax credit is equivalent to a public subsidy and is therefore recorded on the "other income" line.

The company also receives the Competitiveness and Employment Tax Credit (CICE). In accordance with IAS 20, this tax credit was recorded as a deduction to payroll expenses.

7. Significant events of the financial year

7.1/ Key achievements

2017 was marked by the opening of an assembly site in Shenzhen, China called MVG China, a direct subsidiary of our subsidiary based in Hong Kong. At this site, the new "Minilab" product is integrated using local mechanical engineering sources and integrating the microwave sub-systems designed and realized at the French subsidiary, Microwave Vision Industries SAS.

As part of its patent enforcement activities, the Microwave Vision S.A. Group signed a strategic intellectual property exchange agreement with the company ETS – Lindgren on 8 March, 2017. This agreement protects both parties' interests and puts a de facto end to the legal proceedings between them in the United States.

Some of our subsidiaries moved their operations: Orbit Advanced Technology, Orbit FR Europe, GmbH, and MVG Industries for the Brest establishment.

MVG Industries, SAS also signed a new lease during fiscal year 2017 and will move in 2018.

7.2/ Post-closing events

As part of the legal simplification project, the Microwave Vision S.A. Group redeemed Orbit/FR securities held by the latter's minority shareholders. This purchase operation was subject to the laws of the State of Delaware (United States) and took the form of a "*Statutory Reverse Merger*," resulting in the buy out in cash of the minority shareholders of Orbit/FR. This operation was carried out in accordance with the terms and conditions of an "*Agreement and Plan of Merger*" dated March 29, 2018 and took effect on April 6, 2018 following filing of a certificate of merger on April 5, 2018 with the State of Delaware. Orbit/FR is now wholly owned by Microwave Vision S.A.

8.Consolidation scope

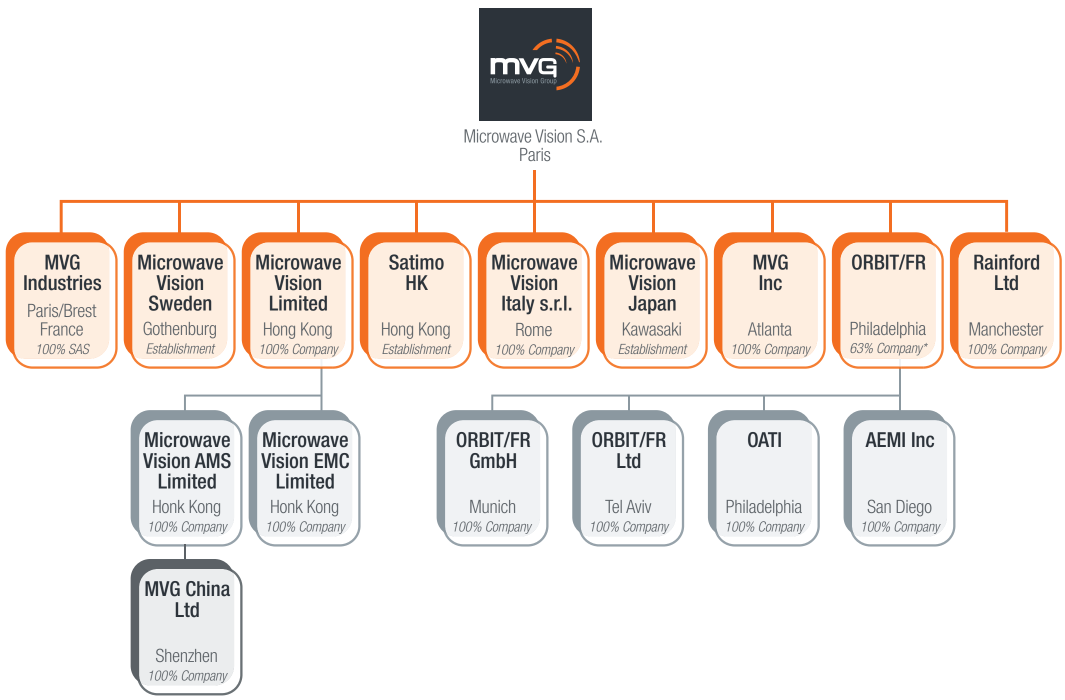
8.1/ Activity

The MVG Group has four business units:

- The business unit AMS *(Antenna Measurement Systems)* focuses on antenna measurement, the Group's historic activity; it presents a diversified offering of products covering the majority of the Research and Development centers' needs regarding wireless communication systems. This equipment is designed for all industries using antennas (space, aircraft, or automobile) and radio communications (operators, R&D departments of mobile phone manufacturers, antenna manufacturers, and control laboratories).
- The business unit EMC *(Electro-Magnetic Compatibility)* focuses on Electromagnetic Compatibility (EMC) tests. This BU offers solutions for testing the aptitude of devices to function in electronic environments and to not produce disturbances.
- The business unit EIC *(Environmental and Industrial Control)* focuses on environmental and industrial control. MVG has developed a complete range of small products for electromagnetic wave level control.
- The prospective business unit linked to R&D NSH *(National Security and Healthcare)* dedicated to medical imaging instruments and security imaging instruments for airports.

8.2/ Organizational chart

The organizational structure of the MVG Group as of December 31, 2017 breaks down as follows:



(*) The Group announced that it was going to buy out the minority interests of its American subsidiary in April 2018

8.3/ List of consolidated companies

The entities included in the scope of consolidation as of 12/31/2017 are presented below:

Entities	Activity	Head office	Consolida-tion method 12/31/2017	Consolida-tion method 12/31/2016	% control as of 12/31/2017	% control as of 12/31/2016	% interest as of 12/31/2017	% interest as of 12/31/2016
MICROWAVE VISION S.A.	Holding / Distribution / Manufacturing	Consolidating entity						
MVG INDUSTRIES	Manufacturing/ R&D	Paris/Brest France	Full Consolidation	Full Consolidation	100.00%	100.00%	100.00%	100.00%
MICROWAVE VISION ITALY S.R.L	Manufacturing/ R&D	Rome, Italy	Full Consolidation	Full Consolidation	100.00%	100.00%	100.00%	100.00%
MVG INC	Distribution / Maintenance	Atlanta USA	Full Consolidation	Full Consolidation	100.00%	100.00%	100.00%	100.00%
MICROWAVE VISION EMC	Distribution / Maintenance	Hong Kong	Full Consolidation	Full Consolidation	100.00%	100.00%	100.00%	100.00%
MICROWAVE VISION AMS	Distribution / Maintenance	Hong Kong	Full Consolidation	Full Consolidation	100.00%	100.00%	100.00%	100.00%
MICROWAVE VISION Limited	Holding company	Hong Kong	Full Consolidation	Full Consolidation	100.00%	100.00%	100.00%	100.00%
RAINFORD LTD	Manufacturing	Manchester UK	Full Consolidation	Full Consolidation	100.00%	100.00%	100.00%	100.00%
ORBIT sub-group (*)	Manufacturing / Distribution	Warminster USA	Full Consolidation	Full Consolidation	63.00%	63.00%	63.00%	63.00%
MICROWAVE VISION CHINA	Manufacturing / Distribution / Maintenance	Shenzhen China	Full Consolidation	-	100.00%	-	100.00%	-

(*) Comprised of: Orbit/FR Europe, GmbH – Orbit/FR Engineering, Ltd – Advanced ElectroMagnetic, Inc – Orbit Advanced Technologies, inc

APPENDICES

Unconsolidated entity

The company METRAWARE, 10% of which is held by the company MVG INDUSTRIES, is not consolidated.

Consolidated entities

MICROWAVE VISION S.A.

This is one of the Group's holdings, a French company that was admitted to the Alternext trading market on June 30, 2005. In addition to general management, it carries out the finance, marketing, and commercial functions of the Group.

MVG INDUSTRIES SAS

It manufactures all the systems for MICROWAVE. It is the major R&D center of the Group. It is also responsible for customer support and maintenance whenever a foreign establishment requests it. MVG Industries has two sites: one in the Paris region, in Les Ulis, and the other in Plouzané, in Brittany.

MVG, Inc.

Based in Atlanta, this company has a commercial role and is responsible for the maintenance of the systems installed in North America.

MVG ASIA PACIFIC Ltd

Microwave Vision Ltd is the Group's holding in Hong Kong, which owns two operational companies: Microwave Vision AMS, Ltd and Microwave Vision EMC, Ltd which market and maintain the systems installed in the APAC region.

Microwave Vision AMS holds MVG China, which assembles multi-sensor systems that complete the range of MICROWAVE systems. This company was created on July 3, 2017 in Shenzhen in the People's Republic of China.

MVG ITALY S.R.L.

Based in Rome, the company has a small antenna production activity and an R&D center that works closely with MVG Industries SAS.

RAINFORD Ltd

Based in Manchester, England, it was bought in July 2012. It manufactures anechoic shielded chambers for the Group's antenna measurement customers and for the electromagnetic compatibility market, which is one of the Group's growth drivers.

ORBIT/FR SUB-GROUP

The ORBIT/FR sub-group is made up of five entities:

- The ORBIT/FR Inc. holding company is located in Warminster in the United States. This office has no operational role.
- ORBIT/FR Gmbh based in Munich, Germany, is responsible for marketing ORBIT/FR products in Europe and for the manufacture of certain specific systems.
- ORBIT/FR Ltd based in Emek Hefer, Israel, manufactures positioners and masts for the entire Group and acts as distributor for its region.
- OATI located in Warminster, USA, is responsible for distributing ORBIT/FR products in the Americas. This entity also integrates equipment manufactured in Israel.
- AEMI, based in Otay in the United States, is the Group entity that designs and produces the electromagnetic absorbers for all companies of the Group.
- Autonomous establishments:
  - MVG SWEDEN, based in Gothenburg, is the headquarters of the European commercial management.
  - MICROWAVE VISION JAPAN, based in Tokyo, markets the Group's products and is responsible for their maintenance in the Japanese territory.
  - SATIMO HONG KONG markets the “Satimo” Group's products in the Chinese territory.

  The autonomous establishments are aggregated under the holding Microwave Vision S.A.

9. Comparability of financial statements

9.1/ Accounting changes

No accounting changes are likely to affect the comparability of the financial statements.

9.2/ Changes in scope

On July 3, 2017, the Group created a new entity: MVG China.

10. Explanation of the balance sheet, income statement, and their changes

The tables below form an integral part of the consolidated financial statements and are expressed in thousands of euros.

10.1/ *Goodwill*

(In thousands of euros)	12/31/2016	Increase	Decrease	12/31/2017
MVG INDUSTRIES /ANTENNESSA	3,529	-	-	3,529
RAINFORD LTD	2,015	-	-	2,015
ORBIT/FR	7,987	-	-	7,987
GROSS VALUES	**13,531**	**-**	**-**	**13,531**
MVG INDUSTRIES / ANTENNESSA	-	-	-	-
RAINFORD LTD	-	-	-	-
ORBIT/FR	-	-	-	-
IMPAIRMENTS	**-**	**-**	**-**	**-**
MVG INDUSTRIES / ANTENNESSA	3,529	-	-	3,529
RAINFORD LTD	2,015	-	-	2,015
ORBIT/FR	7,987	-	-	7,987
NET VALUES	**13,531**	**-**	**-**	**13,531**

Impairment tests are carried out annually and whenever there are indications of a loss of value using the discounted cash flow method based on existing operational forecasts covering at least a period of four years. The existing forecasts are based on past experience and the projected market trends and take into account the company's business plan. Flows after this four-year period are calculated by applying a growth rate to infinity of 1%.

The organization of MVG Industries does not allow the cash-generating unit (CGU) Antennessa to be monitored. Consequently, the Antennessa goodwill was reallocated in 2010 to the MVG Industries CGU, a new, smaller CGU. The three CGUs monitored by the Group, which generate independent cash flows, are now MVG Industries, Orbit/FR, and Rainford.

The value of goodwill is measured each year: the balance sheet value is compared with the recoverable value. The recoverable value is the higher amount between the value in use and the fair value minus disposal costs.

The value in use of the CGUs was estimated by Management on the basis of the expected discounted values on the basis of the forecasts and existing projections of cash flows before taxes determined by the discounted cash flows (DCF) method over a period of four years. A discount rate, after tax, is applied. The terminal value was assessed on the basis of the most recent free cash flow (2021) discounted to infinity as defined in the company's business plans.

The determined recoverable value of the CGU is then compared with the contributory value on the consolidated balance sheet of the net assets (including goodwill). An impairment is recognized, where appropriate, if this balance sheet value is greater than the recoverable value of the CGU and is applied to goodwill as a priority.

After performing the goodwill impairment test, no loss of value was found as of 12/31/2017.

10.2/ Intangible fixed assets

The intangible fixed assets break down as follows:

(In thousands of euros)	12/31/2016	Increase	Decrease	Currency translation adjustments	Reclassifications	12/31/2017
Research and development expenses	808	-	-	-	<34>	774
Concessions, patents, licenses	2,785	34	-	<0>	34	2,852
Other intangible fixed assets	-	-	-	-	-	-
Intangible fixed assets in progress	115	334	-	-	-	448
GROSS VALUES	**3,708**	**367**	**-**	**<0>**	**-**	**4,074**
Research and development expenses	<775>	-	-	-	-	<775>
Concessions, patents, licenses	<2,174>	<295>	-	-	-	<2,469>
Other intangible fixed assets	-	-	-	-	-	-
DEPRECIATION AND AMORTIZATION	**<2,949>**	**<295>**	**-**	**-**	**0**	**<3,244>**
Research and development expenses	33	-	-	-	<34>	<1>
Concessions, patents, licenses	611	<262>	-	<0>	34	383
Other intangible fixed assets	-	-	-	-	-	-
Intangible fixed assets in progress	115	334	-	-	-	448
NET VALUES	**758**	**72**	**-**	**<0>**	**-**	**830**

(In thousands of euros)	12/31/2015	Increase	Decrease	Currency translation adjustments	Reclassifications	12/31/2016
Research and development expenses	-	-	-	-	808	808
Concessions, patents, licenses	2,733	76	-	-	<23>	2,785
Intangible fixed assets in progress	125	-	-	-	<10>	115
GROSS VALUES	**2,858**	**76**	**-**	**-**	**774**	**3,708**
Research and development expenses	-	-	-	-	<775>	<775>
Concessions, patents, licenses	<1,820>	<354>	-	-	-	<2,174>
Intangible fixed assets in progress	-	-	-	-	-	-
DEPRECIATION AND AMORTIZATION	**<1,820>**	**<354>**	**-**	**-**	**<775>**	**<2,949>**
Research and development expenses	-	-	-	-	33	33
Concessions, patents, licenses	913	<278>	-	-	<23>	611
Intangible fixed assets in progress	125	-	-	-	<10>	115
NET VALUES	**1,038**	**<278>**	**-**	**-**	**<1>**	**758**

10.3/ Tangible fixed assets

The other tangible fixed assets primarily correspond to office equipment and IT tools.

(In thousands of euros)	12/31/2016	Increase	Decrease	Currency translation adjustments	Reclassifications	12/31/2017
Technical installations, equip. & tools	16,861	729	<11>	<1,058>	633	17,154
Other tangible fixed assets	5,904	1,565	<350>	<605>	<90>	6,425
Tangible fixed assets in progress	975	970	-	-	<975>	970
GROSS VALUES	**23,740**	**3,265**	**<361>**	**<1,663>**	**<432>**	**24,550**
Technical installations, equip. & tools	<9,797>	<1,825>	4	629	336	<10,652>
Other tangible fixed assets	<3,325>	<635>	291	293	96	<3,282>
Tangible fixed assets in progress	-	-	-	-	-	-
DEPRECIATION AND AMORTIZATION	**<13,123>**	**<2,460>**	**295**	**922**	**432**	**<13,934>**
Technical installations, equip. & tools	7,063	<1,096>	<7>	<429>	970	6,502
Other tangible fixed assets	2,579	930	<59>	<312>	6	3,143
Tangible fixed assets in progress	975	970	-	-	<975>	970
NET VALUES	**10,618**	**805**	**<66>**	**<742>**	**<0>**	**10,616**

(In thousands of euros)	12/31/2015	Increase	Decrease	Currency translation adjustments	Reclassifications	12/31/2016
Technical installations, equip. & tools	14,651	1,294	<100>	260	756	16,861
Other tangible fixed assets	4,556	1,269	<63>	143	<0>	5,904
Tangible fixed assets in progress	794	962	-	-	<781>	975
GROSS VALUES	**20,001**	**3,526**	**<163>**	**402**	**<25>**	**23,740**
Technical installations, equip. & tools	<9,654>	<1,777>	72	<143>	1,705	<9,797>
Other tangible fixed assets	<1,181>	<433>	62	<72>	<1,702>	<3,325>
Tangible fixed assets in progress	-	-	-	-	-	-
DEPRECIATION AND AMORTIZATION	**<10,835>**	**<2,210>**	**134**	**<215>**	**3**	**<13,123>**
Technical installations, equip. & tools	4,997	<483>	<28>	117	2,461	7,063
Other tangible fixed assets	3,375	836	<1>	71	<1,702>	2,579
Tangible fixed assets in progress	794	962	-	-	<781>	975
NET VALUES	**9,165**	**1,316**	**<29>**	**188**	**<23>**	**10,618**

10.4/ Long-term assets

The other long-term assets essentially correspond to deposits and guarantees. No impairment was recorded.

(In thousands of euros)	12/31/2017	12/31/2016
Equity interests in unconsolidated companies	30	30
Other financial assets	971	633
TOTAL	**1,002**	**663**

10.5/ Other long-term assets

The other long term assets are essentially comprised of loan issue costs.

10.6/ Inventories

The inventories break down as follows:

(In thousands of euros)	12/31/2017	12/31/2016
Inventories of raw materials and other supplies	12,110	11,451
Inventories of semi-finished and finished products	154	140
GROSS VALUES	**12,264**	**11,591**
Inventories of raw materials and other supplies	<1,738>	<1,225>
Inventories of semi-finished and finished products	-	-
IMPAIRMENTS	**<1,738>**	**<1,225>**
Inventories of raw materials and other supplies	10,372	10,226
Inventories of semi-finished and finished products	154	140
NET VALUES	**10,526**	**10,366**

Impairments on inventories changed as follows:

(In thousands of euros)	12/31/2016	Allocations	Writebacks	Currency translation adjustments	12/31/2017
Inventories of materials and other supplies	(1,225)	(676)	37	126	(1,738)
TOTAL	**<1,225>**	**<676>**	**37**	**126**	**<1,728>**

10.7/ Trade receivables and other current assets

The trade receivables and other current assets break down as follows:

(In thousands of euros)	12/31/2017	12/31/2016
Trade receivables - Gross value	29,047	31,052
Provision for impairment of trade receivables	<296>	<252>
TRADE RECEIVABLES AND RELATED ACCOUNTS	**28,751**	**30,800**
Advances and deposits paid	113	344
Current debtor accounts	19	104
Tax and social security receivables	1,386	1,127
Prepaid expenses	244	248
Miscellaneous debtors	533	983
OTHER CURRENT ASSETS	**2,295**	**2,806**
TOTAL	**31,046**	**33,606**

Impairments changed as follows:

(In thousands of euros)	12/31/2016	Allocations	Writebacks	Currency translation adjustments	12/31/2017
Impairment of trade receivables	<252>	<73>	1	28	<296>
TOTAL	**<252>**	**<73>**	**1**	**28**	**<296>**

10.8/ Current tax receivables

As of 12/31/2017, the tax receivables are primarily comprised of the Group's receivables for corporate taxes, the "Competitiveness and Employment Tax Credit" (CETC), and the "Research Tax Credit" (RTC).

The research tax credits for 2014, 2015, and 2016 were the subject of financing with Bpifrance for €1,342,881, €1,499,000, and €1,398,705 respectively.

10.9/ Cash and cash equivalents

The item “Cash and cash equivalents” includes the following elements as of 12/31/2017:

Detailed cash flow *(in thousands of euros)*	12/31/2017	12/31/2016
Cash	24,131	7,068
Cash equivalents	1,106	19,586
CASH AND CASH EQUIVALENTS OF THE BALANCE SHEET	**25,236**	**26,655**
Current bank credit facilities	-	<1,769>
CLOSING CASH POSITION OF THE CASH FLOW STATEMENT	**25,236**	**24,886**

10.10/ Share capital

As of December 31, 2017, the share capital consists of 6,282,166 shares with a nominal value of €0.20 each.

10.10.1. Treasury shares

	Number of treasury shares	Value *(In thousands of euros)*
BALANCE AT THE START OF THE FINANCIAL YEAR	**73,826**	**692**
Capital increase	-	-
Redemption or cancellation of treasury shares	(1,936)	-
Loss on liquidity contract	-	<42>
BALANCE AT THE END OF THE FINANCIAL YEAR	**71,890**	**650**

10.10.2. Potential Capital

The situation of shares giving access to capital existing at December 31, 2017, can be presented as follows:

	Share subscription warrants (BSA)
Date of general meeting	6/6/2014
Date of Board meeting	7/18/2014
Number of shares issued	310,000
Number of beneficiaries	34
Strike price	13.5
Strike deadline	7/18/2019
NUMBER OF SHARES OUTSTANDING AT 12/31/2016	**310,000**
Number of shares exercised during the period	0
NUMBER OF SHARES OUTSTANDING AT 12/31/2017	**310,000**

Main characteristics of the 310,000 share subscription warrants:

- Each share subscription warrant entitles the holder to an ordinary share of Microwave Vision S.A. with a nominal value of 0.20 euros;
- Unit share subscription warrant issue price: 0.67 euros;
- Unit share subscription price: 13.50 euros;
- Strike deadline: July 18, 2019.

IFRS2 stipulates, among other things, that all transactions settled in equity instruments must be reflected in the financial statements on provision of the corresponding service. The company valued these instruments using the Black & Scholes model, and no impact was found on the income statement for the financial year.

10.10.3. Breakdown of capital

As of December 31, 2017, the capital breaks down as follows:

	No. of shares	% of capital
Management & employees	793,868	13%
Investors (BpiFrance, Seventure, Jousse et Morillon, Sunny Asset Management, Capital HMG Finances)	2,532,196	40%
Floating shares	2,956,102	47%
TOTAL	**6,282,166**	**-**

If the share subscription warrants and options are exercised, the effect on the distribution would be as follows:

	No. of shares	% of capital
Management & employees	1,103,868	17%
Investors (BpiFrance, Seventure, Jousse et Morillon, Sunny Asset Management, Capital HMG Finances)	2,532,196	38%
Floating shares	2,956,102	45%
TOTAL	**6,592,166**	**-**

10.11/ Provisions for contingencies and expenses

The provisions break down as follows:

(In thousands of euros)	12/31/2016	Allocations	Writebacks used	Reserves impact	Currency translation adjustments	12/31/2017
Provisions for employee benefits	793	101	-	0	-	896
TOTAL COMMITMENTS TO STAFF	**793**	**101**	**-**	**0**	**-**	**896**
Provisions for warranties	791	285	<238>	-	<87>	752
TOTAL CURRENT PROVISIONS	**791**	**285**	**<238>**	**-**	**<87>**	**752**
TOTAL	**1,585**	**386**	**<238>**	**0**	**<87>**	**1,648**

The provisions for employee benefits represent the provision for retirement compensation for the Group's activities located in France and Italy.

The assumptions selected and calculation methods are presented in note 6.15.

10.12/ Deferred taxes

Deferred tax assets and liabilities restated in the consolidated financial statements are analyzed as follows:

(In thousands of euros)	12/31/2017	12/31/2016
Deferred tax assets	3,221	4,041
Deferred tax liabilities	-	-
NET DEFERRED TAXES	**3,221**	**4,041**

These deferred taxes are listed in detail in note 10.23.2.

10.13/ Miscellaneous loans and financial debts

10.13.1. Loans and financial debts

The change in loans and financial debts breaks down as follows as of 12/31/2017:

		CASH FLOW		NON CASH CHANGES				
Financial debts *(In thousands of euros)*	12/31/2016	Loan issues	Loan repayments	Purchase/ Sale	Currency impact	Reclassification	Fair value	12/31/2017
Bond loans	4,000	-	-	-	-	0	-	4,000
Borrowed funds with credit institutions	2,115	-	<1,081>	-	-	0	-	1,035
Other loans	839	-	<101>	-	<2>	<122>	-	615
Accrued interest	13	-	<4>	-	-	0	-	10
TOTAL FINANCIAL DEBTS	**6,968**	**0**	**<1,186>**	**0**	**<2>**	**<122>**	**0**	**5,659**

10.13.2. Breakdown by major currency

All of the financial debts are denominated in euros.

10.13.3. Breakdown by maturity date

(In thousands of euros)	CURRENT		NON-CURRENT			
	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Bond loans	-	-	4,000	4,000	4,000	4,000
Other bank loans	637	1,043	398	1,073	1,035	2,115
TSDI	-	-	-	-	-	-
Financial debts resulting from lease - financing agreements	10	20	-	-	10	20
Other loans	278	248	337	584	615	833
LOANS	**924**	**1,311**	**4,735**	**5,657**	**5,659**	**6,968**
Current bank credit facilities	-	1,769	-	-	-	1,769
TOTAL FINANCIAL DEBTS	**924**	**3,080**	**4,735**	**5,657**	**5,659**	**8,737**

10.13.4. Characteristics of the Group's main loans

(In thousands of euros)	Nominal value	Book value	Rate	Due Date	Bank
MVG HOLDING	4,000	4,000	4.80%	12/20/2019	CACEIS
MVG HOLDING	2,650	928	3.27 + Variable (0.2%)	2/28/2019	OSEO
MVG HOLDING	3,283	107	Euribor 3 months +2.75%	07/25/2018 and 7/25/2018	CIC SG
MVG HOLDING	238	215	0	3/31/2022	Bpifrance
MVG ITALIE	70	52	5.71%	12/10/2025	INTESA SANPAOLO
MVG INDUSTRIES	650	300	0	3/31/2019	Bpifrance

10.13.5. Covenants

The Company is subject to bank covenants. These covenants relate to compliance with certain debt ratios based on the Group's consolidated accounts. Given that the Group has no net debt, the covenants were respected at the closing date of the financial year. They underwent an external audit.

10.14/ Other short-term liabilities

The other short-term liabilities include the following elements:

(In thousands of euros)	12/31/2017	12/31/2016
Suppliers	11,131	10,486
Advances and deposits received on orders	1,098	345
Social security debts	2,282	1,951
Tax debts	1,407	1,533
Deferred income	5,941	7,955
Other debts	69	40
TOTAL	**21,928**	**22,310**

10.15/ Fair value of the financial assets and liabilities

The financial assets and liabilities are categorized as follows:

(In thousands of euros)	Balance sheet value	Fair value through profit or loss	Assets available for sale	Loan, receivables, and debts	Debts at amortized cost	Derivatives
Other non-current financial assets	1,002	-	-	1,002	-	-
Other long-term assets	49	-	-	49	-	-
NON-CURRENT ASSETS	**1,050**	**-**	**-**	**1,050**	**-**	**-**
Trade receivables	28,751	-	-	28,751	-	-
Cash	25,236	25,236	-	-	-	-
CURRENT ASSETS	**53,987**	**25,236**	**-**	**28,751**	**-**	**-**
ASSETS	**55,037**	**25,236**	**-**	**29,801**	**-**	**-**
Long-term financial debts	4,735	-	-	-	4,735	-
NON-CURRENT LIABILITIES	**4,735**	**-**	**-**	**-**	**4,735**	**-**
Short-term financial debts	924	-	-	-	924	-
Trade payables	11,131	-	-	-	11,131	-
CURRENT LIABILITIES	**12,055**	**-**	**-**	**-**	**12,055**	**-**
LIABILITIES	**16,790**	**-**	**-**	**-**	**16,790**	**-**

10.16/ Breakdown of assets by geographic area

(In thousands of euros)	12/31/2017	12/31/2016
Europe	66,608	67,217
North America	27,531	27,625
Asia	4,895	8,209
TOTAL	**99,034**	**103,051**

10.17/ Revenue

10.17.1 Breakdown of revenue by activity area

(In thousands of euros)	12/31/2017	12/31/2016
BU AMS	55,228	53,641
BU EMC	13,471	10,330
BU EIC	2,373	2,048
BU NSH	-	-
TOTAL	**71,072**	**66,019**

10.17.2 Breakdown of revenue by geographic area

(In thousands of euros)	12/31/2017	12/31/2016
Europe	27,689	22,929
Asia	17,998	23,043
America	25,385	20,047
TOTAL	**71,072**	**66,019**

10.18/ Purchases consumed

The purchases consumed break down as follows:

(In thousands of euros)	12/31/2017	12/31/2016
Purchases of raw materials and other supplies	<21,665>	<19,512>
Change in inventories of raw materials and other supplies	1,518	796
Purchases of merchandise	<57>	<29>
Other purchases consumed	<6,000>	<5,765>
TOTAL	**<26,204>**	**<24,511>**

10.19/ External expenses

The breakdown of external expenses is presented in the following table:

(In thousands of euros)	12/31/2017	12/31/2016
Rent and rental expenses	<2,272>	<2,108>
Maintenance and repairs	<321>	<216>
Insurance premiums	<462>	<347>
Remuneration of intermediaries and fees	<2,193>	<1,975>
Energy	<741>	<900>
Advertising	<572>	<651>
Transport	<2,089>	<1,961>
Travel and assignments	<3,483>	<3,138>
Postage expenses	<381>	<336>
Banking services	<168>	<259>
TOTAL	**<12,681>**	**<11,891>**

10.20/ Payroll expenses

The details of the external expenses are presented in the following table:

(In thousands of euros)	12/31/2017	12/31/2016
Wages and salaries	<18,546>	<18,556>
Social security contributions	<4,453>	<3,432>
Other payroll expenses	<653>	<457>
TOTAL EXTERNAL EXPENSES	**<23,653>**	**<22,445>**

10.21/ Allocations and writebacks on amortization, depreciation, and provisions

The amount of allocations to amortization, depreciation, and provisions net of writebacks on the net operating income can be detailed as follows:

(In thousands of euros)	12/31/2017	12/31/2016
Allocations amortization and depreciation fixed assets	<2,531>	<2,324>
Allocations to provisions on current assets	<749>	<225>
Allocations to other operating provisions	0	<48>
Allocations to provisions for contingencies and expenses	<285>	<265>
Allocations to pension provisions	<101>	0
TOTAL ALLOCATIONS	**<3,666>**	**<2,861>**
Writebacks of provisions on current assets	38	299
Writebacks of provisions for contingencies and expenses	232	30
TOTAL WRITEBACKS	**271**	**329**
ALLOCATIONS NET OF WRITEBACKS	**<3,395>**	**<2,533>**

10.22/ Current operating income

The current operating income breaks down by activity area as follows:

(In thousands of euros)	12/31/2017	12/31/2016
BU AMS	3,423	3,021
BU EMC	835	582
BU EIC	147	115
TOTAL	**4,405**	**3,718**

10.23/ Other non-current operating income and expenses

The other non-current operating income and expenses are comprised of the following elements:

(In thousands of euros)	12/31/2017	12/31/2016
Income on management operations	46	125
Income from sales of fixed assets	8	30
Other extraordinary income	25	-
TOTAL NON-CURRENT OPERATING INCOME	**79**	**155**
Expenses on management operations	<3>	<43>
VNC Sold tangible fixed assets	<64>	<29>
Non-recurring legal fees	<115>	<1,798>
Other extraordinary expenses	<49>	-
TOTAL NON-CURRENT OPERATING EXPENSES	**<231>**	**<1,870>**
TOTAL OTHER NON-CURRENT OPERATING INCOME AND EXPENSES	**<152>**	**<1,715>**

10.24/ Net financial income

The net financial income is primarily comprised of interest on loans.

(In thousands of euros)	12/31/2017	12/31/2016
Dividends	-	-
Other income from equity interests	5	5
Net income on sales of marketable securities	167	35
Income from cash and cash equivalents	**172**	**40**
Interest expenses on loans	<591>	<672>
Gross finance costs	**<591>**	**<672>**
NET FINANCE COSTS	**<419>**	**<632>**
Foreign exchange gains	2,778	-
Foreign exchange losses	<4,230>	-
Other financial income	<151>	166
OTHER FINANCIAL INCOME AND EXPENSES	**<1,602>**	**166**
NET FINANCIAL INCOME	**<2,022>**	**<465>**

10.25/ Income tax

10.25.1 Analysis of income tax

The income tax expense breaks down as follows:

(In thousands of euros)	12/31/2017	12/31/2016
Taxes payable	<902>	<1,598>
Deferred taxes	<678>	223
TOTAL	**<1,580>**	**<1,374>**

10.25.2 Analysis of deferred tax by type

The breakdown and changes in deferred tax assets and liabilities are detailed by type in the following tables:

Deferred tax asset	12/31/2016	By other elements of the comprehensive income	Change in deferred social taxes	By income	12/31/2017
Expenses related to the purchase of fixed assets	18	-	-	<2>	16
Activated loss carry-forward	1,979	-	-	<220>	1,759
Provision for retirement age compensation	124	1	-	4	128
Capital gains on internal sale	83	<4>	-	<33>	47
Other	7	-	-	<1>	6
Deferred social taxes	1,848	-	<569>	-	1,279
Set-off of IDA (Impôt différé actif [Deferred tax asset]) / IDP (Impôt différé passif [Deferred tax liability])	<20>	-	-	6	<14>
TOTAL	**4,040**	**(4)**	**(569)**	**(246)**	**3,221**

Deferred tax liabilities	12/31/2016	By other elements of the comprehensive income	Change in deferred social taxes	By income	12/31/2017
Regulated provisions	13	-	-	0	13
Treasury shares	7	-	-	<5>	2
Other	-	-	-	-	-
Set-off of IDA (Impôt différé actif [Deferred tax asset]) / IDP (Impôt différé passif [Deferred tax liability])	<20>	-	-	6	<14>
TOTAL	**(0)**	**-**	**-**	**1**	**0**
NET	**4,040**	**(4)**	**(569)**	**(247)**	**3,221**

10.25.3 Tax analysis

(In thousands of euros)	12/31/2017	12/31/2016
CONSOLIDATED NET INCOME OF CONSOLIDATED COMPANIES	**652**	**163**
/ Income taxes	1,580	1,374
BEFORE-TAX INCOME ON ACTIVITIES	**2,232**	**1,537**
Theoretical tax at the parent company's rate	625	512
Difference in rate with foreign companies	<135>	<196>
Tax losses for the financial year not used/not capitalized	341	1,540
Use/capitalization of prior non-capitalized loss carry-forwards	<188>	<217>
Regulatory corporate tax rate	796	-
Permanent difference	142	<266>
TOTAL	**1,580**	**1,374**

11. Risks

11.1/ Market risks and financial instruments

11.1.1 Rate risk

The Group is exposed to interest rate risks. The main financial instruments of the Group consist of bank loans and overdrafts from banks and cash. The Group also holds financial assets and liabilities such as trade receivables and payables generated by its activities.

The Group's debt, with the exception of the bond loan, is contracted at a variable rate. Nevertheless, these loans were the subject of an interest rate swap to hedge against interest rate risk.

11.1.2 Currency risk

The Group is exposed to transactional currency risk mainly on the following currencies: the US dollar, the Hong Kong dollar, the shekel, the yen, the pound, and the yuan. This transactional currency risk corresponds to fluctuations in exchange rates that affect transactions recorded in net operating income (flows of revenue, flows of costs of raw materials, flows of costs related to hourly wage rates).

The Group does not use derivatives to hedge its currency risk.

11.1.3 Liquidity risk

The Group does not have significant repayments in the short and medium term for its debt that would not be covered by cash.

11.1.4 Counterparty risk

Financial instruments that may expose the Group to counterparty risk are mainly trade receivables, cash, and cash equivalents.

Customer risk

Because the Group generates most of its revenue with large, renowned French and foreign industrial groups, it does not face problems of insolvency of these customers. However, in China, we note that receivable recovery work is more important than elsewhere in the world.

Treasury risk

The liquidity risk pertaining to cash and cash equivalents is also limited by the quality of the counterparties in question, which are exclusively financial institutions of national and international notoriety.

Cash is mainly invested in money-market SICAVs.

11.2/ Environmental risks

The Group makes sure to analyze changes in regulations and laws relating to environmental protection and does not anticipate any significant future impact on the activity, financial position, earnings, or assets of the Group. The Company is looking into putting an environmental management system (EMS) in place to continuously improve the Group's performance with regard to the environment and pollution prevention.

12. Other information

12.1/ Average workforce

During financial year 2017, the average workforce was 352 employees across all entities put together, compared to 341 employees for financial year 2016.

12.2/ Off-balance sheet commitments

The breakdown of off-balance sheet commitments is as follows:

- Pledging of business assets: €5,300,000 (or €2,650,000 with CIC and €2,650,000 with Société Générale), an amount guaranteed at origin up to the limit of the debt still owed; as of 12/31/2017, the debt amounts to €107,000.
- Remunerated bank account pledge (term account): €402,000
- Pledge of 95.1% of the shares making up the share capital of MVG Industries to secure the CIC / Société Générale loan
- As part of the relocation of the plant of Rainford Ltd in England, MVG Holding guaranteed the owners that Rainford Ltd would comply with the obligations under the lease and undertakes to compensate the owners if your subsidiary breaches its obligations or to replace it by entering into a new lease with the owners under the same terms and conditions as the lease entered into.
- Guarantee of financial instruments on foreign contract surety bonds: €1,000,000
- Joint and several guarantee of a legal person belonging to the Group for the benefit of Société Générale

The financial parties issued bonds and guarantees under commercial contracts. These bonds and/or guarantees are broken down as follows:

- Foreign market advance payment guarantee (in euros): €1,999,704
- Foreign market advance payment guarantee (in USD): $55,500
- Tender guarantee (in QAR): 30,000 QAR (equivalent to €6,855.61)

12.3/ Executive pay

This information is not provided because it would amount to communicating an individual sum.

12.4/ Related parties

There are no associates or joint ventures. The key executives of Microwave Vision S.A. are:

- Philippe GARREAU (Chairman and CEO)
- Luc DUCHESNE (Chief Operations Officer)
- Eric BEAUMONT (Strategy Director)
- Arnaud GANDOIS (Chief Operations Officer)
- Gianni BARONE (Sales Director)
- Olivier GURS (Chief Finance Officer)

12.5/ Auditors' fees

The fees associated with the Auditors' services for financial year 2017 amount to €272 K, of which €237 K was for the audit of the financial statements and €35 K was for other services.

B. MANAGEMENT REPORT OF THE BOARD OF DIRECTORS ON THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

Report of the board of directors on the Group's management to the annual ordinary general meeting on June 21, 2018. Consolidated financial statements for the financial year ended December 31, 2017

Dear shareholders,

We have gathered you together in an annual ordinary general meeting in order to report to you on the Microwave Vision Group's activity and the results of our management during the financial year ended December 31, 2017, and to submit the consolidated financial statements for your approval.

The consolidated financial statements at December 31, 2017, comprising the balance sheet, the income statement, and the notes, were prepared according to IFRS standards.

In a little while, an update on your co-auditors' mission will also be given to you.

Their report, your Board's report, and the accounts, balance sheet, and related documents or information have been made available to you under the conditions and within the time periods provided for by the regulatory provisions.

In accordance with the legal provisions, we hereby present our report on the Group's management.

1. Group position and activities

1.1. Group activity

The Group's revenues for the entire year totaled €71.1 M with organic growth of 7.6% (+9.7% at constant exchange rates). This good performance confirms the momentum of the Group's sales and that its technological solutions are in line with customer expectations.

From a sectoral viewpoint, the Civil Telecommunications business registered strong growth and accounted for 49% of revenue (versus 44% last year). Meanwhile, the Defense/Aerospace sector repeated its high business volume from last year and accounted for 51% of 2017 revenue.

Geographically, the Group continues to demonstrate its ability to seize opportunities on its main markets. This year, growth was concentrated in the EMEA and the US, which accounted for 39% and 36% of revenue respectively, with Asia contributing 25%.

The AMS (Antenna Measurement System) division continued its good commercial momentum and accounted for €55.2 million of annual revenue (79% of 2017 revenue), versus €53.6 M in 2016, for growth of 3%. The Civil Telecoms business drove the division's growth, including orders in the automotive sector and the initial commercial successes of the new 5G product, StarLab50 Ghz.

The EMC (Electromagnetic Compatibility) division reached €13.5 million, versus €10.3 million in 2016, up +30.4% compared with last year thanks to an acceleration in commercial business during the fourth quarter. Production was particularly sustained in the US.

Lastly, revenues of the EIC (Environmental and Industrial Control) division totaled €2.4M (versus €2.0 M in 2016, growth of +15.8%). This division completed numerous deliveries of the EME Guard XS product and continues to thrive on the success of partnerships with its US distributors. Sales of the NeptuLink product were also buoyant.

1.2. Anticipated development and prospects

Due to a record number of orders received in 2017 (€77,6 M or €78,6 M at [CER]), the Group began financial year 2018 with a high number of new orders worth €69.8 M as of January 1, 2018 (compared with €63.2 M on January 1, 2017). Most of these orders will be filled in 2018.

1.3. Significant events between the closing date of the financial year and the date of preparation of the report

As part of the simplification project, the Microwave Vision S.A. Group redeemed Orbit/FR securities held by the latter's minority shareholders. This purchase operation was subject to the laws of the State of Delaware (United States) and took the form of a "*Statutory Reverse Merger,*" resulting in the buy out in cash of the minority shareholders of Orbit/FR. This operation was carried out in accordance with the terms and conditions of an "*Agreement and Plan of Merger*" dated March 29, 2018 and took effect on April 6, 2018 following filing of a certificate of merger on April 5, 2018 with the State of Delaware. Orbit/FR is now wholly owned by Microwave Vision S.A.

1.4. Objective, comprehensive analysis of the change in the companies included in the consolidation

1.4.1 Staff information

At December 31, 2017, the staff consisted of 352 people as follows:
- Microwave Vision and MVG Industries: 167 employees
- Orbit/FR: 139 employees
- Rainford: 46 employees

1.4.2 Environmental information

The company is looking into putting an environmental management system (EMS) in place. This would help improve the Group's performance with regard to the environment and pollution prevention.
The company is continuing its commitment to its customers regarding the application of RoHS requirements, even though most of its products and equipment are not covered by the regulations.

1.5. Description of the main risks and uncertainties facing the Group

1.5.1 Commercial risks

Our Group is exposed to commercial risks but, given its history, has good immunity to this risk. This immunity comes from internal effort and good adaptation to external circumstances.

- Geographic location,
  Our Group is fairly present on three continents.
- Market situation,
  Our Group listens to its customers and is very active in new product development. This strategy allows us to avoid the erosion of our market shares.
- European monetary situation
  There is a commercial risk related to the value of the euro compared with the dollar. Our main competitors are American. Our Group is therefore more competitive when the euro weakens against the dollar. This advantage may become a risk in the opposite case of a stronger euro.
- International monetary situation,
  The Group works with Russia, India, and Japan on a recurring basis. The Japanese economy remains sluggish, but commercial activity nevertheless is still trending upward. In general, contracts are denominated in euros, US dollars, and in pounds sterling.

1.5.2 Customer risks

Because the Microwave Vision Group generates most of its revenue with large, renowned French and foreign industrial groups, it does not face insolvency problems. In 2017, no significant extraordinary loss was recognized on trade receivables. With regard to large measurement systems, billing is done in increments as progress is made on the systems. For standardized products, the group requires an advance when an order is placed, a payment on delivery of the product, and a final payment upon final acceptance of the product.

Although our customers are solvent, our group is sensitive to the strong demand from its customers for compliance with delivery and acceptance schedules. Customer risk becomes a self-financing risk if the customer receivables are not paid within reasonable periods.

In addition, the geographical distribution of sales made by the Group in 2017 (39% of its revenue in Europe, 25% in Asia, and 36% in the US) and the high number of big names minimize customer risk.

The following table presents the percentage of revenue generated by the number 1 and the top five customers of the Company:

Share of revenue in €K	2014	2015	2016	2017
Number 1 customer	5,665	4,480	5,970	2,782
Top 5 customers	15,149	10,534	13,464	10,130

1.5.3 Interest rate risk

The Microwave Vision Group's debt, with the exception of the bond loan made in December 2014, is contracted at a variable rate. Nevertheless, this risk is mitigated by the establishment of a hedging instrument to limit the effect of fluctuating rates.

As part of its interest rate risk hedging policy, the Group has taken out annual insurance allowing it to convert its variable-rate loans into fixed-rate loans. As long as the Group has this insurance, it is not subject to the influence of rate fluctuations.

1.5.4 Currency risk

The Group has geographical diversity in its activities and is therefore exposed to transactional currency risk mainly on the following currencies: the US dollar, the pound sterling, the Hong Kong dollar, the shekel, the yen, and the yuan. This transactional currency risk corresponds to fluctuations in exchange rates that affect transactions recorded in net operating income (flows of revenue, flows of costs of raw materials, flows of hourly wage rates).

1.5.5 Risks related to intellectual property - Patents and exploitation rights

The Microwave Vision Group ensures that its technology is protected by filing patents and also through efforts to maintain high industrial secrecy.

However, in view of its operations prior to 1996 and because of its current operation, MVG sometimes needs to use patents that it does not fully own. The Group considers itself to have virtually zero dependence on patents and licenses that it does not solely own, as they contribute no more than 1% of our Group's revenue.

An agreement was reached with the ETS company as part of the defense of its patents in February 2017, and actions are still pending in Asia to defend the patents held by the Group.

1.5.6 Risks related to technological developments

In addition to its own patents and jointly held patents, the Microwave Vision Group develops proprietary technologies in order to maintain a competitive position. However, the measurement systems to obtain the characteristics of the equipment receiving and/or emitting electromagnetic waves are subject to technological developments and therefore potential obsolescence. To protect themselves against the arrival of new measurement systems that are more efficient or more suited to the needs of our customers, the Group devotes an average of 10% of its revenue to Research and Development. The Group receives the Research Tax Credit in France.

In addition, the basic components used by the Group in the development of its products may evolve or even disappear in the long term. Under these assumptions, the development of the Group's products could be significantly delayed or jeopardized and could require the implementation of additional investments by our group to substitute these components. The Group's operations, earnings, and outlook could be affected.

1.5.7 Risks with regard to key employees

The Microwave Vision Group's major asset is that it has managed to bring together a collection of key employees in the company's strategic positions. These employees have worked together for many years. They have the intellectual assets required to contribute to all the new challenges related to our growth, whether organic or external. The departure of one or more of them could be harmful and pose a risk to our Group.

1.5.8 Risk of fraud

The risk of fraud exists and results in unwanted solicitations by e-mail or phone. Continuous visits from the Group's management to each of the subsidiaries helps to develops a significant personal relationship. This good knowledge of the people protects us from fraud attempts when a third party tries to impersonate one of the Group's leaders or even when solicitations that seem to come from our e-mail are sent to us. The staff is informed of these possibilities, and the DCRI regularly raises awareness on this topic within our French facilities.

The risk of fraud is controlled; we have put in place multiple levels of verification on expense reports, allocation of banking powers, purchases of goods and services, and opening of customer accounts.

1.6. Research and development activity

During financial year 2017, the Group decreased its Research and Development effort to 8.13% of its revenue (9.2% in 2016). The Group produced demonstrators for all its new products, making it possible to present perfectly functional new innovations to its customers. This is an important factor in the decision-making process of customers. In general, the aim of the Research and Development efforts is to prepare our Group for the increased frequency of future 5G communication products. The Group's goal is to be a key player in future 5G measurement systems. The Group is also continuing the development of hardware and software sub-systems for multi-sector technologies to meet the future requirements of its markets.

2. Economic situation of the Group

2.1 Balance sheet: Assets and Liabilities

As of December 31, 2017, the company's balance sheet totaled €99,034 k. It totaled €103,051 k as of December 31, 2016.

The balance sheet structure has changed significantly on the following points:

Concerning assets:

1 – The non-current assets decreased by + €453 k (€29,247 k in 2017) primarily due to a change tn deferred tax assets (-€820 k) and growth of other non-current financial assets (+€339 k).

2 – Current assets decreased by - €3,564 k (€69,787 k in 2017), impacted by a decrease in trade receivables and related accounts (- €2,049 k) and cash (- €1,419 k).

Concerning liabilities:

- Equity capital decreased from €70,420 K to €69,800 K.
- Long-term financing decreased from €5,657 K to €4,735 K.
- Trade payables and related accounts increased from €10,486 K at December 31, 2016, to €11,131 K at December 31, 2017.

2.2. Income statement

The average rate of the US dollar over 2017 was $1.1293 for €1, compared with $1,1066 for €1 in 2016 (2.05%).

For the financial year ended December 31, 2017:

- revenue totaled €71,072 K excluding taxes compared with €66,019 K for the previous financial year,
- operating expenses for the financial year amounted to €63,271 K versus €59,768 K for the previous financial year,
- other non-current operating income and expenses amounted to €152 K versus €1,715 K for the previous financial year,
- current operating income totaled €4,405 K versus €3,718 K for the previous financial year,
- net financial income was -€2,022 K in 2017 compared with -€465 K in 2016,
- current profit before taxes totaled €2,232 K for financial year 2017 versus €1,537 k for financial year 2016,
- income tax represents an expense of €1,580 k in 2017 compared to €1,374 k in 2016. The increase is primarily explained by changes in the corporate income tax rate in the United States and in France,
- net financial income was €652 K in 2017 compared with €163 K in 2016,
- net income, group share, was €1,343 K compared to €1,044 K in 2016.

2.3. List of French and foreign subsidiaries

The companies directly or indirectly held by the Group are:

- MVG Industries, 100% subsidiary, which holds a minority stake in Metraware,
- MVG, Inc., 100% subsidiary, which is based in Atlanta in the United States,
- MV Italy, SRL, 100% subsidiary, which is based in Rome, Italy,
- Microwave Vision, Ltd, 100% subsidiary, which holds two subsidiaries: MV AMS, Ltd and MV EMC, Ltd, which are based in Hong-Kong; MV AMS, Ltd wholly owns the subsidiary created during the year, MVG China, which is based in Shenzhen,
- RAINFORD EMC Systems Ltd, 100% subsidiary, which is based in Manchester, in the United Kingdom,
- Orbit/FR, Inc (Warminster, USA) a 63% owned subsidiary that owns 100% of the capital of AEMI (San Diego, USA), Orbit/FR - Europe GmbH (Munich, Germany), Orbit/FR Engineering Ltd. (Tel-Aviv, Israel) and Orbit Advanced Technologies, Inc (OATI - Warminster, USA).

2.4. Segment information on the Group's activity

The MVG Group is divided into four business units:

- the **AMS business unit** concerns antenna measuring activity,
- the **EMC business unit** concerns the electromagnetic compatibility sector,
- the **EIC business unit** concerns the environment and industrial control sector,
- the **NSH business unit** focuses on medical imaging instruments and security imaging for airports.

The following table provides details of the income statement by sector:

Segment income statement (in €K)	AMS		EMC		EIC		NSH	
	2017	2016	2017	2016	2017	2016	2016	2015
Revenue	55,228	53,627	13,471	10,330	2,373	2,048	0	0
Net operating income	3,423	3,021	835	582	147	115	0	0

The following table presents revenue by geographic region:

Revenue (in €K)	12/31/2017 (12 months)	12/31/2016 (12 months)
Europe	27,689	22,915
North America	17,998	20,061
Asia	25,385	23,043
TOTAL	**71,072**	**66,019**

Revenue is presented according to the location of the entity billing the revenue.

The main characteristics of the borrowed funds and financial debts are detailed in the table below:

Nature	Nominal (in €K)	Still owed as of 12/31/2017 (in €K)	2017 (in €K)	2018 (in €K)	A + more than 1 year (in €K)	Rate
ORBIT/FR SG CIC loan	3,283	107	551	107	0	Euribor 3 months + 2.17%
BPI	650	300	150	200	100	0%
2012 equity loan	2,650	928	530	530	398	Euribor 3 months + 2.7%
2013 bond loan	4,000	4,000	0	0	4,000	Interest rate at 4.80%
BPI innovation loan	238	214	24	48	166	0%
Intensa San Paolo loan	70	52	9	9	43	Interest rate at 5.71%
Accrued interest on loans	13	10	0	10	0	-
Leasing	129	48	11	11	37	-
Bank credit facilities	0	0	0	0	0	-
TOTAL	**11,033**	**5,659**	**1,275**	**915**	**4,744**	**-**

We ask that you approve the consolidated financial statements for the financial year ended December 31, 2017, as they are presented to you, the report of the board of directors on the Group's management, and the report of your co-auditors.
Lastly, we ask that you give final discharge to the directors for their management and relieve your co-auditors of their responsibility.
We thank you for your confidence and invite you to approve the text of the resolutions that we are submitting for your approval.

The Board of Directors

C. CORPORATE GOVERNANCE REPORT

The MVG Group is chaired by Mr. Philippe GARREAU. The Group decided to give him the mandate of Chairman and CEO. This decision was motivated by the Group's history, since Mr. Philippe GARREAU was responsible for key product research and development. With his involvement in all of the Group's business units, he was able to create relationships of trust in an operational sense with the Group's key leaders. Mr. Philippe GARREAU has been an employee of the Group for 26 years and has overseen the Group for 22 years.

1. The Board of Directors

The company is managed by a Board of Directors comprised of 7 members, as follows:

- 2 independent directors
- 3 directors who are employees of the Group
- 1 non-independent external director
- 1 observer representing BPI (Banque Publique d'Investissement)

- 34% independent directors
- 2 women
- 9 meetings in 2017
- 92% attendance rate at 2017 meetings

2. Internal committees

The Board of Directors relies on the work of two internal committees, which is echoed by the Chairman and CEO:

- **A scientific committee:** 5 members from the Group.
- **A technical and strategic steering committee:** 6 members from the Group.

These two committees are internal and do not consist of the Board of Directors.
Because the Group operates on a niche market and the number of international players is limited, scientific and technical perspectives as well as operational and strategic decisions are evaluated in internal committees.
When deemed necessary, these two committees base their work on studies conducted by certain international experts in our sector.
Specifically, leading international universities and prestigious research laboratories are regularly consulted.

3. Powers and duties of the Chairman and CEO

- Represent the MVG Group in France and abroad with respect to the public authorities, customers, partners, and institutional shareholders.
- Organize the boards' preparatory work.
- Involve the Board in the life of the Group by involving its members in the major operational and financial decisions.
- Convene the Board of Directors according to a schedule set annually and determine whether it is appropriate to convene the Board at any other time as needed, prepare the meeting agendas, and ensure that the directors are duly informed.

- Monitor the Board's decisions.
- In his capacity as CEO, Philippe GARREAU represents the MVG Group in its relations with third parties. He is vested with the broadest of powers to act under all circumstances on behalf of the MVG Group.
- He exercises these powers within the limitations of the business purpose and without prejudice to those powers that the law expressly assigns to the general meetings of shareholders and the board of directors.

4. Powers and duties of the Board of Directors

- The Board of Directors determines the policies of the Company's activities, including its strategic policies, and ensures that they are implemented. Without prejudice to the powers expressly assigned to the general meetings of shareholders and within the limits of the business purpose, it is responsible for all issues concerning the functioning of the Company and settles matters for which it is responsible through its deliberations.
- In particular, without this list being exhaustive, the Board of Directors, in accordance with current legislative and regulatory provisions and under the conditions and in accordance with the procedures established by its internal regulation:
  - has the authority to convene the Company's general meetings of shareholders and set their agenda;
  - approves the Group's annual budget presented by the CEO as well as all changes to this budget;
  - approves the corporate financial statements and the consolidated financial statements and prepares the annual management report and corporate governance report;
  - authorizes the agreements and commitments referred to in Articles L. 225-38 et seq. of the French Commercial Code;
  - selects the method for exercise of the Company's general management in accordance with Articles 21.1 and 21.4 of the bylaws;
  - appoints or dismisses:
    - > the Chairman of the Board of Directors,
    - > the CEO,
    - > and, as applicable, at the proposal of the CEO, the COOs;
  - determines the powers of the CEO and, as applicable, with the latter's agreement, those of the COO(s);
  - may co-opt a director;
  - establishes the compensation of the CEO and the COO(s) and directors engaged in paid employment in the Group;
  - distributes attendance fees to the directors in accordance with the provisions of its internal regulations;
  - may decide to issue debt instruments not giving access to capital;
  - decides to allocate compensation to the observer(s), if any;
  - authorizes the CEO, with the right to sub-delegate, to grant bonds, endorsements, and guarantees:
    - > establishing, for each fiscal year: – an overall ceiling, – as necessary, a maximum amount per operation; and
    - > validating in advance any operation that would cause the overall ceiling or maximum per operation amount to be exceeded.

Moreover, the Board of Directors conducts controls and verifications as it sees fit.

APPENDICES

5. Composition of the Board of Directors

Mr. Philippe GARREAU, Chairman and CEO:
A SUPELEC Engineer, Philippe Garreau began his career at the European Space Agency (ESA) before joining SATIMO in 1992 as an antenna measurement engineer.
He assumed the management role at the end of 1996 with the aim of radically reorganizing the Company in terms of its management, operations, and market approach. During this key reorientation phase (equipment lending, availability of antennas), he earned the trust of important state bodies and succeeded in assigning experienced staff to key positions; he successfully brought to fruition a technology that he had developed to meet market requirements.

MS. Sophie de ROUX (permanent representative of Bpifrance):
Holder of a law degree and graduate of ESSEC, she has worked in financial management in an international environment for more than 20 years. She has experience on both the Group side and the LBO entrepreneurial side and was a member of the audit committee of Dassault Systèmes for 7 years. She has participated in numerous external growth operations. She has a strong awareness of contractual, legal, and fiscal issues. She is a Director of Sapec SA, Director of Zetes Industries, and Chairperson of Corporate Value Associates France SASU.

Ms. Agnès Jocelyne MESTREAU-GARREAU, Director:
An engineer with a degree from Ecole Supérieure d'Optique, she joined the European Space Agency in 1992, where she contributed to the development of optical instruments for the Earth-observing satellite, ENVISAT. In 1994, she continued her career in the industry (EADS-SODERN) as an engineer in the space domain as a department head and then project head for instruments such as the videometer for the ATV (Automated Transfer Vehicle for the International Space Station (ISS)) and star sights for various satellites.
In 2004, she returned to the European Space Agency (ESA) as a member of the Concurrent Design Facility team. As team leader, she conducts design studies for future space missions and currently works at the ESA's technical center in the Netherlands (ESTEC).
She became PROBA-3 Program Lead in 2009, a program dedicated to launching two satellites into orbit for a formation flying mission for the purpose of space observation.
In 2017, she was named System Division Head of ESTEC and supervises four ESA departments in this role.

Mr. Olivier GURS, Director:
A graduate of ESCP Europe (MBA), Olivier Gurs began his career at Arthur Andersen in 1989 as an auditor. In 1993, he became a Controller for major international industrial groups (Time Warner and Van Cleef & Arpels).
Starting in the 2000s, he became Administrative and Finance Director of Hybrigenics and SpineVision, 2 start-ups in the Biotech/Medtech domain.
In 2003, he joined DI Finances of the Grant Thornton group as consultant for organizational assignments in innovative, industrial, or listed companies.
In this context, he had the opportunity to work for the MVG Group for several months in 2008. In September 2015, he joined MVG as Chief Finance Officer.

Mr. Bruno RIVET (permanent representative of Seventure) :
Holder of a Master's in Applied Economics from Université Paris Dauphine and a DESS in Finance and Corporate Management from the IAE of Bordeaux, he started his career in 1996 at a Banque Populaire Régionale as an analyst in the Loan Department.
He joined SPEF in 1998 as Internal Controller of SPEF Technology, an investment company specializing in the introduction of growth stocks.
In 1999, he joined the Seventure Partner team as Investment Director and invested for the FCPI funds in companies like Vitec Multimédia, Vaco Microtechnologies, Plantax, Delia Systems, Montecristo Multimedia, and Calendra, of which he is a director.

Mr. Gianni BARONE, Director:

Graduate of the University of Torvergata (Italy) and SupAero (Master's in Aerospace Electronics), he started his career at ESA in 1990. He worked for Space Engineering in Italy for 6 years, a company that specializes in studying and producing space antennas.

Then in 1996, he participated in the start-up of the Italian Altran establishments. This was an opportunity for him to work with key accounts in France, Scandinavia, and the Asian countries in the mobile radiocommunications field.

He joined SATIMO in April 2000 as Sales Director and director of SATIMO Italy.

6. Other information concerning the composition of the Board of Directors

The statutory auditors are convened to the board meetings during which the annual financial statements and interim financial statements were examined. They may be invited to any other board meeting. They attend in an advisory capacity.

7. Other participants in the Board of Directors' meetings

M. Sylvain DEKENS performs the role of observer for MVG's Board of Directors.

8. Changes in the composition of the Board of Directors

Directors	2018	2019	2020	2021	2022	2023
Philippe Garreau						√ (3)
Sophie de Roux			√ (2)			
Agnès Mestreau Garreau						√ (3)
Olivier Gurs						√ (3)
Bruno Rivet						√ (3)
Gianni Barone						√ (3)
Sylvain Dekens(1)			√ (2)			

(1) Position of observer
(2) Following the general meeting to be held in 2020 to approve the 2019 financial statements
(3) Following the general meeting to be held in 2023 to approve the 2022 financial statements

APPENDICES

D. AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2017

To the general meeting of the MICROWAVE VISION company,

Opinion

In execution of the task with which we have been entrusted by your general meeting, we have carried out the audit of the consolidated financial statements of the MICROWAVE VISION company for fiscal year ended December 31, 2017, as they are attached to this report.

We certify that the consolidated financial statements are regular and sincere and are a faithful representation of the result of the operations of the past fiscal year as well as the financial position and assets at the end of the fiscal year of the overall whole comprised of the persons and entities included in the scope of the consolidation in accordance with the IFRS standards as adopted in the European Union.

Basis of the opinion

Audit framework

We conducted our audit in accordance with the professional standards applicable in France. We believe that the elements that we have collected are sufficient and appropriate to form the basis of our opinion. Our responsibilities in accordance with these standards are indicated in the section of this report entitled "Responsibilities of the statutory auditors regarding the audit of the consolidated financial statements."

Independence

We carried out our audit with respect for the rules of independence to which we are subject for the period from January 1, 2017 to the issue date of our report, and in particular we did not provide any services prohibited by the code of ethics for the profession of statutory auditor.

Justification of our assessments

Pursuant to the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code regarding the justification of our assessments, we would like to bring the following assessments to your attention, which, in our professional judgment, were the most important for the audit of the consolidated annual financial statements. The assessments thus made are part of the audit of the consolidated financial statements taken as a whole and the formation of the opinion that we expressed above. We do not express an opinion on the elements of these consolidated financial statements taken individually.

Valuation of the Intangible Assets

The goodwill, reported on the balance sheet ended December 31, 2017 at 13,531 thousand euros, was subject to impairment tests in accordance with the procedures described in the notes "6.9 Impairment" and "10.1 Goodwill" of the annex. We examined the procedures under which these tests were carried out based on the discounted future cash flow method and verified that the assumptions used were consistent with the provisional data obtained from the strategic plans established for each activity or division under the control of the Group's management, and we verified that the notes "6.9 Impairment" and "10.1 Goodwill" of the annex provide the appropriate information.
We verified the reasonableness of these estimates as part of our assessments.

Deferred tax assets relative to allowable loss carry-forwards

The company recognizes deferred tax assets in accordance with the methods described in note "6.20 Income tax" of the annex. We examined the methods for recognizing deferred tax assets relative to allowable loss carry-forwards as well as the forecasts of future taxable profits and the assumptions used, and we verified that note "6.20 Income Tax" of the annex provides the appropriate information. We verified the reasonableness of these estimates as part of our assessments.

Verification of the Group management report

In accordance with the professional standards applicable in France, we also conducted the specific verification provided for by law of the information concerning the group provided in the Board of Director's group management report. We have no comments to make regarding the sincerity and correlation of this information with the information contained in the consolidated financial statements.

Responsibilities of management and persons fulfilling corporate governance functions with respect to the consolidated financial statements

It is the management's responsibility to prepare consolidated financial statements that present a true and fair view in accordance with the IFRS standards as adopted in the European Union as well as to put in place the internal control structure that it deems necessary for the preparation of consolidated financial statements that do not contain significant anomalies, whether resulting from fraud or error.

When preparing the consolidated financial statements, it is the management's duty to evaluate the company's ability to maintain its operations, to present information in these financial statements, as necessary, regarding the continuity of operations, and to apply the accounting principle of going concern, unless there is a plan to liquid the company or cease its activities.

The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the statutory auditors regarding the audit of the consolidated financial statements

It is our responsible to prepare a report on the consolidated financial statements. Our objective is to obtain a reasonable assurance that the consolidated financial statements when viewed as a whole do not contain significant anomalies. This reasonable assurance corresponds to a high level of assurance, without, however, guaranteeing that an audit carried out in accordance with the professional standards is capable of systematically detecting every significant anomaly. Anomalies may be the result of fraud or errors and are considered significant when one may reasonably expect that they may, when considered individually or cumulatively, impact the economic decisions that the users of the financial statements make on the basis of the same.

As specified by Article L.823-10-1 of the French Commercial Code, our financial statement certification assignment does not correspond to a guarantee of the viability or quality of the management of your company.

In the context of an audit conducted in accordance with the professional standards applicable in France, the statutory auditor exercises their professional judgment throughout that audit. In addition:

- they identify and evaluate the risks that the consolidated financial statements contain significant anomalies, whether these anomalies are the result of fraud or errors, define and implement audit procedures intended to address these risks, and collect the elements that they deem sufficient and appropriate to serve as a basis for their opinion. The risk of not detecting a significant anomaly is higher for anomalies that are the result of fraud than it is for anomalies that are the result of an error because fraud may involve collusion, falsification, willful omissions, false declarations, or circumvention of the internal control structure;
- they review the internal control structure that is relevant to the audit in order to define the audit procedures that are appropriate under the circumstances and not for the purpose of expressing an opinion on the effectiveness of the internal control structure;
- they evaluate the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by management as well as the information concerning them provided in the consolidated financial statements;
- they evaluate the appropriateness of the management's application of the accounting convention of going concern and, according to the elements collected, whether or not there is significant uncertainty related to events or circumstances likely to undermine the company's ability to maintain its operations. This assessment is based on the elements collected through the date of their report. However, it is understood that subsequent circumstances or events could jeopardize the continuation of its operations. If they conclude that significant uncertainty exists, they draw the attention of readers of their report to the information provided in the consolidated financial statements regarding this uncertainty or, if this information is not provided or is not relevant, they formulate a certification with reservation or refuse to certify the financial statements;
- they assess the overall presentation of the consolidated financial statements and evaluate whether the consolidated financial statements reflect the underlying operations and events in such a way as to provide a true and fair view;
- with regard to the financial information of the persons or entities included in the scope of consolidation, they collect the elements that they deem sufficient and appropriate to express an opinion on the consolidated financial statements. They are responsible for directing, supervising, and carrying out the audit of the consolidated financial statements as well as the opinion expressed on these financial statements.

Drafted in Paris on April 27, 2018

The statutory auditors

RSM Paris
François Aupic

Auditeurs & Conseils Associés
Philippe Mendes

E. CORPORATE ANNUAL FINANCIAL STATEMENTS OF MICROWAVE VISION FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

Balance Sheet (assets)

	Year ended 12/31/2017 (12 months)				Previous financial year 12/31/2016 (12 months)	
	Gross	**Amort. and Deprec. & Prov**	**Net**	**%**	**Net**	**%**
Subscribed capital not called (0)						
CAPITAL ASSETS						
Preliminary expenses	-	-	-	-	-	-
Research and development	-	-	-	-	-	-
Concessions, patents, trademarks, software, and similar rights	984,297	682,471	301,826	0.32	436,983	0.48
Goodwill	-	-	-	-	-	-
Other intangible fixed assets	447,285	-	447,285	0.47	113,767	0.13
Advances and deposits on intangible fixed assets	-	-	-	-		-
Land	-	-	-	-	-	-
Buildings	-	-	-	-	-	-
Technical installations and industrial tools and equipment	-	-	-	-	-	-
Other tangible fixed assets	92,916	79,512	13,404	0.01	18,343	0.02
Fixed assets in progress	-	-	-	-	-	-
Advances & deposits	-	-	-	-	-	-
Equity interests valued according to the equity method	-	-	-	-	-	-
Other equity interests	33,873,645		33,873,645	35.66	33,873,645	37.49
Receivables related to equity interests	-	-	-	-	-	-
Other fixed investments	-	-	-	-	-	-
Loans	1,601,397	-	1,601,397	1.69	2,353,210	2.60
Other long-term investments	893,926	-	893,926	0.94	706,110	0.78
TOTAL (I)	**37,893,466**	**761,983**	**37,131,483**	**39.09**	**37,502,058**	**41.50**
CURRENT ASSETS						
Raw materials, supplies	-	-	-	-	-	-
Production in progress of goods	-	-	-	-	-	-
Production in progress of services	-	-	-	-	-	-
Semi-finished and finished products	-	-	-	-	-	-
Merchandise	-	-	-	-	-	-
Advances & deposits paid on orders	-	-	-	-	-	-
Trade receivables and related accounts	29,759,142	72,050	29,687,092	31.26	26,656,736	29.50
Other receivables	-	-	-	-	-	-
• Trade payables	-	-	-	-	-	-
• Personnel	-	-	-	-	-	-
• Social agencies	-	-	-	-	-	-
• Government - Income tax	-	-	-	-	-	-
• Government - taxes on revenue	434,143	-	434,143	0.46	379,889	0.42
• Other	8,126,432	-	8,126,432	8.56	2,859,009	3.16
Subscribed capital, called but not paid	-	-	-	-	-	-
Marketable securities	3,097,360	-	3,097,360	3.26	22,308,169	24.69
Treasury instruments	-	-	-	-	-	-
Cash assets	16,325,676	-	16,325,676	17.19	-	-
Prepaid expenses	102,037	-	102,037	0.11	108,078	0.12
TOTAL (II)	**57,844,790**	**72,050**	**57,772,740**	**60.83**	**52,311,881**	**57.90**
Expenses to be spread out over several financial years (III)	48,583	-	48,583	0.05	87,209	0.10
Bond redemption premiums (IV)	-	-	-	-	-	-
Unrealized foreign exchange losses (V)	25,942	-	25,942	0.03	454,806	0.50
TOTAL ASSETS (0 to V)	**95,812,781**	**834,033**	**94,978,748**	**100.00**	**90,355,955**	**100.00**

Balance sheet (liabilities)

	Year ended 12/31/2017 (12 months)	%	Previous financial year 12/31/2016 (12 months)	%
EQUITY CAPITAL				
Share capital or individual capital (paid up:)	1,256,433	1.32	1,256,433	1.39
Share, merger, contribution, and other premiums	52,485,211	55.26	52,485,211	58.09
Revaluation differences	-	-	-	-
Statutory reserve	350,971	0.37	350,971	0.39
Reserves required by articles of association or contract	-	-	-	-
Regulated reserves	-	-	-	-
Other reserves	-4,168	0.00	191,510	0.21
Retained earnings	3,729,193	3.93	5,419,731	6.00
PROFIT OR LOSS FOR FINANCIAL YEAR	**483,596**	**0.51**	**-1,955,859**	**-2.15**
Investment subsidies	-	-	-	-
Regulated provisions	55,091	0.06	48,664	0.05
TOTAL (I)	**58,356,328**	**61.44**	**57,796,662**	**63.97**
Proceeds from issues of equity securities	-	-	-	-
Conditional advances	-	-	-	-
TOTAL (II)	**-**	**-**	**-**	**-**
PROVISIONS FOR CONTINGENCIES AND EXPENSES				
Provisions for contingencies	-	-	-	-
Provisions for expenses	25,942	0.03	454,806	0.50
TOTAL (III)	**25,942**	**0.03**	**454,806**	**0.50**
BORROWED FUNDS AND DEBTS				
Convertible bond loans	-	-	-	-
Other bond loans	4,000,000	4.21	4,000,000	4.43
Borrowed funds and debts with credit institutions	-	-	-	-
• Loans	101,011	0.11	251,922	0.28
• Overdraft, bank credit facilities	-	-	673,536	0.75
Miscellaneous loans and financial debts	-	-	-	-
• Miscellaneous	1,034,500	1.09	2,115,184	2.34
• Associates	2,783,731	2.93	3,162,988	3.50
Advances & deposits received on orders in progress	4,250	0.00	4,869	0.01
Trade payables and related accounts	26,851,639	28.27	21,018,713	23.26
Tax and social security debts	-	-	-	-
• Personnel	371,622	0.39	119,602	0.13
• Social agencies	241,894	0.25	171,835	0.19
• Government - Income tax	6,441	0.01	3,523	0.00
• Government - taxes on revenue	471,852	0.50	464,884	0.51
• Government - guaranteed bonds	-	-	-	-
• Other taxes and similar payments	23,100	0.02	29,900	0.03
Debts on fixed assets and related accounts	-	-	-	-
Other debts	151,188	0.16	-	-
Treasury instruments	-	-	-	-
Deferred income	131,411	0.14	85,941	0.10
TOTAL (IV)	**36,172,641**	**38.08**	**32,102,898**	**35.53**
Unrealized foreign exchange gains (V)	423,837	0.45	1,589	0.00
TOTAL LIABILITIES (I to V)	**94,978,748**	**100.00**	**90,355,955**	**100.00**

Income statement

	France	Exports	Year ended 12/31/2017 (12 months)	%	Previous financial year 12/31/2016 (12 months)	%	Absolute change (12/12)	%
Sales of merchandise	-	-	-	-	-	-	-	-
Production sold (goods)	3,581,631	223,520	3,805,152	27.08	2,768,279	21.94	1,036,873	37.46
Production sold (services)	2,421,069	7,822,820	10,243,889	72.92	9,849,492	78.06	394,397	4.00
CHIFFRES D'AFFAIRES NETS	**6,002,700**	**8,046,340**	**14,049,040**	100.00	**12,617,771**	100.00	**1,431,269**	11.34
Production placed in inventory			-	-	-	-	-	-
Capitalized production			333,517	2.37	57,356	0.45	276,161	481.49
Operating subsidies			-	-	-	-	-	-
Writebacks on depreciation & amortization, provisions, and transfers of expenses			12,464	0.09	6,951	0.06	5,513	79.31
Other income			13,498	0.10	153	0.00	13,345	N/S
TOTAL OPERATING INCOME (I)			**14,408,520**	102.56	**12,682,231**	100.51	**1,726,289**	13.61
Purchases of goods (including customs duties)			-	-	-	-	-	-
Change in inventory (goods)			-	-	-	-	-	-
Purchases of raw materials and other supplies			2,308,732	16.43	1,234,910	9.79	1,073,822	86.96
Change in inventories (raw materials and other supplies)			-	-	-	-	-	-
Other purchases and external expenses			8,999,318	64.06	9,015,753	71.45	-16,435	-0.17
Taxes and similar payments			76,319	0.54	99,666	0.79	-23,347	-23.42
Wages and salaries			1,479,623	10.53	1,185,931	9.40	293,692	24.76
Social security contributions			591,609	4.21	441,132	3.50	150,477	34.11
Allocations to amortization and depreciation on fixed assets			178,613	1.27	229,514	1.82	-50,901	-22.17
Allocations to provisions on fixed assets			-	-	-	-	-	-
Allocations to provisions on current assets			-	-	-	-	-	-
Allocations to provisions for contingencies and expenses			-	-	-	-	-	-
Other expenses			323,556	2.30	205,446	1.63	118,110	57.49
TOTAL OPERATING EXPENSES (II)			**13,957,770**	99.35	**12,412,352**	98.37	**1,545,418**	12.45
NET OPERATING INCOME (I-II)			**450,749**	3.21	**269,880**	2.14	**180,869**	67.02
Share of net income from joint ventures			-	-	-	-	-	-
Profit allocated or loss transferred (III)			-	-	-	-	-	-
Loss incurred or profit transferred (IV)			-	-	-	-	-	-
Financial income from equity interests			-	-	-	-	-	-
Income from other marketable securities and receivables			-	-	-	-	-	-
Other interest and similar income			217,040	1.54	230,575	1.83	13,535	-5.86
Writebacks on provisions and transfers of expenses			624,355	4.44	304,909	2.42	319,446	104.77
Positive foreign exchange differences			878,151	6.25	619,129	4.91	259,022	41.84
Net proceeds on disposals of investment securities			183,061	1.30	35,307	0.28	147,754	418.48
TOTAL FINANCIAL INCOME (V)			**1,902,607**	13.54	**1,189,921**	9.43	**712,686**	59.89
Financial allocations to amortization/depreciation and provisions			25,942	0.18	624,355	4.95	-598,413	-95.83
Interest and similar expenses			501,157	3.57	555,549	4.40	-54,392	-9.78
Negative foreign exchange differences			1,236,630	8.80	455,319	3.61	781,311	171.60
Net expenses on disposals of marketable securities			-	-	-	-	-	-
TOTAL FINANCIAL EXPENSES (VI)			**1,763,728**	12.55	**1,635,222**	12.96	**128,506**	7.86
NET FINANCIAL INCOME (V-VI)			**138,878**	0.99	**-445,301**	-3.52	**584,179**	131.19
RECURRING NET INCOME BEFORE TAXES (I-II+III-IV+V-VI)			**589,628**	4.20	**-175,422**	-1.38	**765,050**	436.12

	Year ended 12/31/2017 (12 months	%	Previous financial year 12/31/2016 (12 months)	%	Absolute change (12/12)	%
Exceptional income on management operations	-	-	-	-	-	-
Exceptional income on capital transactions	24,852	0.18	-	-	24,852	N/S
Writebacks on provisions and transfers of expenses	-	-	-	-	-	-
TOTAL EXTRAORDINARY INCOME (VII)	**24,852**	**0.18**	**-**	**-**	**24,852**	**N/S**
Exceptional expenses on management operations	4,687	0.03	1,636,581	12.97	-1,631,894	-99.70
Exceptional expenses on capital transactions	133,564	0.95	-	-	133,564	N/S
Extraordinary allocations to amortization/depreciation and provisions	6,427	0.05	11,018	0.09	-4,591	-41.66
TOTAL EXTRAORDINARY EXPENSES (VIII)	**144,678**	**1.03**	**1,647,599**	**13.06**	**1,527,773**	**92.73**
NET EXTRAORDINARY INCOME (VII-VIII)	**-119,826**	**-0.84**	**-1,647,599**	**-13.05**	**1,527,773**	**92.73**
Employee profit-sharing (IX)	-	-	-	-	-	-
Income taxes (X)	-13,794	-0.09	132,838	1.05	-146,632	-110.37
TOTAL INCOME (I+III+V+VII)	**16,335,979**	**116.28**	**13,872,152**	**109.94**	**2,463,827**	**17.76**
TOTAL EXPENSES (II+IV+VI+VIII+IX+X)	**15,852,383**	**112.84**	**15,828,011**	**125.44**	**24,372**	**0.15**
NET INCOME	**483,596** *Profit*	**3.44**	**-1,955,859** *Loss*	**-15.49**	**2,439,455**	**124.73**
Equipment leasing	6,611	0.05	14,310	0.11	-7,699	-53.79
Real estate leasing	-	-	-	-	-	-

CONTENTS

Notes to the corporate financial statements of Microwave Vision for the financial year ended December 31, 2017

- **The balance sheet for the financial year ended 12/31/2017 totaled €94,978,748 before appropriation of net income.**
- **The income statement shows a profit of €483,596.**
- **The financial year has a duration of 12 months, covering the period from 1/1/2017 to 12/31/2017.**
- **The notes indicated below are an integral part of the annual financial statements.**
- **These annual financial statements were approved by the Board of Directors on 4/20/2018.**

They include the financial statements of MICROWAVE VISION, SA (MVG) and its foreign establishments, namely:
- **SATIMO Hong Kong**
- **MICROWAVE VISION Japan**
- **MICROWAVE VISION Sweden**

1/ Significant events of the financial year

As part of its patent enforcement activities, the Microwave Vision S.A. Group signed a strategic intellectual property exchange agreement with the company ETS – Lindgren on 8 March, 2017. This agreement protects both parties' interests and puts a de facto end to the legal proceedings between them in the United States.

During the fiscal year, MVG Industries, SAS signed a new lease for its new premises in Villejust (Department of Essonne). Its Brestois establishment was also moved to a new location in 2017.

Through its Hong Kong subsidiary, MV AMS, Ltd, the Group established a subsidiary in Shenzhen in the People's Republic of China.

2/ Accounting principles, rules, and methods

The financial statements at December 31, 2017 are prepared in compliance with the provisions of the French Commercial Code (Articles L123-12 to L123-28) and ANC regulation no. 2016-07 of November 4, 2016 relating to the French General Accounting System (PCG) approved by ministerial decree of December 26, 2016.

French general accounting conventions were applied, in keeping with the principle of prudence, in accordance with the basic assumptions:

- Consistency of methods,
- Going concern,
- Independence of financial periods,

and in accordance with the general rules for preparing and presenting annual financial statements.

The basic method used when stating the value of items in the financial statements is the historical cost method. However, for the integration of the accounts of autonomous facilities outside the eurozone, the closing rate method is applied.

The main methods used are presented below.

2.1. Conversion of autonomous facilities

The accounts of autonomous facilities (Hong Kong, Sweden, and Japan) are integrated into the accounts of the French facility for the presentation of the annual financial statements after their conversion into euros.

Notwithstanding the general rules (historical rate) and in order to give an accurate picture of the company's asset base, financial position, and earnings, the closing rate method is used. Depending on the nature of the converted accounting items, this method involves using closing rates, average rates, and historical rates:

- Balance sheet accounts (with the exception of the liaison accounts) are converted at the closing rate.
- Income statements are converted at the average rate for the period.
- Liaison accounts corresponding to investments and the successive earnings are converted at the historical rate.

"Commercial" liaison accounts are converted at the closing rate.

Foreign exchange differences resulting from these conversions are recorded in equity in a subdivision of retained earnings. As such, debit-balance conversion differences reduce the distributable profits.

2.2. Intangible fixed assets

Software, patents, and licenses are recorded at their acquisition cost. They pertain to the implementation of the SAP software and are amortized on a straight-line basis over a period ranging from three to six years.

2.3. Tangible fixed assets

Fixed assets are entered at their acquisition cost plus incidental costs of transport and installation expenses.

Depreciation is calculated on a straight-line basis according to the estimated useful life of the assets:

Fixtures and installations	5 to 10 years
Equipment and tools	3 to 7 Years
Transport equipment	5 years
Office equipment, computers, and furniture	3 to 10 years

2.4. Long-term assets

Equity securities are recorded on the balance sheet at the acquisition or contribution value.

An impairment is established at the close of the financial year when the value in use is less than the acquisition cost. At the close of each financial year, the value in use of each line of securities is assessed on the basis of:

- equity capital of the subsidiary;
- its prospects according to the discounted future cash flow method. These flows are determined on the basis of four-year forecasts with an assumption of growth to infinity of 1% from the fifth year and a discount rate of between 8.5% and 9.1%.

2.5. Inventories

Inventories of materials and components and inventories of semi-finished and finished products are valued at their historical cost (acquisition cost or production cost). A provision is constituted if the realizable value at the close is lower than this historical cost.

2.6. Receivables

Receivables are stated at their nominal value. A provision for impairment is established if this value is greater than the probable realizable value at the close of the financial year.

2.7. Transactions in foreign currencies

Expenses and income in foreign currencies are recognized at their euro equivalent on the date of the transaction.

Receivables and payables in foreign currencies existing at the close of the financial year are converted into euros using the exchange rate in force on that date. The translation difference is recorded on the balance sheet under "translation differences".

Unrealized exchange losses that are not offset are the subject of a provision for contingencies, in whole or in part, according to the following methods. Cash accounts in foreign currencies existing at the close of the financial year are converted into euros using the exchange rate in force on that date. The foreign exchange gains and losses resulting from the conversion of the trade receivables and payables are now reported under net financial income instead of net operating income.

2.8. Marketable securities

Marketable securities are included on the balance sheet at their acquisition value. When necessary, they are the subject of a provision calculated for each security line of the same nature in order to relate their value to the average market rate for the last month or to their probable trading value for securities that are not publicly traded. In accordance with the principle of prudence, unrealized capital gains are not recognized on the income statement. Movements are recorded by applying the FIFO method.

2.9. Expenses to be spread out over several financial periods on loan issue costs

Loan issue costs are spread out over the term of the loan.

2.10. Provisions

These provisions are intended to cover the contingencies and expenses that past or present events make likely. While they are clearly specified in terms of their subject, their realization, maturity, or amount is uncertain.

They mainly include provisions for exchange losses.

2.11. Retirement age compensation

Obligations related to statutory or contractual retirement compensation were valued at 12/31/2017.

Such compensation is not recorded but is mentioned in off-balance sheet commitments.

The amount mentioned in off-balance sheet commitments is determined at the close of the financial year taking into account the seniority of the staff and the probability of their presence in the company at the retirement date. The calculation is based on an actuarial method incorporating assumptions of changes in wages, retirement age, and returns on long-term investments at the closing date.

The assumptions used are as follows:

- Salary increase rate: 1% constant
- Collective agreement: metallurgy
- Departure at the initiative of: employee
- Calculation method: prospectively on a pro-rata basis
- Discount rate: 1.29%
- Employee turnover: 5% until 50 years of age
- Retirement age: 67
- Social security contribution rate: 47%

2.12. Recognition of income

Microwave Vision is a mixed holding company. Its revenue is made up of management fees and sales carried out by foreign facilities.

The rules for recognizing the revenue of these facilities are as follows:

- **Sale of products and studies:** the revenue is recorded according to the completion method. The percentage of completion was determined by dividing the cost price realized at the close of the financial year by the total cost price of the contract. If a loss at completion becomes probable, it is recognized through a provision for contingencies.
- **Maintenance:** maintenance contracts are billed once per year on their anniversary date. They are recognized as income on a prorated basis.

2.13. Post-closing events

As part of the simplification project, the Microwave Vision S.A. Group redeemed Orbit/FR securities held by the latter's minority shareholders. This purchase operation was subject to the laws of the State of Delaware (United States) and took the form of a "*Statutory Reverse Merger,*" resulting in the buy out in cash of the minority shareholders of Orbit/FR. This operation was carried out in accordance with the terms and conditions of an "*Agreement and Plan of Merger*" dated March 29, 2018 and took effect on April 6, 2018 following filing of a certificate of merger on April 5, 2018 with the State of Delaware. Orbit/FR is now wholly owned by Microwave Vision S.A.

2.14. Tax consolidation

The company is part of a consolidation group of which it is the head.

3/ Notes on the balance sheet

The figures are expressed in euros, unless otherwise indicated.

3.1. Intangible fixed assets

	Gross value 12/31/2016	Increases	Decreases	Transfers	Gross value 12/31/2017	Amortization 12/31/2017	Net value 12/31/2017
Other intangible fixed assets	984,297	-	-	-	984,297	682,471	301,826
Intangible fixed assets in progress	113,767	333,517	-	-	447,284	-	447,284
TOTAL	**1,098,064**	**333,517**	**0**	**0**	**1,431,581**	**682,471**	**749,110**

3.2. Tangible fixed assets

	Gross value 12/31/2016	Increases	Decreases	Transfers	Gross value 12/31/2017	Amortization 12/31/2017	Net value 12/31/2017
Industrial equipment and tools	14,133	-	1,733	-	12,400	14,112	-1,712
Fixtures	-	-	-	-	-	-	-
Transport equipment	21,686	-	-	-	21,686	9,045	12,641
Office equipment and computer furniture	66,654	-	7,824	-	58,830	56,355	2,475
TOTAL	**102,473**	**-**	**9,557**	**-**	**92,916**	**79,512**	**13,404**

3.3. Long-term assets

	12/31/2016	Increases	Decreases	12/31/2017
Equity securities	33,873,645	-	-	33,873,645
Loans	2,353,210	88,180	839,993	1,601,397
Other long-term investments	875,658	22,323	4,055	893,926
TOTAL	**37,102,514**	**110,503**	**844,048**	**36,368,968**

The treasury shares are presented as of December 31, 2017 in the item "Other long-term investments" for a gross amount of €650,575, compared to €691,954 at closing of the previous financial year.

3.4. Changes in amortization/depreciation and provisions on capital assets

	12/31/2016	Allocations	Writebacks	12/31/2017
Research and development expenses	-	-	-	-
Other intangible fixed assets	547,314	135,157	-	682,471
INTANGIBLE FIXED ASSETS	**547,314**	**135,157**	**-**	**682,471**
Industrial equipment and tools	15,766	66	1,720	14,112
Fixtures	-		-	-
Transport equipment	4,707	4,338	-	9,045
Office equipment and computer furniture	63,657	261	7,563	56,355
TANGIBLE FIXED ASSETS	**84,130**	**4,665**	**9,283**	**79,512**
Other long-term investments	169,549	-	169,549	-
LONG-TERM INVESTMENTS	**169,549**	**-**	**169,549**	**-**
TOTAL	**800,993**	**139,822**	**178,832**	**761,983**

3.5. Inventories

None.

3.6. Trade receivables

The balance of trade receivables at December 31, 2017, breaks down as follows:

	Trade receivables	Unbilled income
France	17,437,636	10,813,544
Sweden	23,018	-
Hong Kong	568,616	279,262
Japan	92,759	473,608
TOTAL	**18,122,029**	**11,566,414**

All of these receivables are due within one year.

3.7. Other receivables

	12/31/2017	12/31/2016
Government - Research tax credit	2,659,329	2,563,733
Deductible VAT	243,327	265,907
VAT credit to be carried forward	173,162	113,982
VAT on accrued invoices	17,654	-
Miscellaneous creditors (Advances)	4,894	81,428
Financial liaison - MV Spain	-	103,288
Financial liaison - MVG Industries	798,655	62,943
liaison MV AMS, Ltd	33,592	47,519
Liaison financière HK Ind	4,629,876	-
Liaison - Microwave Vision, Ltd	85	98
TOTAL	**8,560,574**	**3,238,898**

All other receivables are due within one year, with the exception of CIR and CICE receivables, whose share due within one year is estimated at €1,606,400 (2017 CIR financing).

The research tax credits for 2015 and 2016 were the subject of financing with Bpifrance for €1,499,000 and €1,398,705 respectively.

3.8. Marketable securities

As of December 31, 2017, this item consisted of investments in money market SICAVs and term accounts for €997 K and €2,100 K respectively.

3.9. Prepaid expenses

This item has a balance of €102 K. The prepaid expenses are primarily comprised of property rents, for €25 K, fees and subscriptions, for €39 K, advertising costs, for €15 K, and insurance costs, for €5 K.

3.10. Equity capital

	Balance 12/31/2016	Balance of 2016 profit	Other movements	Translation adjustment	Profit or loss for financial year 2017	Balance 12/31/2017
Share capital	1,256,433	-	-	-	-	1,256,433
Share premium	52,485,211	-	-	-	-	52,485,211
Statutory reserve	350,971	-	-	-	-	350,971
Other reserves	191,510		-195,678	-		-4,168
Retained earnings	5,419,731	-1,955,859	-	265,321	-	3,729,193
Accelerated depreciation	48,664	-	6,427	-	-	55,091
2016 profit	-1,955,859	1,955,859	-	-	-	-
2017 profit	-	-	-	-	483,596	483,596
TOTAL	**57,796,662**	**-**	**-189,251**	**265,321**	**483,596**	**58,356,328**

Share capital consists of 6,282,166 shares with a nominal value of €0.20 each.

Accelerated depreciation pertains to the restatement of borrowing costs related to the acquisition of Rainford. These expenses fully amortized as of 12/31/2017.

Stock subscription warrants and stock subscription options

The situation of shares giving access to capital existing at December 31, 2017, can be presented as follows:

	Share subscription warrants (BSA)
Date of general meeting	June 06, 2015
Date of Board meeting	July 18, 2015
Number of shares issued	310,000
Number of beneficiaries	34
Strike price	13.50
Strike deadline	July 18, 2019
Number of shares outstanding as of 12/31/2016	**310,000**
Number of shares exercised during the period	0
Number of shares outstanding as of 12/31/2017	**310,000**

Main characteristics of the 310,000 share subscription warrants:

- each share subscription warrant entitles the holder to an ordinary share of Microwave Vision with a nominal value of €0.20;
- unit share subscription warrant issue price: € 0.67;
- unit share subscription price: € 13.50;
- strike deadline: July 18, 2019.

At the board of directors' proposal of April 20, 2017, the general meeting of June 22, 2017 extended the exercise period to July 18, 2019.

3.11. Changes in provisions

	12/31/2016	Allocations	Writebacks	12/31/2017
Provisions for expenses	454,806	25,942	454,806	25,942
Provisions for impairment of treasury shares	169,549	-	169,549	-
Provisions for bad debts	0	72,050	-	72,050
TOTAL	**624,355**	**97,992**	**624,355**	**97,992**

A provision for risk on foreign exchange differences was recognized in Microwave Vision's financial statements corresponding to the unrealized foreign exchange loss on receivables and debts denominated in foreign currencies.

3.12. Loans and financial debts

The debt maturity schedule at December 31, 2017, breaks down as follows:

Due dates	< 1 year	1-5 years	> 5 years	TOTAL
Other bond loans	-	4,000,000	-	4,000,000
Funds borrowed from credit institutions	29,961	71,050	-	101,011
Miscellaneous loans and financial debts	637,000	397,500	-	1,034,500
Miscellaneous loans and financial debts with related companies	2,783,731	-	-	2,783,731
TOTAL	**3,450,692**	**4,468,550**	**-**	**7,919,242**

Loan repayments totaled €1,090,834 for the year.

The company is subject to bank covenants. These covenants relate to compliance with certain debt ratios based on the Group's consolidated accounts. The covenants underwent an external audit and were respected at the closing date of the financial year.

The expense relating to the spreading of borrowing costs was €38,626.

	12/31/2016	Amortization/ Depreciation	Writeback	12/31/2017
Spreading of borrowing costs	87,209	38,626	-	48,583
TOTAL	**87,209**	**38,626**	**-**	**48,583**

3.13. Trade payables

	12/31/2017	12/31/2016
Trade payables	24,637,773	20,380,398
Suppliers - Invoices not yet received	2,213,866	638,315
TOTAL	**26,851,639**	**21,018,713**

Trade payables are due within one year.

3.14. Tax and social security debts

	12/31/2017	12/31/2016
Staff – accrued expenses	208,421	67,319
Miscellaneous social agencies	241,894	165,146
Paid leave (including social security contributions)	163,201	58,973
Government - Income tax	6,441	0
Government – Accrued expenses	23,100	29,900
Tax on revenue to be reported	-	14,719
Collected VAT	471,852	450,166
TOTAL	**1,114,909**	**786,223**

Tax and social security debts are all due in less than one year.

3.15. Liability accrual accounts

Deferred income of €131,411 primarily corresponds to the proportionate share of maintenance contracts relating to the following financial year.

4/ Other information

4.1. Details of net financial income

Net financial income	Expenses	Income
Foreign exchange differences and adjustments	1,236,630	878,151
Allocations and writebacks for impairment of treasury shares	-	169,548
Allocations and writebacks on foreign exchange losses	25,942	454,807
Interest on current accounts	75,836	-
Interest on loans	55,676	9,562
Interest on current bank credit facilities	176,406	201,005
Proceeds from disposal of marketable securities	-	183,061
Other financial items	193,239	6,472
TOTAL	**1,763,728**	**1,902,607**

4.2. Details of net extraordinary income

Net extraordinary income	Expenses	Income
Penalties	1,767	-
Extraordinary professional fees	133,564	-
Other extraordinary items	2,920	24,852
Accelerated depreciation	6,427	-
TOTAL	**144,678**	**24,852**

Extraordinary professional fees mainly corresponded to expenses incurred in the context of a dispute in the United States.

4.3. Breakdown of production sold by geographical region

	2017	2016
France	10,140,702	9,770,297
Europe	219,050	187,797
Asia	3,689,288	2,659,677
TOTAL	14,049,040	12,617,771

4.4. Pension obligations

A provision for the obligation at December 31, 2017, was established in the company's accounts. It is estimated at 158,803 euros, considering the calculation assumptions presented in the accounting principles and methods.

4.5. List of subsidiaries and equity interests

Name of the interest	Capital	Reserves and retained earnings	% of capital held	Book value of securities	Revenue excl. taxes Last year	Earnings
MVG INDUSTRIES, SAS	€4,700,000	€18,016,836	100%	€18,624,761	19,195,467	€1,583,500
ORBIT/FR, INC	$921,000	$12,510,000	62.17%	€11,315,740	$45,601,785	-$1,731,375
MVG, INC	$2,365,253	$108,426	100%	€1,881,011	$12,831,826	$243,708
MV ITALIE SRL	€100,000	€1,919,797	100%	€1,602,215	€4,246,298	€706,520
RAINFORD, LTD	£151,001	£695,996	100%	€449,918	£10,098,275	£734,293
MICROWAVE VISION, LTD	1,000,000.00. HKD	0	100%	0	0	0

Microwave Vision is the consolidating parent company of the Group.

4.6. Financial expenses and income of related companies

	Interest and similar expenses	Interest and similar income
ORBIT ADVANCED TECHNOLOGIES, INC	-	201,005
MV ITALY	16,017	-
MVG, INC	54,225	-
AEMI, INC	-	9,562
MGV JAPAN	-	16,617
MVG INDUSTRIES, SAS	5,594	-
TOTAL	75,836	227,184

4.7. Average staff employed during the financial year

	France	Italy	Hong Kong	Sweden	Japan	TOTAL
Senior management	5	0	0	1	1	7
Other employees	0	0	0	1	3	4
TOTAL	5	0	0	2	4	11

4.8. Executive pay

During the financial year, gross executive pay totaled €734,716.

4.9. Increases and reductions in future tax liabilities

The company calculated its increase and reduction in future tax liabilities using the average corporate tax rates for the next five years, or 29.63%.

	Amount	Tax
Increases: regulated provisions	-	-
Subsidies to be added back into earnings	-	-
Reductions: Provisions not deductible in their accounting year	-	-
Unrealized exchange gains on debts and receivables	-423,837	-125,583
Total allowable loss carry-forwards	-1,929,654	-571,756

4.10. Off-balance sheet commitments

The breakdown of off-balance sheet commitments is as follows:

- Pledging of business assets: €5,300,000 (or €2,650,000 with CIC and €2,650,000 with Société Générale), an amount guaranteed at origin up to the limit of the debt still owed; as of 12/31/2017, the debt amounts to €107,000.
- Pledge of 95.1% of the shares making up the share capital of MVG Industries to secure bank loans.
- As part of the relocation of the plant of Rainford Ltd in England, your Company guaranteed the owners that Rainford Ltd would comply with the obligations under the lease and undertakes to compensate the owners if your subsidiary breaches its obligations or to replace it by entering into a new lease with the owners under the same terms and conditions as the lease entered into.
- Pledge of financial instruments: €1,000,000
- Joint and several guarantee of the Société Générale accounts.

The financial parties issued bonds and guarantees under commercial contracts. These bonds and/or guarantees are broken down as follows:

- Foreign market advance payment guarantee (in euros): €741,388
- Foreign market advance payment guarantee (in USD): $55,500
- First-demand guarantee: €296,816.93
- Performance bond: €202,000

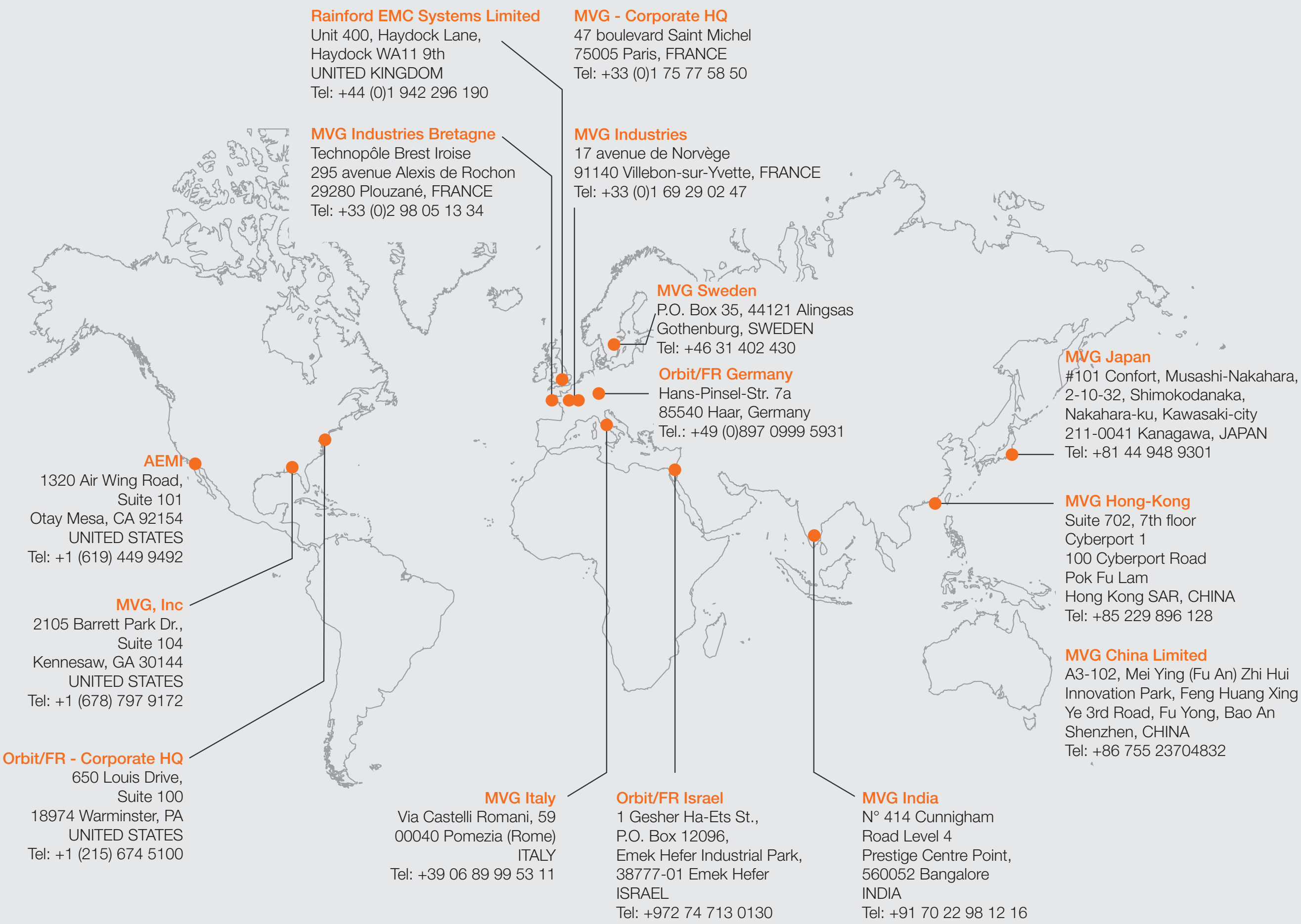
4.11. Auditors' fees

At 12/31/2017, the company recognized fees paid to auditors with a total value of €62,000.

NOTES

A global presence

Microwave Vision exports more than 90% of its production outside of France. The Group spans Europe, Asia and America through 15 locations in 10 countries.



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