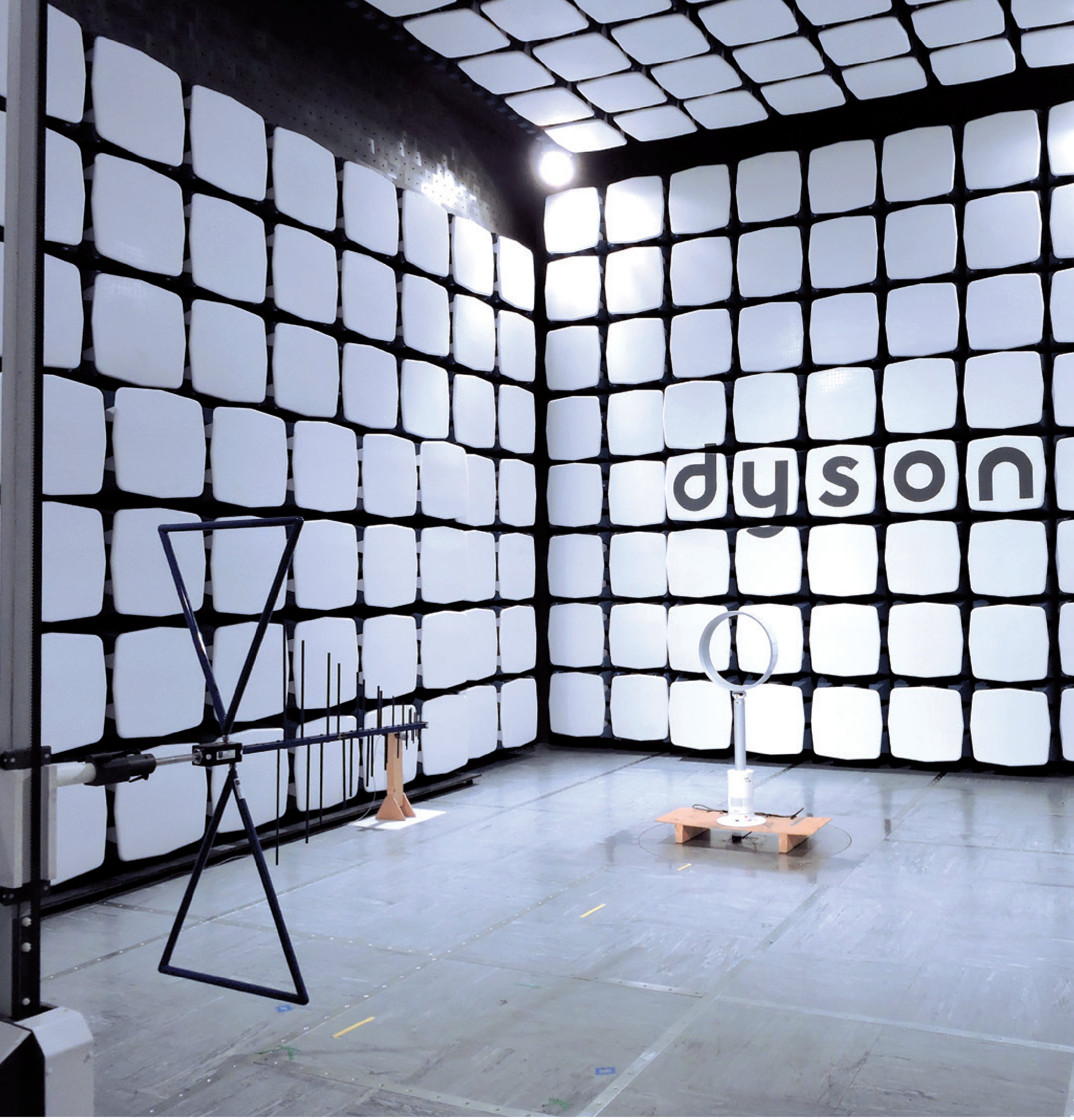


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MVG Microwave Vision Group

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

## Consolidated income statement at December 31, 2014

| (in €K) | 12/31/2014 | 12/31/2013 | 12/31/2012 |
|---|---|---|---|
| Revenue | 56,663 | 51,499 | 46,358 |
| Other income from operations | 15 | 5 | 49 |
| **INCOME FROM ORDINARY OPERATIONS** | **56,678** | **51,504** | **46,407** |
| Purchases consumed | -19,734 | -16,664 | -14,469 |
| Taxes and similar payments | -387 | -341 | -469 |
| Personnel expenses | -19,506 | -18,482 | -16,535 |
| Depreciation, amortization, and provisions | -2,067 | -1,294 | -1,311 |
| Other current operating income and expenses | -10,023 | -10,446 | -9,790 |
| **CURRENT OPERATING INCOME** | **4,961** | **4,276** | **3,834** |
| Other operating income and expenses | -884 | -32 | -62 |
| Stock option expenses | - | - | - |
| **NET OPERATING INCOME** | **4,077** | **4,244** | **3,772** |
| Net finance costs | -527 | -306 | -386 |
| Other financial income and expenses | - | -25 | -76 |
| **NET FINANCIAL INCOME** | **-527** | **-331** | **-462** |
| **CURRENT INCOME BEFORE TAXES** | **3,550** | **3,913** | **3,310** |
| Taxes | -947 | -813 | -562 |
| **NET INCOME OF CONSOLIDATED COMPANIES** | **2,604** | **3,100** | **2,748** |
| Share in income of associated companies | - | - | - |
| **NET INCOME FROM CONTINUING OPERATIONS** | **2,604** | **-** | **-** |
| Net income from operations discontinued or held for sale | 261 | - | - |
| **NET INCOME** | **2,604** | **3,100** | **2,748** |
| Attributable to: | | | |
| Ordinary equity holders of the parent company | 2,382 | 2,964 | 2,503 |
| Minority interests | 222 | 136 | 245 |
| | | | |
| Group net income per share - before dilution (in euros) | 0.3790 | 0.8335 | 0.7038 |
| Net income from operations discontinued or held for sale per share - after dilution (in euros) | - | - | - |
| Group net income per share - after dilution (in euros) | 0.3607 | 0.8316 | 0.7023 |

# Consolidated comprehensive income at December 31, 2014

| | Year ended 12/31/2014 | Year ended 12/31/2013 | Year ended 12/31/2012 |
|---|---|---|---|
| **PROFIT OR LOSS FOR THE YEAR** | **2,604** | **3,100** | **2,748** |
| Elements that will not be reclassified to net profit later: | - | - | - |
| | | | |
| Elements that may be reclassified to net profit later: | - | - | - |
| | | | |
| Other elements of comprehensive income for the year, after income tax | - | - | - |
| | | | |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **2,604** | **3,100** | **2,748** |
| **Profit for the year attributable to:** | | | |
| Company owners | 2,382 | 2,964 | 2,503 |
| Non-controlling interests | 222 | 136 | 245 |
| | **2,604** | **3,100** | **2,748** |
| | | | |
| **Total comprehensive income for the year attributable to:** | | | |
| Company owners | 2,382 | 2,964 | 2,503 |
| Non-controlling interests | 222 | 136 | 245 |
| | **2,604** | **3,100** | **2,748** |

# Group consolidated balance sheet at December 31, 2014

| ASSETS (in €K) | Note | 12/31/2014 | 12/31/2013 | 12/31/2012 |
|---|---|---|---|---|
| Goodwill | | 13,527 | 13,530 | 13,521 |
| Intangible fixed assets | | 686 | 711 | 38 |
| Tangible fixed assets | | 8,121 | 6,566 | 5,333 |
| Other financial assets | | 687 | 497 | 341 |
| Deferred tax assets | | 2,553 | 2,971 | 3,482 |
| **NON-CURRENT ASSETS** | | **25,574** | **24,275** | **22,716** |
| Stocks and work in progress | | 7,752 | 7,041 | 5,729 |
| Trade and other receivables | | 30,573 | 26,060 | 21,977 |
| Other receivables and current assets | | 7,866 | 4,656 | 4,234 |
| Marketable securities | | 14,961 | - | 1,854 |
| Cash and cash equivalents | | 14,593 | 7,100 | 3,779 |
| **CURRENT ASSETS** | | **75,745** | **44,857** | **37,572** |
| Assets held for sale | | - | - | - |
| **TOTAL ASSETS** | | **101,319** | **69,132** | **60,288** |

| EQUITY AND LIABILITIES (in €K) | Note | 12/31/2014 | 12/31/2013 | 12/31/2012 |
|---|---|---|---|---|
| Capital | | 1,256 | 711 | 711 |
| Share, merger premiums | | - | - | - |
| Reserves | | 62,183 | 32,577 | 31,026 |
| Consolidated profit (loss) | | 2,382 | 2,964 | 2,503 |
| Minority interests | | 4,194 | 3,512 | 3,056 |
| **EQUITY CAPITAL** | | **70,015** | **39,764** | **37,296** |
| Non-current provisions | | 707 | 656 | 586 |
| Non-current financial debts | | 8,096 | 9,947 | 6,478 |
| Deferred tax liabilities | | 90 | 78 | 76 |
| Other non-current liabilities | | - | - | - |
| **NON-CURRENT LIABILITIES** | | **8,893** | **10,681** | **7,140** |
| Current financial debts | | 1,376 | 6 | |
| Trade payables and related accounts | | 14,506 | 13,159 | 9,448 |
| Other debts | | 6,529 | 5,522 | 6,403 |
| Current financial liabilities | | - | - | - |
| **CURRENT LIABILITIES** | | **22,411** | **18,687** | **15,850** |
| Liabilities related to assets held for sale | | - | - | - |
| **TOTAL EQUITY CAPITAL AND LIABILITIES** | | **101,319** | **69,132** | **60,288** |

# Consolidated cash flow statement at December 31, 2014

| ITEMS | Consolidated 2014 (in €K) | Consolidated 2013 (in €K) | Consolidated 2012 (in €K) |
|---|---|---|---|
| **Consolidated net income** | **2,604** | **3,100** | **2,748** |
| +/- Net allocations to depreciation, amortization, and provisions | 2,253 | 1,191 | 1,312 |
| +/- Calculated expenses and income related to stock options and similar | - | 79 | - |
| -/+ Other calculated income and expenses | - | - | - |
| -/+ Disposal gains and losses | 2 | - | - |
| - Dividends (non-consolidated shares) | - | - | - |
| **Self-financing capacity after net finance costs and taxes** | **4,858** | **4,370** | **4,060** |
| + Net finance costs | 522 | 0 | 463 |
| +/- Tax expense (including deferred taxes) | 947 | 1,119 | 562 |
| **Self-financing capacity before net finance costs and taxes (A)** | **6,327** | **5,489** | **5,085** |
| +/- WCR change (1) | -6,661 | -3,894 | -2,667 |
| **= NET CASH FLOW GENERATED BY OPERATIONS (D)** | **-334** | **1,595** | **2,418** |
| - Disbursements related to tangible and intangible fixed asset acquisition | -3,034 | -3,253 | -3,107 |
| + Proceeds from sales of tangible and intangible fixed assets | - | - | 1 |
| - Disbursements related to financial asset acquisition | - | - | - |
| +/- Impact of scope changes | - | - | - |
| +/- Change in loans and advances granted | -49 | -77 | - |
| + Investment subsidies received | - | - | - |
| +/- Other flows from investment activities | - | -76 | -1,235 |
| **= NET CASH FLOW RELATED TO INVESTMENT ACTIVITIES (E)** | **-3,083** | **-3,406** | **-4,341** |
| + Amounts paid to shareholders upon capital increase:<br>- Paid by parent company shareholders | - | - | - |
| + Collections related to new borrowings | 239 | 4,203 | 5,423 |
| - Loan repayments (including finance leases) | -803 | -531 | -1,450 |
| - Net financial interests paid (including finance leases) | -539 | -298 | - |
| +/- Other flows related to financing operations | -634 | - | - |
| + Cash capital increase | 27,399 | - | - |
| **= NET CASH FLOW RELATED TO FINANCING ACTIVITIES (F)** | **25,662** | **3,374** | **3,974** |
| +/- Impact of foreign currency fluctuations (G) | 210 | -100 | 30 |
| **= CHANGE IN NET CASH H = (D + E + F + G)** | **22,455** | **1,463** | **2,021** |
| **OPENING CASH BALANCE (I)** | **7,100** | **5,637** | **3,616** |
| **CLOSING CASH BALANCE (J)** | **29,555** | **7,100** | **5,637** |

(1) Including CIR and CICE tax receivables for €1,506 K in 2014 and €1,492 K in 2013

# Statement of changes in Group equity at December 31, 2014

| (in €K) | Capital | Reserves | Treasury shares | Consolidated profit (loss) | Total group share | Total minority share | TOTAL |
|---|---|---|---|---|---|---|---|
| Equity capital at December 31, 2013 | 711 | 32,697 | -120 | 2,964 | 36,252 | 3,512 | 39,764 |
| Appropriation of profit or loss | - | 2,964 | - | -2,964 | 0 | - | 0 |
| Capital transactions | 545 | 26,854 | - | - | 27,399 | - | 27,399 |
| Financial instruments | - | - | - | - | 0 | - | 0 |
| Share-based payments | - | - | - | - | 0 | - | 0 |
| Operations on treasury shares | - | - | - | - | 0 | - | 0 |
| Dividends | - | - | - | - | 0 | - | 0 |
| Net income for the period | - | - | - | 2,382 | 2,382 | 222 | 2,604 |
| Currency translation adjustment | - | 664 | - | - | 664 | 495 | 1,159 |
| Treasury share movements | - | - | -634 | - | -634 | - | -634 |
| Change in scope | - | - | - | - | 0 | - | 0 |
| Other changes | - | -242 | - | - | -242 | -35 | -277 |
| **EQUITY CAPITAL AT DECEMBER 31** | **1,256** | **62,937** | **-754** | **2,382** | **65,821** | **4,194** | **70,015** |

# Notes to the Group's consolidated financial statements for the financial year ended December 31, 2014

## 1/ Consolidated companies

### Identification of the Group

MICROWAVE VISION S.A., parent company of the Group, is a public limited company incorporated in France, domiciled at 17 avenue de Norvège, 91140 Villebon-sur-Yvette.

**The MICROWAVE VISION Group has four business units:**

- **The AMS BU** (Antenna Measurement Systems) focuses on antenna measurements, the Group's historic activity; it presents a diversified offering of products covering the majority of 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 EMC BU** (Electro-Magnetic Compatibility) focuses on electromagnetic compatibility tests. This BU offers solutions for testing the aptitude of devices to function in electromagnetic environments and to not produce electronic disturbances.
- **The EIC BU** (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 NSH BU** (National Security and Healthcare) focuses on medical imaging instruments and security imaging for airports.

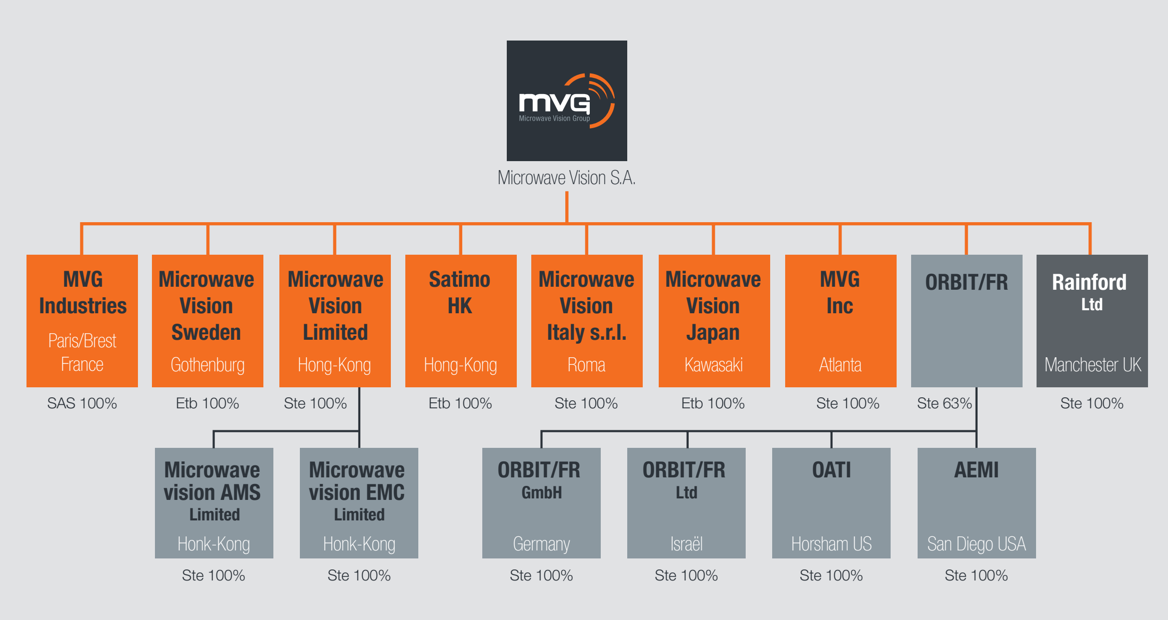
MICROWAVE VISION, the Group's holding company, was admitted for listing on Alternext on June 30, 2005.

The financial year has a duration of 12 months, covering the period from January 1, 2014, to December 31, 2014. The notes indicated below are an integral part of the consolidated annual financial statements.

### Group organization chart

MICROWAVE VISION S.A. is the group's holding company. In addition to general management, it carries out the finance, marketing, and commercial functions of the group.

*Note: MVG Industrie has a 10% ownership interest in METRAWARE, located at the following address: Quartier Cime des Vières 84240 Cabrieres d'Aigues. This company is not consolidated.*




## MVG INDUSTRIES

This is the industrial company of the SATIMO division. It manufactures all the systems for MICROWAVE VISION. 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 Brest, 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. It is a very active service provider.

## MICROWAVE VISION Ltd

In 2013, the MVG group restructured its presence in Asia with the opening of a holding company in Hong Kong, MICROWAVE VISION Ltd., which is 100% owned and which itself holds two operational companies, MICROWAVE VISION AMS, Ltd and MICROWAVE VISION EMC, Ltd. The objective of these two entities is to market and maintain the systems installed in the APAC region.

## MICROWAVE VISION ITALY SRL

MICROWAVE VISION Italy SRL has a small antenna production activity and an R&D center that works closely with MVG Industries SAS.

## AUTONOMOUS FACILITIES

- **MICROWAVE VISION SWEDEN,** based in Gothenburg, is the headquarters of the European commercial management.
- **MICROWAVE VISION JAPAN,** based in Tokyo, markets the “SATIMO” products and is responsible for their maintenance in the Japanese territory.

## THE ORBIT/FR GROUP IS MADE UP OF FIVE ENTITIES:

- **The ORBIT/FR Inc.** holding company is located in the USA, in Horsham, PA. 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 Horsham, PA, USA, is responsible for distributing ORBIT/FR products in the Americas. This entity also integrates equipment manufactured in Israel.
- **AEMI US**, based in Santee, CA, USA, is the group entity that designs and produces the absorbing materials for all companies of the Group.

## RAINFORD Ltd

RAINFORD, based in Manchester, England, was acquired by the Group in July 2012. Today it is 100% owned by MVG. It manufactures faraday cages for the group’s antenna measurement customers and for the electromagnetic compatibility market, which is one of the Group’s growth drivers.

### Consolidation scope

At December 31, 2014, except for the METRAWARE stake (10% of capital) whose assets and liabilities are not significant, no company owned directly or indirectly, with majority or minority interest, is excluded from the consolidation scope.

MICROWAVE VISION S.A. consolidates the following companies:

| | |
|---|---|
| MVG Industries | 100% owned |
| MV Italy SRL | 100% owned |
| MV Ltd | 100% owned |
| MVG Inc | 100% owned |
| RAINFORD EMC Ltd | 100% owned |
| ORBIT/FR Inc. | 63% owned |

MICROWAVE VISION S.A. owns 10% of Metraware, which is not consolidated.

## 2/ Significant events of the financial year

2014 was marked by the Group's capital increase of more than €28.3 M, which took place in July. The objective of this increase was to fund external growth potential.

The distribution of Group activities is well-balanced from both a sectoral (49% Aerospace and Defense, 51% Civil Telecommunications) and geographic (39% Asia, 34% Europe, and 27% North America) standpoint. The Civil Telecommunications sector drove the Group's growth: Europe fully benefited from the upturn of the auto sector, while Asia gained from the growth of mobile telecommunications. Only America posted a decline, impacted by a Defense and Aerospace sector going through a restructuring phase, meaning that investments in new test installations were put on hold.

In 2014 the **AMS (Antenna Measurement Systems) Business Unit** generated revenue of €45.96 M, i.e., 81% of revenue (compared with 82% / €42.46 M in 2013). It benefited from a renewed offering (StarLab, SG 24) and the growth in the Civil Telecommunications sector. In this sector, the customers of the Group equip themselves with 4G test systems (StarMIMO) and the most advanced groups with 5G test systems 5G (µLab, Mini-Compact Range). The return to center stage of automobile test systems also contributed to the growth of the Civil Telecommunications sector. After a long period of "wait and see" as a result of restructuring in the sector, there has been an increase in projects from auto manufacturers, especially in Europe. MVG, already a reference, is supporting the technological revolution that will soon be upon us with the connected car.

The **EMC (Electromagnetic Compatibility) Business Unit** has put in place a promising development strategy. The EMC test offering, made up of AEMI absorbers and RAINFORD EMC faraday cages chambers since the purchase of the British company in 2012, benefited from the Group's international reach, which made Asian and American markets accessible. A major distribution partnership between MVG and another leader, AR (Amplifier Research), was signed at the start of 2014. It offers turnkey EMC solutions based on a combination of expertise and a catalog of joint solutions. This partnership propels MVG's offer into new markets, enabling it to benefit from the excellent image of a recognized company.

The **EIC Business Unit (Environmental & Industrial Control)** recorded €1.70 M in revenue in 2014 (€1.5 M in 2013). The growth of new products (EME Guard XS, EME Spy 200, FlashRad, OEM measuring probes) and the new distributor partners, who amplify MVG's commercial efforts, have more than offset the decline in revenue of a software package due for an update in the first half of 2015.

During financial year 2014, RAINFORD in Manchester and AEMI in San Diego moved into a new plant.

The group continued the deployment of its SAP ERP through its integeration in the MVG-Orbit/FR offices in Munich and in the USA.

## 3/ Accounting principles and valuation methods

The financial statements were approved on April 28, 2015 by the Board of Directors and are expressed in thousands of euros (unless otherwise indicated).

The Group's consolidated financial statements at December 31, 2014, are prepared in accordance with the standards and interpretations published by the International Accounting Standards Board (IASB) and adopted by the European Union. This reference guide incorporates the international accounting standards (IAS and IFRS), the interpretations of the Standing Interpretations Committee (SIC), and the International Financial Reporting Interpretations Committee (IFRIC) as published by the IASB. This reference guide is available at:

http:/ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission.

The accounts at December 31, 2014, presented in comparative form, were determined according to the same procedures.

### Accounting rules and methods

**The accounting rules and methods used by the Group to draw up the annual consolidated financial statements at December 31, 2014, are identical to those used for December 31, 2013. Furthermore, IFRS Standard 1 "First-time Adoption of International Financial Reporting Standards" relating to the first application of the international reference guide provides for possible options for the principle of retrospective application of the IFRS on the transition date for the Group on April 1, 2007. In this framework, the Group selected the following options:**

- In the absence of business combinations prior to April 1, 2007, these were not restated according to IFRS 3 "Business Combinations";
- IAS 39 was applied retrospectively from January 1, 2004;
- The valuation of the benefits granted to employees in the framework of stock-based compensation takes into account only the plans granted in January 2007;
- The unrealized exchange gains or losses were cleared on opening of the 2007 financial year;
- The research tax credit was calculated according to existing law. It was recognized as a deduction from the salaries, the depreciation, and other external expenses in application of the tax pro rata;
- The CICE (Competitiveness and Labor Tax Credit) was calculated according to existing laws at the year-end closing. The company chose to record it as a deduction from payroll costs (IAS 20);
- The income from commercial contracts is stated according to IAS 37 concerning construction contracts.

## Estimates and appraisals

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.

**The main estimates and assessments used are inherent to:**

- Assessment and recoverable value of goodwill. The estimate of the recoverable value of these assets involves the determination of future cash flows deriving from the use of these assets. Therefore, the flows actually generated by these assets may well differ considerably from initial projections;
- Assessment of pension liabilities;
- Determination of provisions for liabilities and expenses taking into account the contingencies liable to affect the occurrence and the costs of events constituting the underlying reason for the provisions;
- Test of asset values based on prospects for future achievements;
- Deferred taxes.

## Options selected for valuation and recognition of assets and liabilities

**Certain international accounting standards provide options for valuation and recognition of assets and liabilities. In this framework, the Group adopted:**

- The method of valuation at the historical cost of intangible and tangible fixed assets and thus chose not to revalue them at each balance sheet date;
- The option of placing at fair value by profit or loss according to the option proposed by amendment IAS 39.

**In the absence of standards and interpretations applicable to a specific transaction, the Group management uses its own judgement to define and apply the accounting rules and methods that will allow access to relevant and reliable information so that the financial statements:**

- Give a true and fair view of the financial position and performance and cash flows of the Group;
- Reflect the economic substance of the transactions;
- Are neutral, prudent, and complete in all their significant aspects.

## Consolidation methods

The companies over which MICROWAVE VISION exercises control are fully consolidated. Control is assumed to exist when the parent company holds, directly or indirectly, the power to direct the financial and operational policies of a company in order to benefit from its activities. The subsidiaries are included in the scope of consolidation with effect from the date on which the control is actually transferred to the Group, while the subsidiaries sold are excluded from the scope of consolidation with effect from the date of loss of control. In full consolidation, the consolidated balance sheet includes the assets and liabilities of the parent company, except for the shares of the consolidated companies, whose book value is replaced by all the assets and liabilities making up the equity capital of these companies determined according to the consolidation rules.

All transactions between the consolidated companies are eliminated. The Group does not hold any special-purpose companies.

### Conversion of the financial statements of foreign companies

The consolidated financial statements presented here were drawn up in euros.

**The financial statements of foreign companies outside the eurozone are converted according to the following principles:**

- Balance sheet items other than equity capital are converted at the closing rate;
- Income statement items are converted at the average rate of the financial year;
- Currency translation adjustments resulting from the impact of changes in exchange rate between the opening (and/or the date of acquisition of the companies concerned) and the year-end are entered under "Currency translation adjustments" and included in equity, until the assets or liabilities and any foreign currency transactions to which they relate are sold or liquidated.

**The Euro/Currency ($, HKD, YEN, SEK, £) conversion rates applied are the following:**

| (in €) | $ | | HKD | | YEN | | SEK | | £ | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 12/31/2014 | 12/31/2013 | 12/31/2014 | 12/31/2013 | 12/31/2014 | 12/31/2013 | 12/31/2014 | 12/31/2013 | 12/31/2014 | 12/31/2013 |
| Closing rate | 1.2141 | 1.3791 | 9.4170 | 10.6933 | 145.2300 | 144.7200 | 9.3930 | 8.8591 | 0.7789 | 0.8337 |
| Average rate | 1.3289 | 1.3279 | 10.3055 | 10.2928 | 140.1836 | 129.7800 | 9.1182 | 8.6494 | 0.8052 | 0.8496 |

## 4/ Notes on the balance sheet

### Non-current assets

#### Goodwill

| (in €K) | 12/31/2013 | Increase | Decrease | Other change | 12/31/2014 |
|---|---|---|---|---|---|
| ORBIT/FR goodwill | 7,990 | - | - | -3 | 7,987 |
| ANTENESSA goodwill | 3,528 | - | - | - | 3,528 |
| RAINFORD goodwill | 2,011 | - | - | - | 2,011 |
| **TOTAL** | **13,530** | **0** | **0** | **-3** | **13,527** |

During an acquisition, the assets, liabilities, and possible liabilities of the subsidiary company are recorded at their fair value in an allocation period of twelve months and retroactive to the acquisition date.

The acquisition cost corresponds to the cash amount, or cash equivalent, paid to the seller plus the cost directly attributable to the acquisition.

Impairment tests are carried out annually using the discounted future cash flow method based on existing operational forecasts covering at least a period of 4 years. The existing forecasts are based on past experience and the projected market trends and take into account the company's business plan.

### Main assumptions:

| | Cash flow projection period | Year ended 12/31/2014 Discount rate | Cumulative growth rate at 5 years | Other key assumption(s) |
|---|---|---|---|---|
| MVG INDUSTRIES | 2018 | 12% | 31% | None |
| ORBIT/FR | 2018 | 12% | 27% | None |
| RAINFORD | 2018 | 12% | 26.9% | None |

### Sensitivity tests:

| | | "Threshold value" of the assumption | |
|---|---|---|---|
| | Difference between the value-in-use of the CGU and the book value (€M)(1) | Assumption A | Assumption B |
| MVG INDUSTRIES | 2.4 | Discount rate 13.1% | Change in growth 28% |
| ORBIT/FR | 0.9 | Discount rate 12.5% | Change in growth 25.5% |
| RAINFORD | 2.8 | Discount rate 21.9% | Change in growth 5.9% |

(1) CGU = Goodwill + consolidated net assets

## Intangible fixed assets

Software, patents, and licenses are recorded at their acquisition cost. They are amortized over a period of 3 to 5 years on a straight-line basis. However, the amortization period for costs capitalized as part of the establishment of the SAP software was changed to 6 years in 2014.

Research costs are recognized in expenses as they are incurred. Development expenses that meet the IAS 38 criteria for inclusion in assets are included in the intangible fixed assets and are amortized over an estimated utilization period not exceeding 3 years from the initial commercial launch date of the products or services.

Without questioning MVG's technological progress, the development of horizontal research projects with research teams of its subsidiary ORBIT/FR no longer allows the company to have a sufficiently clear picture of research and development projects carried out within the Group.

As such, the company no longer completely meets the IAS 38 requirements for the inclusion of R&D projects in assets. These are completely remade into new horizontal research projects for which cost identification is impossible to implement.

| (in €K) | 12/31/2013 | Increase | Decrease | Exchange rate fluctuation | Reclassification | 12/31/2014 |
|---|---|---|---|---|---|---|
| Gross | 2,242 | 389 | - | 5 | -153 | 2,493 |
| Amortization | -1,531 | -268 | -4 | - | -4 | -1,807 |
| **NET VALUE** | **711** | **121** | **-4** | **5** | **-157** | **686** |

## Tangible fixed assets

| (in €K) | 12/31/2013 | Increase | Decrease | Exchange rate fluctuation | Reclassification | 12/31/2014 |
|---|---|---|---|---|---|---|
| Gross | 13,149 | 2,638 | -24 | 1,026 | 35 | 16,731 |
| Depreciation | -6,583 | -1,523 | 22 | -513 | -14 | -8,610 |
| **NET VALUE** | **6,566** | **1,115** | **-2** | **513** | **21** | **8,121** |

(*) After breakdown of the gross values and depreciation

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 |
| Office equipment, computers, and furniture | 3 to 10 years |

Interest on loans for construction and acquisition of tangible fixed assets are included in the cost of the assets when they are significant.

The Group has not retained any residual value for these assets. Most industrial assets are destined to be used until the end of their useful life and, in general, there is no plan to sell them.

**Finance leasing:**
The total amount of payments still to be made on long-term lease contracts is €30 K.

**Details of finance leases:**

| Description | Gross value of goods | Charges for the year | Allocation to corresponding depreciation | Accumulated depreciation | Outstanding borrowings |
|---|---|---|---|---|---|
| SOGELEASE Mobilier | 65 | 13 | 13 | 33 | 30 |
| **TOTAL** | **65** | **13** | **13** | **33** | **30** |

Assets under finance leases have been restated in order to appear under tangible fixed assets on the asset side of the balance sheet with an offset to a loan under liabilities minus the borrower's advance.
Straight-line depreciation is posted in reference to the economic lifetime of the goods.
Leasing costs are recognized as an expense as they are incurred.

## Non-current financial assets

These include the non-consolidated equity securities as well as sureties. Their value is revised at each closing date, and impairment is applied if necessary.

## Non-current tax assets

Deferred taxes are recognized when there are timing differences between the tax base and the consolidated value of assets and liabilities.

Deferred tax assets are recognized when it is probable that the company will have taxable profit against which it can charge a deductible temporary difference.

**Tax assets and liabilities are valued using the tax rate and the tax rules applicable at December 31, 2014, namely:**

| | |
|---|---|
| France | 33.33% |
| USA | 41.67% |
| Hong Kong | 16.5% |
| Italy | 32.32% |
| United Kingdom | 21% |

The tax rate for each country is identical to that used during the previous financial year.

**The summary of non-current deferred tax assets is as follows:**

| (in €K) | Deferred tax assets - Non-current |
|---|---|
| MVG Industries – Equity deficit (prior to tax consolidation) | 322 |
| MVG Industries – Deficit produced during tax consolidation | 1,142 |
| ORBIT/FR - Long-term DTA | 917 |
| MVG Hong Kong establishment | 63 |
| Temporary differences on PIDR (all companies) | 90 |
| Other temporary differences, all companies | 22 |
| Other temporary and permanent differences | -93 |
| **DEFERRED TAX ASSETS** | **2,553** |
| **DEFERRED TAX LIABILITIES** | **-90** |
| **TOTAL NET DEFERRED TAXES** | **2,463** |

The recoverable value of these deferred tax assets is in accordance with the business plan that allows for the formulation of the values-in-use of the Group's CGUs.

## Current assets

### 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).

Semi-finished and finished products, in addition to the historical cost of the supplies, include labor valued at the average hourly rate.

A provision is constituted if the realizable value at the close is lower than this historical cost.

**As of December 31, inventories were broken down as follows:**

| (in €K) | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Raw materials and supplies | 6,480 | 4,486 |
| Semi-finished and finished products | 1,429 | 2,713 |
| Provision of raw materials | 158 | 158 |

### Trade receivables and related accounts

| (in €K) | 12/31/2013 | Change | 12/31/2014 |
|---|---|---|---|
| Gross Value | 26,305 | 4,524 | 30,829 |
| Impairment | -245 | -11 | -256 |
| Net Value | 26,060 | 4,359 | 30,573 |

Receivables are stated at their nominal value.
The share of unbilled income in trade receivables totaled €16,457K at December 31, 2014. The method of their valuation is described in the "Revenue" paragraph.

An impairment loss is recognized if the inventory value is below book value when the debt becomes a bad debt, either because of legal restrictions or because of the existence of trade disputes.

Apart from these identified causes of non-payment, provisions are established for certain doubtful debts by applying an impairment loss rate deriving from statistical observation of the risk of non-recovery, the context of each contract, and the volumes of receivables.

**The total amount of the provision on trade receivables was €256 K in 2014, distributed as follows:**

- MVG Industries: €93K
- RAINFORD, Ltd: €56K
- MVG (Hong Kong): €107K

## Marketable securities

The company held €50,000 worth of treasury shares at 12/31/2013 as part of a liquidity agreement with the brokerage Gilbert Dupont. This amount was increased by €100,000 during financial year 2014.

**In 2014, the company purchased 59,500 treasury shares for €684,380:**

- 2,000 treasury shares for €18,880
- 2,500 treasury shares for €26,000
- 55,000 treasury shares for €490,600

Treasury shares total €744,180.

The company invested the following amounts in SICAV money market funds: €3,135,350 (FR007055066) and €11,825,680 (FR0010495044).

In addition, MVG subscribed for three term accounts for a total of €8,000,000.00. These term accounts pay 0.8% interest.

## Other receivables

| (in €K) | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Other tax receivables | 7,558 | 4,243 |
| Loan issue costs | 48 | 231 |
| Prepaid expenses | 260 | 182 |
| Other receivables | - | - |
| Other receivables and current assets | 7,866 | 4,656 |

Other tax receivables essentially represent the 2014, 2013, and 2012 CIR (research tax credit) at MVG for a value of €3,297K, a carry-back receivable of €298K at MICROWAVE VISION, and tax advances at ORBIT/FR for €1,778K. There were also VAT credits at the close of the financial year for €1,139 K, primarily at MVG Industries.

Prepaid expenses came mainly from MVG Industries for €200 K, corresponding principally to the company's rent (Les Ulis and Brest) and insurance policies.

## Equity capital

### > Share capital and Share premiums

| Number of shares | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Ordinary shares | 6,282,166 | 3,555,945 |

MVG carried out a capital increase by increasing the number of shares from 3,555,945 to 6,282,166, for a nominal value fixed at €0.20 per share, i.e., 2.726.221 new shares representing a value of €545,244. This capital increase was subscribed for in the amount of €28,352,709. The costs of this operation were recognized as a reduction of the share premium for €1,161,085.
By a decision of the General Meeting of June 6, 2014, the company decided to issue 310,000 redeemable equity warrants at an issue price of €0.67, i.e., €207,673.

Accelerated depreciation pertains to the restatement of borrowing costs related to the acquisition of RAINFORD. These costs are amortized over the term of the loan, i.e., 5 years, representing €11,018 each year.

## > Treasury shares

| | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Number of treasury shares | 74,263 | 9,297 |
| Treasury shares (in €) | 733,718 | 88,228 |

At December 31, 2014, the rules in force on the Alternext market permitted the holding of treasury shares under a liquidity agreement. Treasury shares are recorded at their acquisition cost, less equity capital. Gains and losses from the sale of these shares are recognized directly in equity capital and do not contribute to income for the period.

## > Potential capital

**The identification of shares giving access to capital existing at December 31, 2014 can be presented as follows:**

| | Share subscription warrants (BSA) |
|---|---|
| Date of general meeting | Oct. 31, 2006 |
| Date of Board meeting | Feb. 26, 2007 |
| Number of shares issued | 8000 |
| Number of beneficiaries | 1 |
| Strike price | 23.20 |
| Strike deadline | Feb. 26, 2017 |
| **NUMBER OF SHARES OUTSTANDING AT 12/31/2013** | **8,000** |
| Number of shares exercised during the period | 0 |
| **NUMBER OF SHARES OUTSTANDING AT 12/31/2014** | **8,000** |

**Main characteristics of the 8,000 share subscription warrants:**

- each share subscription warrant entitles the holder to an ordinary share of MICROWAVE VISION with a nominal value of 0.20 euros;
- unit share subscription warrant issue price: 2.32 euros;
- unit share subscription price: 23.20 euros;
- strike deadline: February 26, 2017.

| | Share subscription warrants (BSA) |
|---|---|
| Date of general meeting | June 6, 2014 |
| Date of Board meeting | July 18, 2014 |
| Number of shares issued | 310,000 |
| Number of beneficiaries | 34 |
| Strike price | 13.50 |
| Strike deadline | July 18, 2017 |
| **NUMBER OF SHARES OUTSTANDING AT 12/31/2013** | **0** |
| Number of shares exercised during the period | 0 |
| **NUMBER OF SHARES OUTSTANDING AT 12/31/2014** | **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 euros;
- unit share subscription warrant issue price: 0.67 euros;
- unit share subscription price: 13.50 euros;
- strike deadline: July 18, 2017.

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.

## > Breakdown of share capital

| | No. of shares | % of capital | Number of voting rights |
|---|---|---|---|
| Employees | 835,650 | 13% | 1,352,223 |
| Investors | 3,426,695 | 55% | 4,277,331 |
| Individuals | 2,019,821 | 32% | 2,154,878 |

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

| | No. of shares | % of capital | Number of voting rights |
|---|---|---|---|
| Employees | 1,153,650 | 17% | 1,670,223 |
| Investors | 3,426,695 | 52% | 4,277,331 |
| Individuals | 2,019,821 | 31% | 2,154,878 |

## > Dividend

The company did not distribute any dividends during the year.

## > Reserves

*See table on equity capital.*

The reserves correspond to the Group's share in the accumulated consolidated income of all consolidated companies, net of distributions.

## > Cash

The Group's main objective in managing its capital is to ensure that a good credit rating and robust capital ratios are maintained in order to facilitate its business operations, maximize shareholder value, and carry out external growth operations. The Group manages the capital structure and makes adjustments in light of changes in economic conditions. It is in this framework that, in order to finance its operations, the Group manages its capital using a ratio of net debt to equity. The Group includes in net debt its financial debts (excluding factoring), cash, and cash equivalents, excluding discontinued operations.

| | (in €K) | 12/31/2014 | 12/31/2013 |
|---|---|---|---|
| A | Cash | 14,593 | 7,100 |
| B | Equivalent instruments | - | - |
| C | Investment securities | 14,961 | 0 |
| **D** | **Liquid assets (A+B+C)** | **29,554** | **7,100** |
| E | Short-term financial receivables | - | - |
| F | Short-term bank debts | - | - |
| G | Current portion of medium and long-term borrowings | -1,376 | -601 |
| H | Other short-term financial debts | - | - |
| **I** | **Short-term financial debts (F+G+H)** | **-1,376** | -601 |
| **J** | **Short-term net financial debt/surplus (I-E-D)** | **28,178** | **6,499** |
| K | Bank borrowings at more than 1 year | -8,096 | -9,348 |
| L | Bonds issued | - | - |
| M | Other borrowings at more than 1 year | - | - |
| **N** | **Medium- and long-term net financial debt (K+L+M)** | **-8,096** | **-9,348** |
| **O** | **Net financial debt (J+N)** | **20,082** | **-2,849** |

| | | |
|---|---|---|
| Consolidated equity capital | 70,015 | 39,764 |
| **Ratio of net debt to equity** | **0%** | **7%** |

### The group has the following short-term credit lines:

| | |
|---|---|
| Cash loans (cash, Daily, MCNE) | €2,200 K |
| Advances on procurement | €0 K |
| Securities | €2,013 K |
| Miscellaneous | €0 K |

## Borrowed funds and financial debts

| Change in financial debts (in €K) | |
|---|---|
| December 31, 2013 | 9,947 |
| Subscription | 239 |
| Redemption | -803 |
| **Non-current financial debts at December 31, 2014** | **8,096** |
| **Current financial debts at December 31, 2014** | **1,376** |

"Borrowed funds and financial debts" includes an equity loan, divided between CIC and SG for €3,283,000 and OSEO for €2,650,000, to fund the acquisition of RAINFORD and investments as well as €4 M in the form of a bond loan for the group's development.

MVG took out two no-interest loans with Bpifrance to fund its innovation for €238,500. These loans will be repayable in 20 quarterly payments starting on 6/30/2017.

| Nature | Nominal (in €K) | 12/31/2014 | Less than 1 year | More than 1 year | Rate |
|---|---|---|---|---|---|
| ORBIT/FR SG CIC OSEO loan | 3,283 | 2,030 | 690 | 1,340 | Euribor 3 months + 2.17% |
| Anvar | 500 | 500 | 75 | 425 | 0% |
| 2012 equity loan | 2,650 | 2,518 | 530 | 1,988 | Euribor 3 months + 2.7% |
| 2013 bond loan | 4,000 | 4,000 | - | 4,000 | Interest rate at 4.80% |
| BPI innovation loan | 238 | 238 | - | 238 | 0% |
| Accrued interest on loans | 23 | 23 | 23 | - | - |
| Other miscellaneous | 133 | 133 | 45 | 88 | - |
| Leasing | 30 | 30 | 13 | 17 | - |
| | **10,732** | **9,387** | **1,376** | **8,096** | **-** |

## Current debts (excluding financial debts)

| (in €K) | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Trade payables and related accounts | 14,506 | 11,150 |
| Tax and social security debts | 2,778 | 3,466 |
| Deferred income | 2,204 | 4,194 |
| Advances and deposits received on orders | 805 | 7 |
| Miscellaneous | 742 | 103 |
| **TOTAL** | **21,035** | **18,920** |

Warranty expenses are isolated analytically during each period. These include the time spent and materials used for warranty purposes. The amount of the provision is determined by applying to the period's revenue the same percentage as found in the related warranty expenses in the previous period's revenue. The provision for financial year 2014 amounted to €653 K. (Included in the "miscellaneous" line in the table below).

| (in €K) | 12/31/2013 | Allocation | Writeback | 12/31/2014 |
|---|---|---|---|---|
| Provisions for warranties | 297 | 356 | - | 653 |
| **TOTAL** | **297** | **356** | **-** | **653** |

### Provision for fees paid to auditors

For financial year 2014, the group established a provision for €214K in fees for its auditors.

### Termination benefits

The valuation of the commitments is in accordance with valid local laws. Thus, for commitments related to MICROWAVE VISION and SATIMO Industries, assumptions for termination benefits are the following:

| As % - Assumptions | December 31, 2014 |
|---|---|
| Discount rate | 2.5% |
| Salary increase rate | 1% |
| Retirement age | 62 years |

There are no investments covering these commitments via a financial institution.

The pension provision is €591K at 12/31/2014.

## 5/ Notes on the income statement

### Revenue

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

Accrued revenue (unbilled works) or deferred revenue are recorded based on estimated total revenues 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 revenue 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 risks net of loss on the progress already recorded.

### Maintenance

Maintenance contracts are invoiced on the anniversary date and once a year in general. The revenue included in the result is the prorated value of the contract. Prepaid income is recorded for the portion of these contracts not yet due.

No assets and liabilities are recorded for commercial contracts.

## Current operating expenses

The financial year ended December 31, 2014, consolidates the financial statements of the entities from SATIMO Industries and from ORBIT/FR.

Purchases consumed went from 32% to 35% of revenue.
The weight of personnel costs increased by 5.54%, maintaining a ratio of 34% of revenues in 2014 versus 36% in 2013.

Taxes are stable at 1% of revenue.
Other current income and expenses consist primarily of subcontracting and procurement of services, travel expenses, and costs of real estate leasing. Their weight went from 20.3% to 17.3% of revenue.

The changes in these different items are a result of great efforts made by all the teams of the Group which focused on achieving maximum savings.
R&D expenses amounted to €5,213K in 2014. They consist mainly of personnel costs.

The research tax credit amounts to €1,492K at December 31, 2014, versus €1,435K at 31December 2013.

### Other operating income and expenses

**Other operating income and expenses are broken down as follows:**

| (in €K) | 12/31/2014<br>12 months | 12/31/2013<br>12 months |
|---|---|---|
| MICROWAVE<br>Other operating income and expenses | 884 | 32 |
| **TOTAL OTHER OPERATING INCOME AND EXPENSES** | **884** | **32** |

The company incurred €881K in non-recurring expenses, broken down as follows: €229K in legal fees, €212K in alignment of staff, and €440K in expenses to relocate plants in the US and the UK.

These expenditures were incurred in order to meet the operating needs due to the group's growth and protect its intellectual property.

## Net financial income

| (in €K) | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Net finance costs | 527 | 306 |
| Other financial income and expenses | - | 25 |
| **NET FINANCIAL INCOME** | **527** | **331** |

The finance costs are derived mainly from payment of interests on the loans taken out for acquisition of ORBIT/FR, Antenessa, and the 2013 loan. The first payments of the bond loan's interest coupons totaled €190K in 2014.

## Corporate taxes

The Group's parent company, MICROWAVE VISION SA, applies French tax laws, which stipulate a corporate tax rate of 33.33% as of December 31, 2014. The deferred tax assets and liabilities for entities are calculated using the expected rates for 2013 and 2014. Foreign entities apply the tax rate applicable in the country in which they are established.

| (in €K) | 12/31/2014 | 12/31/2013 |
|---|---|---|
| Taxes payable | 529 | 444 |
| Deferred taxes | 418 | 369 |
| **TOTAL CORPORATE TAXES** | **947** | **813** |

The following table provides reconciliations between the theoretical tax expense by applying the tax rate in effect in France on December 31, 2014, and the tax expense recorded.

| (in €K) | |
|---|---|
| Profit before taxes and minority interests | 3,550 |
| Theoretical corporate tax rate | 33% |
| Theoretical income tax expense (savings) | (1,183) |
| Effect of tax rate differentials, changes in tax laws, and miscellaneous | -93 |
| Permanent differences | -523 |
| Carried-forward losses generated during the year and not converted into assets | 388 |
| Consumption of deficits not converted into assets in 2014 | 0 |
| Conversion of ORBIT 2008 deficits into assets | 0 |
| CIR 2008 tax audit | 0 |
| R&D expenses | 0 |
| Other items | -7 |
| **TAX EXPENSES FOR FINANCIAL YEAR 2014** | **-947** |

## Earnings per share

| | Before dilution | After dilution |
|---|---|---|
| Group share of net profit (loss) | €2,382K | €2,382K |
| Number of shares | 6,282,166 | 3 6,600,166 |
| Net earnings per share | 0.3790 | 0.3609 |

## Foreign Exchange Differences

We recognized a foreign exchange gain of €2,198K at 12/31/2014 and a foreign exchange loss of €2,013K.

## Segment income statement

**The MVG Group is divided into four business units:**

- AMS BU focuses on antenna measurements.
- EMC BU focuses on electromagnetic compatibility tests.
- EIC BU focuses on environmental and industrial control.
- NSH BU focuses on national security and healthcare. To date, this BU has only a research and development activity.

Segment income statement

| Segment Income Statement | AMS | | EMC | | EIC | | NSH | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenue | 47,885 | 42,782 | 7,008 | 7,216 | 1,769 | 1,500 | 0 | 0 |
| Operating income | 5,491 | 5,477 | 376 | 371 | 240 | -516 | -1,183 | -1,088 |

## Revenue by geography

| (in €K) | 12/31/2014 12 months | 12/31/2013 12 months |
|---|---|---|
| Europe | 19,266 | 15,450 |
| North America | 15,299 | 18,540 |
| Asia | 22,098 | 17,509 |
| **TOTAL** | **56,663** | **51,499** |

# 6/ Related party disclosures

## Identification of related parties

There are no associated companies or joint ventures.

**The key executives of MICROWAVE VISION are:**

- Philippe Garreau (Chairman and CEO)
- Arnaud Gandois (COO)
- Luc Duchesne (COO)
- Gianni Barone (Sales Director)
- Pascal Gigon (CFO) carries out his role through the GFC structure
- Eric Beaumont (Strategy Director)

## Agreements

Under the support and services agreement between MICROWAVE VISION S.A. and its subsidiaries, MICROWAVE VISION SA invoices its subsidiaries an amount based on the annual budget of all the costs of its operational divisions. For financial year 2014, the amounts billed under this agreement amounted to €7,654K. Since these are internal services within the Group, they are eliminated in the consolidation process.

The same applies for the cash management agreement with SATIMO Industries for which the interest is offset in consolidation.

### Relations with key executives

> Compensation of the executive officers: Chairman of the Board of Directors and COOs

This compensation amounted to €550,401 under their employment contracts. A provision for directors' fees was included in the accounts of MICROWAVE VISION, S.A. for €56,000 for members of the board of directors. In the compensation of corporate officers, we can specify that Mr. Garreau receives a short-term vehicle benefit for an annual amount of €3,240. All other categories of post-employment benefits, other long-term benefits, severance and terminations, and miscellaneous payments in shares are not applicable by the company.

### Share warrants and option plans

The option plans for stock subscriptions and warrants relate to executives and key personnel of the company.

**Main characteristics of the 8,000 share warrants issued by the Board at its meeting on February 17, 2007:**

- each warrant entitles the holder to subscribe for one ordinary share of MICROWAVE VISION with a nominal value of €0.20;
- unit share subscription warrant issue price: 2.32 euros;
- unit share subscription price: 23.20 euros;
- strike deadline: February 26, 2017.

**Main characteristics of the 310,000 share warrants issued by the Board at its meeting on July 18, 2014:**

- each share subscription warrant entitles the holder to an ordinary share of MICROWAVE VISION 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, 2017.

# 7/ Other information

## Financial risk management

### Interest rate risk exposure

The Group is exposed to currency risks and 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.

### Exposure to currency risk

The Group does not hedge its currency risk.

## Off-balance sheet commitments

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

- Foreign market advance payment guarantee: €440,875
- Pledging of business assets: €5,300,000
- Pledging of financial securities account: €3,180,000
- Pledge of 95.1% of the shares making up the share capital of MVG Industries to secure bank loans.
- Bonds: €241,400
- Tender bonds: €1,033,035.63
- First-demand guarantee: €296,816.93

## Individual Right to Training (DIF)

Under the individual right to training, the number of acquired but unused hours amounts to 8,307 as of December 31, 2014.

## Average staff size by category over 2014:

| | |
|---|---|
| Management | 265 |
| Non-management | 88 |
| TOTAL | 353 |

# B. MANAGEMENT REPORT OF THE BOARD OF DIRECTORS ON THE FINANCIAL YEAR ENDED DECEMBER 31, 2014

## Report of the board of directors on the group's management to the annual ordinary general meeting on June 10, 2015. Consolidated financial statements for the financial year ended December 31, 2014

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, 2014 and to submit the consolidated financial statements for your approval.
The consolidated financial statements at December 31, 2014, 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 activity

2014 was marked by the Group's capital increase of more than €28 M, which took place in July, in order to ensure the Group's organic growth. The objective of this increase was also to fund potential acquisitions.

The distribution of Group activities is well-balanced from both a sectoral (49% Aerospace and Defense, 51% Civil Telecommunications) and geographic (39% Asia, 34% Europe and 27% North America) standpoint. The Civil Telecommunications sector drove the Group's growth: Europe fully benefited from the upturn of the auto sector, while Asia gained from the growth of mobile telecommunications. Only America posted a decline, impacted by a Defense and Aerospace sector going through a restructuring phase, meaning that investments in new test installations are being put on hold.

In 2014, the AMS (Antenna Measurement Systems) Business Unit generated revenue of €45.96 M, i.e., 81% of revenue (compared with 82%/€42.46 M in 2013). It benefited from a renewed offering (StarLab, SG 24) and the growth in the Civil Telecommunications sector. In this sector, the customers of the Group equip themselves with 4G test systems (StarMIMO) and the most advanced groups with 5G test systems 5G (µLab, Mini-Compact Range). The return to center stage of automobile test systems also contributed to the growth of the Civil Telecommunications sector. After a long period of "wait and see" as a result of restructuring in the sector, there is an increase in projects from auto manufacturers, especially in Europe. MVG, already a reference, is supporting the technological revolution that will soon be upon us with the connected car.

The EMC (Electromagnetic Compatibility) Business Unit has put in place a promising development strategy. The EMC test offering, made up of AEMI absorbers and Rainford EMC chambers since the purchase of the British company in 2012, benefited from the Group's international reach, which made Asian and American markets accessible. A major distribution partnership between MVG and another leader, AR (Amplifier Research), was signed at the start of 2014. It offers turnkey EMC solutions based on a combination of expertise and a catalog of joint solutions. This partnership propels MVG's offer into new markets, enabling it to benefit from the excellent image of a recognized company.

The EIC (Environmental & Industrial Control) Business Unit recorded €1.70 M in revenue in 2014 (€1.5 M in 2013). The growth of new products (EME Guard XS, EME Spy 200, FlashRad, OEM measuring probes) and the new distributor partners, who amplify MVG's commercial efforts, have more than offset the decline in revenue of a software package due for an update in the first half of 2015.

## 1.1 Anticipated development and prospects

**Building on:**
- a good order book,
- the increase in its product line on its organic sector.

**And:**
- concrete actions taken to accelerate the development of the field of electromagnetic compatibility.

The MICROWAVE VISION group, barring an major economic pitfall, is confident about seeing an increase in activity in 2015.

## 1.2 Significant events between the closing date of the financial year and the date of preparation of the report

Opening of a subsidiary in Spain.

## 1.3 Objective, comprehensive analysis of the change in the companies included in the consolidation

**Staff information**

The average staff size over 2014 was 353 people, broken down as follows:
- MICROWAVE VISION S.A. & MVG Industries S.A. : 171 people under permanent employment contracts
- RAINFORD, Ltd: 31 employees
- ORBIT/FR: 151 employees

**Environmental information**

As part of the establishment of the ISO 14001 certification, the Group continued the deployment of an environmental management system (EMS) to continuously improve its performance with regard to the environment and prevention of pollution, particularly through the use of processes, practices, materials, products, or even services to reduce the impacts.

## 1.4 Description of the main risks and uncertainties facing the Group

**Commercial risks**

Given the geographical distribution of sales, particularly to Asia, the implementation of certain recovery procedures may prove to be difficult. Particular attention is given to the estimation of this risk.

### Customer risks

Because MICROWAVE VISION generates most of its revenue with large French and foreign industrial groups, it does not face insolvency problems. In 2014, no extraordinary loss was recognized on trade receivables. Billing is done in increments as progress is made on the products.
However, taking into account the geographical distribution of the sales made by the Group (30% of consolidated revenue generated in Europe in 2013, 34% in Asia, and 36% in the United States), certain recovery procedures abroad (and particularly in Asia) could prove to be difficult to implement. Such recovery difficulties could affect the Group's financial position, earnings, and outlook. The details of trade receivables appear in note 4.2.2 to the 2014 consolidated financial statements presented in the section.

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

| Share in revenue | 2012 | 2013 | 2014 |
|---|---|---|---|
| Number 1 customer | 3,537 | 3,790 | 5,665 |
| Top 5 customers | 9,611 | 10,942 | 15,149 |

### Interest rate risk

MICROWAVE VISION's debt, with the exception of the bond loan made in December 2014, is subscribed at a variable rate. The Group has established a hedging instrument to limit the effect of fluctuating rates. Unfavorable changes in interest rates can have a negative effect on the financing costs and future financial flows of the Group.
As part of its interest rate risk hedging policy, the Company has taken out annual insurance allowing it to convert its variable-rate loans into fixed-rate loans. As long as the Company has this insurance, it is not subject to the influence of rate fluctuations.

### Currency risk

Because of the geographical diversity of its activities, the Group is exposed to operational currency risk mainly on the following currencies: US dollar, Honk Kong dollar, shekel, yen, and yuan. This operational currency risk corresponds to changes in the exchange rate that affect transactions recorded in operating earnings (flows of revenue, cost of sales, etc.).
The Group's financial statements are sensitive to changes in exchange rate parities during the consolidation of its foreign subsidiaries outside the “eurozone”.
To date, the Group does not use hedging instruments for foreign exchange. Significant variations in the Euro/U.S. Dollar, Euro/Dollar HKD, Euro/Shekel, Euro/Yen, or Euro/Yuan exchange rate could affect the Group's operations, earnings, or outlook.

### Risks related to intellectual property - Patents and exploitation rights

MICROWAVE VISION ensures that its technology is protected by filing patents and also through industrial secrecy as well as the filing of Soleau envelopes. 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.

**1 — Relations with Metraware:**

A contract entered into for an indefinite duration provides for the main following provisions:

- sharing of intellectual property derived from developments for the Sat-Env software: 30% for Metraware and 70% for MICROWAVE VISION,
- an exclusive exploitation right granted to MICROWAVE VISION in exchange for the payment of royalties on the sale of systems and on the maintenance contracts for these systems.

**2 — Relations with the CNES**

Patents have been filed in co-ownership with the CNES. An agreement signed on January 6, 2010, by the CNES and SATIMO (MICROWAVE VISION) provides for:

- a 50% co-ownership for each of the parties,
- an exclusive right to manufacture and exploit the invention granted to MICROWAVE VISION in return for the payment to the CNES of a royalty based on the sales incorporating the invention.

This agreement was entered into for a period equal to the duration of protection of the most recent jointly held patents.

**3 — Relations with Orange**

Antennessa, acquired by MICROWAVE VISION, signed two contracts with France Télécom:

- A patent exploitation license agreement dated July 9, 2001, on patent number 01-003390 entitled “electromagnetic probe” as well as on all extensions derived from this application. The conditions of use of the patent continue. In consideration of the operating license, a 10% royalty on the generated revenue is paid annually.
- Co-ownership regulations dated October 22, 2004, on patent number 04816538 entitled “Process and device for ambient electromagnetic radiation” filed in 2004 in joint ownership (50% France Telecom and 50% Antennessa). The conditions of use of the patent continue. In consideration of the operating license, a 6% royalty on the generated revenue is paid annually.

In addition, Antennessa signed with France Télécom, before its acquisition by MICROWAVE VISION:

- A contract dated February 6, 2002 on the marketing of the EMF VISUAL software, “software for calculating electromagnetic fields emitted by antennas of radio network base stations located in their environment in order to assess human exposure to radio frequency radiation.” In consideration of this marketing license, a 70% royalty on the generated revenue is paid quarterly.
- An amendment dated July 12, 2007, on the marketing of the Cote2EMF software, “additional EMF VISUAL software to produce 3D scenes from 2D drawings.” In consideration of this marketing license, a 55% royalty on the generated revenue is paid quarterly.

The royalties due for the last two financial years were as follows:

| **2013** | **2014** |
|---|---|
| €263,526 | €21,236 |

*Note : These agreements are automatically renewed every year within the limit of a total duration of 10 years.*

Even though the contract has been expired since February 5, 2012, the contract is still in force and in the process of renewal with Orange. 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 5% of MICROWAVE VISION’s revenue.

### Risks related to technological developments

In addition to the described jointly held patents, MICROWAVE VISION 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 customers, MICROWAVE VISION devotes an average of 10% of its revenue to research and development. The Group receives the Research Tax Credit in France, and its elimination would call the R&D investment level into question. 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 MICROWAVE VISION to substitute these components. The Group's operations, earnings, and outlook could be affected.

### Risks with regard to key employees

MVG's major asset is that it has managed to bring together a collection of key employees in the company's strategic positions.

The departure of one of them could be detrimental to the Company. This is one of the reasons why MICROWAVE VISION has always committed itself to developing a policy of involving employees in the capital. Today, all key people are shareholders of the Company.

### 1.5 Research and development activity

During financial year 2014, the group maintained its research and development effort at 9.3% of its revenue. 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.

## 2. Economic and financial results

### 2.1 Balance Sheet: Assets and liabilities

At December 31, 2014, the company's balance sheet totaled €92,864 K compared with €69,132 K at 31 December 2013.

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

#### Concerning assets:

- Current assets, which increased from €44,857 K to €75,790 K. Trade receivables amounted to €30,436 K versus €26,060 K in 2013. Inventories amounted to €7,751 K versus €7,041 K at December 31, 2013.
- The current cash position amounted to €14,593 K versus €7,100 K at December 31, 2013.

#### Concerning liabilities:

- During the financial year, the company took out a new no-interest loan with BPI for €238 K. Long-term debt decreased from €9,947 K at the end of 2013 to €8,096 K at the end of 2014.
- LT debt /Equity: 12.80%
- LT debt/Revenue: 14.12%
- LT debt/COI: 161.15%
- Net debt was €21,458 K at December 31, 2014, versus €2,847 K at December 31, 2013.
- Trade payables and related accounts increased from €13,159 K at December 31, 2013, to €14,139 K at December 31, 2014.
- Equity increased from €39,764 K at the end of 2013 to €62,587 K at the end of 2014.

## 2.2 Income statement

The rate of the US dollar at December 31, 2014, was \$1.3289 for €1.
For the financial year ended December 31, 2014:
Revenue totaled €56,663 K excluding taxes compared with €51,499 K for the previous financial year.
Total other operating income amounted to €15 K. Operating expenses for the financial year amounted to €51,769 €K versus €47,227 K for the previous financial year.
Current operating income totaled €4,961 K versus €4,276 K for the previous financial year. Net financial income was €527 K in 2014 compared with €331 K in 2013.
Given these factors, the current profit before taxes for the financial year totaled €3,550 K for financial year 2014 versus 3,913 k€ for the year ended December 31, 2013.
Income tax for financial year 2014 represented an expense of €521 K versus €813 K for financial year 2013.

## 2.3 Activity and earnings of the French and foreign subsidiaries

For each of the subsidiaries, below you will find comments on changes in activity, profitability, and financial position.
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
- MV Italy, 100% subsidiary
- MV Ltd, 100% subsidiary, which holds two subsidiaries: MVG AMS Asia Pacific and MVG EMC Asia Pacific
- RAINFORD Ltd, 100% subsidiary. This company is based in Manchester, United Kingdom.
- ORBIT/FR, 63.0% subsidiary, which holds 100% of the capital of AEMI, ORBIT/FR Gmbh, ORBIT/FR, ltd, and OATI.

### MVG Industries

For the financial year ended December 31, 2014, revenue amounted to €18,020 K compared with €14,635 K for 2013. The company generated a profit of €2,732 K compared with €1,686 K for the previous financial year. At the end of 2014, the debt-to-equity ratio was 12.75%.

### MVG Inc

For the financial year ended December 31, 2014, revenue amounted to €7,175 K compared with €4,994 K for 2013. The company generated a net profit of €182 K compared with €132 K for the previous financial year.

### MV Italy

For the financial year ended December 31, 2014, revenue amounted to €3,865 K compared with €2,529 K for 2013. The company generated a net profit of €274 K compared with €143 K for the previous financial year.

### MV AMS, Ltd

For the financial year ended December 31, 2014, revenue amounted to €11,978 K compared with €3,499 K for 2013. The company generated a loss of €660 K compared with a loss of €32 K for the previous financial year.

### MV EMC, Ltd

For the financial year ended December 31, 2014, revenue amounted to €464 K compared with €469 K for 2013. The company generated a loss of €503 K compared with a loss of €132 K for the previous financial year.

**RAINFORD Ltd**

For the financial year ended December 31, 2014, revenue amounted to €7,739 K compared with €7,587 K for 2013. The company generated a profit of €266 K compared with €450 K for the previous financial year.

**ORBIT/FR**

For 2014, the company generated revenue of €31,779 K compared with €30,965 K for 2013. The company generated a profit of €587 K compared with €262 K for the previous financial year.

## 2.4 Segment information on the Group's activity

**The MVG Group is divided into four business units:**

- AMS BU, which focuses on antenna measurements
- EMC BU, which focuses on electromagnetic compatibility tests
- EIC BU, which focuses on environmental and industrial control
- NSH BU, focuses on national security and healthcare To date, this BU has only a research and development activity.

Segment income statement:

| (in €K) | AMS | | EMC | | EIC | | NSH | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenue | 47,885 | 42,782 | 7,008 | 7,216 | 1,769 | 1,500 | 0 | 0 |
| Operating income | 5,491 | 5,477 | 376 | 371 | 240 | -516 | -1,183 | -1,088 |

Revenue by destination:

| (in €K) | 2014 | 2013 |
|---|---|---|
| Europe | 19,266 | 15,450 |
| North America | 15,299 | 18,540 |
| Asia | 22,098 | 17,509 |
| **TOTAL** | **56,663** | **51,499** |

Revenues are distributed according to the location of the entity responsible for generating these sales.

Default clauses or bank covenants:

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

| Nature | Nominal (in €K) | 12/31/2014 | Less than 1 year | More than 1 year | Rate |
|---|---|---|---|---|---|
| ORBIT/FR SG CIC OSEO loan | 3,283 | 2,030 | 690 | 1,340 | Euribor 3 months + 2.17% |
| Anvar | 500 | 500 | 75 | 425 | 0% |
| 2012 equity loan | 2,650 | 2,518 | 530 | 1,988 | Euribor 3 months + 2.7% |
| 2013 bond loan | 4,000 | 4,000 | - | 4,000 | Interest rate at 4.80% |
| BPI innovation loan | 238 | 238 | - | 238 | 0% |
| Accrued interest on loans | 23 | 23 | 23 | - | - |
| Other miscellaneous | 133 | 133 | 45 | 88 | - |
| Leasing | 30 | 30 | 13 | 17 | - |
| **TOTAL** | **10,732** | **9,387** | **1,376** | **8,096** | **-** |

We ask that you approve the consolidated financial statements for the financial year ended December 31, 2014, as they are presented to you, the report of the board of directors, 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 ANNUAL FINANCIAL STATEMENTS OF MICROWAVE VISION FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2014

## Income statement at December 31, 2014

| INCOME STATEMENT (in €K) | 12/31/2014 | 12/31/2013 | 12/31/2012 |
|---|---|---|---|
| Sales of Goods | | | |
| Production sold (goods) | **6,685** | **7,403** | **14,375** |
| - France | - | - | - |
| - Exports | 6,685 | 7,403 | 14,375 |
| Production sold (services) | **7,427** | **7,941** | **6,054** |
| - France | 2,141 | 1,866 | 1,413 |
| - Exports | 5,286 | 6,075 | 4,641 |
| **NET REVENUE** | **14,111** | **15,344** | **20,429** |
| Operating subsidies | - | - | 106 |
| Capitalized production | 201 | 297 | 42 |
| Writebacks on amortization/depreciation and provisions, transfers of expenses | - | 166 | 129 |
| Production placed in inventory | 61 | - | - |
| Other income | - | 27 | 63 |
| **OPERATING INCOME (I)** | **14,373** | **15,834** | **20,770** |
| Purchases of goods (including customs duties) | - | - | -4 |
| Change in inventory (goods) | - | - | - |
| Purchases of raw materials and other supplies | -2,429 | -1,673 | -10,139 |
| Change in inventory (raw materials and supplies) | -73 | - | 55 |
| Other purchases and external expenses | -9,397 | -10,628 | -6,145 |
| Taxes and similar payments | -61 | -71 | -95 |
| Wages and salaries | -964 | -1,814 | -2,411 |
| Social security contributions (10) | -350 | -528 | -594 |
| Allocations to amortization/depreciation on fixed assets | -168 | -120 | -117 |
| Allocations to provisions on fixed assets | - | - | - |
| Allocations on current assets: allocations to provisions | -12 | - | - |
| Allocations for contingencies and expenses: allocations to provisions | - | - | -70 |
| Other expenses (12) | -89 | -46 | -3 |
| **OPERATING EXPENSES (II)** | **-13,543** | **-14,881** | **-19,523** |
| **1- NET OPERATING INCOME (I-II)** | **830** | **954** | **1,246** |
| **Profit allocated or loss transferred (III)** | - | - | - |
| **Loss incurred or profit transferred (IV)** | - | - | - |
| Financial income from equity interests | - | - | - |
| Income from other securities and receivables on fixed assets | - | - | - |
| Other interest and similar income | 261 | 169 | 117 |
| Writebacks on provisions and transfers of expenses | - | - | - |
| Positive foreign exchange differences | 467 | 69 | 92 |
| Net proceeds on disposals of investment securities | 9 | - | - |
| **FINANCIAL INCOME (V)** | **738** | **238** | **209** |

| INCOME STATEMENT (in €K) | 12/31/2014 | 12/31/2013 | 12/31/2012 |
|---|---|---|---|
| Financial allocations to amortization/depreciation and provisions | -179 | - | -10 |
| Interest and similar expenses | -532 | -259 | -333 |
| Negative foreign exchange differences | -799 | -228 | -186 |
| Net expenses on disposals of investment securities | - | - | - |
| **FINANCIAL EXPENSES (VI)** | **-1,510** | **-488** | **-529** |
| **2- NET FINANCIAL INCOME (V-VI)** | **-773** | **-249** | **-319** |
| **3- CURRENT INCOME BEFORE TAXES (I-II+III-IV+V-VI)** | **58** | **704** | **927** |
| Exceptional income on management operations | - | - | - |
| Exceptional income on capital transactions | - | - | - |
| Writebacks on provisions and transfers of expenses | - | - | - |
| **EXTRAORDINARY INCOME (VII)** | | | |
| Exceptional expenses on management operations | -1 | - | -7 |
| Exceptional expenses on capital transactions | - | - | - |
| Extraordinary allocations to amortization/depreciation and provisions | -12 | -11 | -5 |
| **EXTRAORDINARY EXPENSES (VIII)** | **-13** | **-11** | **-11** |
| **4- NET EXTRAORDINARY INCOME (VII-VIII)** | **-13** | **-11** | **-11** |
| **Employee profit sharing (IX)** | - | - | - |
| **Income taxes (X)** | **2** | **106** | **175** |
| **Total income (I+III+V+VII)** | **15,051** | **16,072** | **20,979** |
| **Total expenses (II+IV+VI+VIII+IX+X)** | **15,007** | **15,485** | **20,239** |
| **5- NET INCOME (Total income - Total expenses)** | **44** | **586** | **740** |

# Balance Sheet at December 31, 2014

| ASSETS (in €K) | 12/31/2014 Gross | 12/31/2014 Impairments | 12/31/2014 Net | 12/31/2013 Net | 12/31/2012 Net |
|---|---|---|---|---|---|
| **SUBSCRIBED CAPITAL NOT CALLED (I)** | - | - | - | - | - |
| Preliminary expenses | - | - | - | - | - |
| Concessions, patents, and similar rights | 832 | -221 | 612 | 247 | 149 |
| Development expenses | - | - | - | - | - |
| Advances and deposits on intangible fixed assets | - | - | - | - | - |
| Other intangible fixed assets | 108 | - | 108 | 431 | 134 |
| **Intangible fixed assets** | **940** | **-221** | **720** | **678** | **283** |
| Land | - | - | - | - | - |
| Buildings | - | - | - | - | - |
| Technical installations, indust. equipment and tools | 12 | -12 | 0 | 0 | 9 |
| Other tangible fixed assets | 103 | -84 | 19 | 38 | 102 |
| Fixed assets in progress | - | - | - | - | - |
| Advances and deposits | - | - | - | - | - |
| **Tangible fixed assets** | **115** | **-96** | **19** | **38** | **111** |
| Equity interests valued according to the equity method | - | - | - | - | - |
| Other equity interests | 33,874 | - | 33,874 | 33,874 | 32,196 |
| Receivables related to equity interests | - | - | - | - | - |
| Other fixed investments | - | - | - | - | - |
| Loans | 1,788 | - | 1,788 | 1,035 | 1,440 |
| Other long-term investments | 182 | - | 182 | 216 | 216 |
| **Long-term investments** | **35,844** | **-** | **35,844** | **35,125** | **35,125** |
| **CAPITAL ASSETS (II)** | **36,900** | **-317** | **36,583** | **35,841** | **34,262** |
| Raw materials, supplies | 41 | - | 41 | 113 | 1,005 |
| Production in progress - goods | - | - | - | - | - |
| Production in progress - services | - | - | - | - | - |
| Semi-finished and finished products | 73 | - | 73 | 12 | 0 |
| Goods | - | - | - | - | - |
| **Inventories** | **114** | **-** | **114** | **125** | **1,005** |
| **Advances and deposits paid on orders** | **0** | **0** | **0** | **0** | **0** |
| Trade receivables and related accounts | 15,777 | -104 | 15,673 | 12,593 | 5,654 |
| Other receivables | 9,812 | - | 9,812 | 6,401 | 7,048 |
| **Receivables** | **25,589** | **-104** | **25,485** | **18,994** | **12,702** |
| Investment securities (including €734 K in treasury shares) | 23,705 | - | 23,705 | 512 | 1,854 |
| Cash assets | 3,919 | - | 3,919 | 3,951 | 842 |
| **Cash** | **27,624** | **-** | **27,624** | **4,463** | **2,696** |
| **CURRENT ASSETS (III)** | **53,327** | **-104** | **53,223** | **23,582** | **16,403** |
| Prepaid expenses | 23 | - | 23 | 31 | 28 |
| Loan issue costs | 184 | - | 184 | 232 | 109 |
| Bond redemption premiums | - | - | - | - | - |
| Unrealized foreign exchange losses | 179 | - | 179 | 0 | 0 |
| **ACCRUAL ACCOUNTS (IV)** | **386** | **-** | **386** | **263** | **263** |
| **GRAND TOTAL: ASSETS (I+II+III+IV)** | **90,613** | **-421** | **90,192** | **59,687** | **50,803** |

| LIABILITIES (in €K) | 12/31/2014 | 12/31/2013 | 12/31/2012 |
|---|---|---|---|
| Capital (company or individual) | 1,256 | 711 | 711 |
| Share, merger, contribution premiums | 52,485 | 25,631 | 25,631 |
| Revaluation surplus (including equity method valuation difference) | 30 | 2 | 0 |
| Statutory reserve | 351 | 351 | 351 |
| Reserves required by articles of association or contract | - | - | - |
| Regulated reserves | - | - | - |
| Other reserves | 7,041 | 6,454 | 192 |
| Retained earnings | - | - | 5,522 |
| Profit or loss for the financial year | 44 | 587 | 740 |
| Investment subsidies | - | - | - |
| Regulated provisions | 27 | 16 | 5 |
| **EQUITY CAPITAL (I)** | **61,234** | **33,752** | **33,152** |
| Proceeds from issues of participating securities | - | - | - |
| Conditional advances | - | - | - |
| **OTHER EQUITY CAPITAL (II)** | **-** | **-** | **-** |
| Provisions for contingencies | - | - | 64 |
| Provisions for expenses | 179 | 0 | 225 |
| **PROVISIONS FOR CONTINGENCIES AND EXPENSES (III)** | **179** | **0** | **290** |
| Convertible bond loans | 4,000 | 4,000 | 0 |
| Other bond loans | - | - | - |
| Borrowed funds and debts with credit institutions | 2,291 | 5,369 | 5,837 |
| Other borrowed funds and financial debts (including equity loans) | 9,369 | 3,090 | 2,073 |
| Advances and deposits received on orders in progress | 5 | 5 | 209 |
| Trade payables and related accounts | 12,083 | 11,547 | 8,437 |
| Tax and social security debts | 501 | 1,741 | 566 |
| Debts on fixed assets and related accounts | 0 | 84 | 0 |
| Other debts | 414 | 0 | 10 |
| Deferred income | 95 | 63 | 229 |
| **DEBTS (IV)** | **28,760** | **25,899** | **17,361** |
| **UNREALIZED FOREIGN EXCHANGE GAINS (V)** | **19** | **36** | **0** |
| **GRAND TOTAL: EQUITY & LIABILITIES (I+II+III+IV)** | **90,192** | **59,687** | **50,803** |

# Cash flow statement at December 31, 2014

| ITEMS | Consolidated 2014 (in €K) |
|---|---|
| **Consolidated net income (1)** | **44** |
| +/- Net allocations to depreciation, amortization, and provisions | - |
| +/- Calculated expenses and income related to stock options and similar | - |
| -/+ Other calculated income and expenses | 406 |
| -/+ Disposal gains and losses | - |
| - Dividends (non-consolidated shares) | - |
| **Self-financing capacity after net finances costs and taxes** | **450** |
| + Net finance costs | - |
| +/- Tax expense (including deferred taxes) | - |
| **Self-financing capacity before net finances costs and taxes (A)** | **450** |
| - Taxes paid | - |
| +/- Change in WCR related to operations | -4,005 |
| +/- Other flows from operations (loan issue expenses) | - |
| **= NET CASH FLOW GENERATED BY OPERATIONS (D8)** | **-3,555** |
| - Disbursements related to tangible and intangible fixed asset acquisition | -353 |
| + Proceeds from sales of tangible and intangible fixed assets | 229 |
| - Disbursements related to financial asset acquisition | - |
| +/- Impact of scope changes | - |
| +/- Change in loans and advances granted | - |
| + Investment subsidies received | - |
| +/- Other flows from investment activities | - |
| **= NET CASH FLOW RELATED TO INVESTMENT ACTIVITIES (E)** | **-124** |
| + Amounts paid to shareholders upon capital increase:<br>- Paid by parent company shareholders | - |
| + Collections related to new debt | 239 |
| - Loan repayments (including finance leases) | -799 |
| - Net financial interest paid (including finance leases) | - |
| +/- Other flows related to financing operations | -634 |
| + Cash capital increase | 27,399 |
| **= NET CASH FLOW RELATED TO FINANCING ACTIVITIES (F)** | **26,205** |
| +/- Impact of foreign currency fluctuations (G) | - |
| **= CHANGE IN NET CASH H = (D + E + F + G)** | **22,526** |
| **OPENING CASH BALANCE (I)** | **4,354** |
| **CLOSING CASH BALANCE (J)** | **26,880** |

# Change in equity capital at December 31, 2014

| (in €K) | Balance 12/31/2013 | Balance of 2013 profit | Other movements | Translation adjustment | Profit or loss for the year 2014 | Balance 12/31/2014 |
|---|---|---|---|---|---|---|
| Share capital | 711 | - | 545 | - | - | 1,256 |
| Share premium | 25,631 | - | 26,854 | - | - | 52,485 |
| Currency translation adjustment | 3 | - | - | 27 | - | 30 |
| Statutory reserve | 351 | - | - | - | - | 351 |
| Other reserves | 191 | - | - | - | - | 191 |
| Retained earnings | 6,262 | 587 | - | - | - | 6,849 |
| Accelerated depreciation | 15 | - | 11 | - | - | 26 |
| 2013 profit | 587 | -587 | - | - | - | 0 |
| 2014 profit | 0 | - | - | - | 44 | 44 |
| **TOTAL** | **33,752** | **0** | **27,410** | **27** | **44** | **61,233** |

# Notes to the corporate financial statements of Microwave Vision for the financial year ended December 31, 2014

**The financial statements at December 31, 2014, were approved by our board of directors on 04/28/2015.**

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

**The financial year ended 12/31/2014 had a normal duration of 12 months.**

## 1/ Significant events of the financial year

2014 was marked by the company's capital increase of more than €28 M in order to ensure the Group's growth. The objective of this increase was to fund external growth potential.

## 2/ Accounting principles, rules, and methods

The financial statements at December 31, 2014, are prepared in compliance with the provisions of the French commercial code (Articles L123-12 to L123-28), ANC regulation no. 2014-03 of June 5, 2014, relating to the French general accounting system (PCG), and the regulations of the Accounting Regulation Committee (CRC).

**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.

## Conversion of autonomous facilities

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

For the accounts of facilities located outside the eurozone (Hong Kong, Sweden, and Japan), figures must be converted into euros before they are integrated.

**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.

## Tangible fixed assets

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 |
| Office equipment, computers, and furniture | 3 to 10 years |

## Intangible fixed assets

Software, patents, and licenses are recorded at their acquisition cost. They are amortized over a period of six years on a straight-line basis.

These costs relate to the implementation of new software like SAP ERP.

**Note concerning capitalized production related to software development:**

1) The amount of expenditures recorded for intangible fixed assets in production is €108,191.
2) Amortization rules: during financial year 2014, the company decided to change the amortization period for the SAP ERP from three years to six years. Because the MVG group decided to implement the SAP ERP throughout the entire Group, the investments made and to be made show the Group's interest in using this software package for a number of years. We believe that six years would be a satisfactory amortization period.

## Long-term assets

Long-term assets are essentially made up of the securities of ORBIT/FR, MVG Industries, SAS, MVG, Inc (company created in June 2012, replacing the autonomous facility), MICROWAVE VISION Italy SRL, MICROWAVE VISION Ltd (Holding Asia), and RAINFORD Ltd (wholly owned company since July 27, 2012).

The estimate of the recoverable value of these assets involves the determination of future cash flows deriving from the use of these assets. Therefore, the flows actually generated by these assets may well differ considerably from initial projections.

## 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.

## 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.

Other receivables include a liaison account between MICROWAVE VISION and its subsidiaries: MVG Industries, MICROWAVE VISION Italy SRL, MICROWAVE VISION AMS Ltd, MICROWAVE VISION EMC Ltd. This account is used to record financial flows between the companies.

## 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.

## Recording of revenue

Since April 1, 2008, MICROWAVE VISION has held the role of holding company. Its revenue is made up of the rebilling of management expenses and fees as well as sales carried out in foreign facilities.

The rules for recording this revenue are as follows.

**Sales of products and sales of studies:**
Revenue is recognized as work is completed (completion method).
Accrued revenue (unbilled works) or deferred revenue are recorded based on estimated total revenues 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.

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

### Maintenance

Maintenance contracts are invoiced on the anniversary date and once a year in general. The revenue included in the result is the prorated value of the contract. Prepaid income is recorded for the portion of these contracts not yet due.

## 3/ Notes on the balance sheet

*The figures are expressed in euros, unless otherwise indicated.*

### Intangible fixed assets

| | Gross value 12/31/2013 | Decreases | Increase | Gross value 12/31/2014 | Amortization 12/31/2014 | Net value 12/31/2014 |
|---|---|---|---|---|---|---|
| Other intangible fixed assets | 330,470 | 85,687 | 587,897 | 832,680 | 220,566 | 612,113 |
| Tangible fixed assets in progress | 430,813 | 523,830 | 201,208 | 108,191 | 0 | 108,191 |
| **TOTAL** | **761,283** | **609,830** | **789,418** | **940,871** | **220,566** | **720,304** |

The increase in other intangible fixed assets consists of the SAP software capitalized with the holding company.
The increase in fixed assets in progress results from the calculation of capitalized production for the SAP ERP in 2014, and the decrease corresponds in part to the capitalization for the financial year for €523,830.

### Tangible fixed assets

| | Gross value 12/31/2013 | Decreases | Acquisitions | Gross value 12/31/2014 | Amortization 12/31/2014 | Net value 12/31/2014 |
|---|---|---|---|---|---|---|
| Industrial equipment and tools | 10,958 | - | 1,280 | 12,238 | 12,238 | 0 |
| Fixtures | 19,233 | - | 2,607 | 21,839 | 19,219 | 2,620 |
| Transport equipment | 22,638 | - | 0 | 22,638 | 15,387 | 7,251 |
| Office equipment and computer furniture | 52,256 | - | 6,162 | 58,418 | 49,413 | 9,005 |
| **TOTAL** | **105,085** | **0** | **10,049** | **115,133** | **96,257** | **18,876** |

## Long-term assets

| | 12/31/2013 | Decreases | Increases | 12/31/2014 |
|---|---|---|---|---|
| Equity securities | 33,873,645 | - | - | 33,873,645 |
| Other long-term investments | 215,988 | 33,686 | - | 182,302 |
| Loans | 1,034,825 | 194,832 | 948,137 | 1,788,130 |
| **TOTAL** | **35,124,459** | **228,518** | **948,137** | **35,844,077** |

### Equity securities are made up of:

- 63% of the capital of ORBIT/FR acquired on May 15, 2008 (€11,315,740)
- 100% of SAS MVG Industries (€18,624,761)
- 100% of Ltd RAINFORD EMC (€449,917)
- 100% of MVG, Inc (€1,881,011)
- 100% of MICROWAVE VISION Italy SRL (€1,602,215)

At 12/31/2014, the securities of the holding company MICROWAVE VISION, Ltd (based in Hong Kong) have not been the subject of capital payment by MVG, S.A.

Other long-term investments mainly consist of security deposits in the amount of €25,231 for Japan, €24,125 for Paris, and an OSEO retention bond of €132,500 for the equity loan.

This loan, like those taken out with CIC and Société Générale, is carried by MVG SA.

The security deposit recorded in SATIMO HK's accounts was repaid for €33,686. ORBIT/FR fully repaid its loan for €194,832 over this financial year. MVG entered into two new loans for its subsidiaries ORBIT/FR Horsham and AEMI for $250,000.00 for a euro equivalent of €202,684 (historical rate) and $950,000.00 for a euro equivalent of €745,453 (historical rate) respectively.

## Change in amortization/depreciation

| | 12/31/2013 | Increase | Decrease | 12/31/2014 |
|---|---|---|---|---|
| Research and development expenses | - | - | - | - |
| Other intangible fixed assets | 83,171 | 137,395 | - | 220,566 |
| **Intangible fixed assets** | **83,171** | **137,395** | **0** | **220,566** |
| | | | | |
| Industrial equipment and tools | 10,958 | 1,280 | - | 12,238 |
| Fixtures | 14,558 | 4,661 | - | 19,219 |
| Transport equipment | 7,840 | 7,547 | - | 15,387 |
| Office equipment and computer furniture | 33,297 | 16,117 | - | 49,414 |
| **Tangible fixed assets** | **66,653** | **29,605** | **0** | **96,258** |
| | | | | |
| **TOTAL** | **149,825** | **167,000** | **0** | **316,824** |

## Marketable securities

The company held €50,000 worth of treasury shares at 12/31/2013 as part of a liquidity agreement with the brokerage Gilbert Dupont. This amount was increased by €100,000.00 during financial year 2014. On December 1, 2014, the Company redeemed a block of 55,000 MVG shares, representing 0.87% of the share capital, at a price of €8.92 per share (i.e., with a 1.4% discount in relation to the closing price of December 1, 2014). This block is added to a previous block of 6,500 shares purchased on December 20, 2013, and another block of 4,500 shares purchased in early 2014. These 66,000 shares are maintained as treasury shares in any external growth operations. These operations were financed by MVG's available cash.

The company invested the following amounts in SICAV money market funds: €3,135,350 (FR007055066) and €11,825,680 (FR0010495044).

In addition, MVG subscribed for three term accounts for a total of €8,000,000.00. These term accounts pay 0.8% interest.

## Change in provisions

| Provisions | 12/31/2013 | Allocations | Writebacks | 12/31/2014 |
|---|---|---|---|---|
| Provisions for bad debts | 91,703 | 12,429 | - | 104,132 |
| Provisions for expenses | 126 | 178,987 | 126 | 178,987 |
| Provisions for warranties | 0 | - | - | 0 |
| **TOTAL** | **91,829** | **191,416** | **126** | **283,119** |

An additional allocation of €12,429 was recognized for impairment of trade receivables in the Hong Kong establishment in financial year 2014.

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.

## Inventories

The inventory corresponds to an inventory of spare parts located in the SATIMO Hong Kong establishment for a value of €113,549. These inventories are made up of raw materials and semi-finished products.

No provision for impairment of inventories was established at 12/31/2014.

## Trade receivables

The balance of trade receivables at December 31, 2014, breaks down as follows:

| | Trade receivables | Unbilled income |
|---|---|---|
| France | 11,075,249 | - |
| Italy | 106,296 | - |
| Asia (Hong Kong + Japan) | 1,309,952 | 3,252,720 |
| Sweden | 32,535 | - |
| **TOTAL** | **12,524,032** | **3,252,720** |

A €104,132 provision is established for these receivables in Hong Kong. All of these receivables are due within one year.

## Other receivables

| | 12/31/2013 | 12/31/2014 |
|---|---|---|
| Staff – Expense reports | - | 3,634 |
| Government - Research tax credit | - | 3,473,570 |
| Deductible VAT | 378,242 | 59,578 |
| VAT credit to be carried forward | 98,472 | 164,252 |
| VAT on accrued invoices | 15,366 | 32 |
| Miscellaneous creditors (Advances) | 56,245 | 0 |
| Government - Income tax | 263,216 | 0 |
| Financial liaison - current account - ORBIT/FR | 1,277,873 | 0 |
| Financial liaison - MV Spain | - | 3,006 |
| Financial liaison - MVG Industries | 3,870,261 | 5,248,418 |
| Liaison - ITA MVG | 147,000 | 0 |
| Liaison - BLX/MVG-FR | 8,656 | 0 |
| Liaison - MVG EMC, Ltd | 5,175 | 0 |
| Liaison - MVG AMS, Ltd | 280,485 | 859,824 |
| Liaison - MICROWAVE VISION, Ltd | 75 | 85 |
| **TOTAL** | **6,401,064** | **9,812,399** |

**During financial year 2014, MVG recovered through the MVG Industries current account the amount of the Research Tax Credit and CICE remaining due by the government for €3,297,393 corresponding to the:**

- 2012 CIR: €236,662
- 2013 CIR: €1,435,389
- 2014 CIR: €1,492,090
- 2013 CICE: €10,429
- 2014 CICE: €122,823

All other receivables are due within one year. At December 31, 2014, the company held no bills of exchange.

## Prepaid expenses

This item has a balance of €23,461.

Prepaid expenses consist of miscellaneous expenses mainly for Japan (€14,098) and MVG (€4,857).

## Equity capital

| | Balance 12/31/2013 | Balance of 2013 profit | Other movements | Translation adjustment | Profit or loss for financial year 2014 | Balance 12/31/2014 |
|---|---|---|---|---|---|---|
| Share capital | 711,189 | - | 545,244 | - | - | 1,256,433 |
| Share premium | 25,631,159 | - | 26,854,052 | - | - | 52,485,211 |
| Currency translation adjustment | 2,172 | - | - | 27,565 | - | 29,737 |
| Statutory reserve | 350,971 | - | - | - | - | 350,971 |
| Other reserves | 191,510 | - | - | - | - | 191,510 |
| Retained earnings | 6,262,850 | 586,899 | - | - | - | 6,849,749 |
| Accelerated depreciation | 15,609 | - | 11,018 | - | - | 26,627 |
| 2013 profit | 586,899 | -586,899 | - | - | - | 0 |
| 2014 profit | 0 | - | - | - | 43,803 | 43,803 |
| **TOTAL** | **33,752,359** | **0** | **27,410,314** | **27,565** | **43,803** | **61,234,042** |

The balance of €29,737 corresponds to the impact of the translation adjustment between the conversion rate used (average rate for the period) to convert expenses and income and the closing rate at 12.31.2014.

MVG carried out a capital increase by increasing the number of shares from 3,555,945 to 6,282,166, for a nominal value fixed at €0.20 per share, i.e. new shares representing a value of €545,244. This capital increase was subscribed for in the amount of €28,352,709. The costs of this operation were recognized as a reduction of the share premium for €1,161,085.

By a decision of the General Meeting of June 6, 2014, the company decided to issue 310,000 redeemable equity warrants at an issue price of €0.67, i.e., €207,673.

Accelerated depreciation pertains to the restatement of borrowing costs related to the acquisition of Rainford. These costs are amortized over the term of the loan, i.e., 5 years, representing €11,018 each year.

### Stock subscription warrants and stock subscription options

The identification of shares giving access to capital existing at December 31, 2014 can be presented as follows:

| | Share subscription warrants (BSA) |
|---|---|
| Date of general meeting | Oct. 31, 2006 |
| Date of Board meeting | Feb. 26, 2007 |
| Number of shares issued | 8000 |
| Number of beneficiaries | 1 |
| Strike price | 23.20 |
| Strike deadline | Feb. 26, 2017 |
| **NUMBER OF SHARES OUTSTANDING AT 12/31/2013** | **8,000** |
| | |
| Number of shares exercised during the period | 0 |
| **NUMBER OF SHARES OUTSTANDING AT 12/31/2014** | **8,000** |

Main characteristics of the 8,000 share subscription warrants:

- each share subscription warrant entitles the holder to an ordinary share of MICROWAVE VISION with a nominal value of 0.20 euros;
- unit share subscription warrant issue price: 2.32 euros;
- unit share subscription price: 23.20 euros;
- strike deadline: February 26, 2017.

| | Share subscription warrants (BSA) |
|---|---|
| Date of general meeting | June 6, 2014 |
| Date of Board meeting | July 18, 2014 |
| Number of shares issued | 310,000 |
| Number of beneficiaries | 34 |
| Strike price | 13.50 |
| Strike deadline | July 18, 2017 |
| **NUMBER OF SHARES OUTSTANDING AT 12/31/2013** | **0** |
| | |
| Number of shares exercised during the period | 0 |
| **NUMBER OF SHARES OUTSTANDING AT 12/31/2014** | **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 euros;
- unit share subscription warrant issue price: 0.67 euros;
- unit share subscription price: 13.50 euros;
- strike deadline: July 18, 2017.

## Borrowed funds and financial debts

"Borrowed funds and financial debts" includes an equity loan, divided between CIC and SG for €3,283,000 and OSEO for €2,650,000, to fund the acquisition of RAINFORD and investments as well as €4 M in the form of a bond loan for the group's development.

MVG took out two no-interest loans with BPI 2 to fund its innovation for €238,500. These loans will be repayable in 20 quarterly payments beginning 06/30/2017.

**The debt maturity schedule at December 31, 2014, breaks down as follows:**

| Due Date | <1 year | 1-5 years | TOTAL |
|---|---|---|---|
| Funds borrowed from credit institutions | 712,169 | 5,578,952 | 6,291,121 |
| Miscellaneous borrowed funds and financial debts | 530,000 | 1,987,500 | 2,517,500 |
| **TOTAL** | **1,242,169** | **7,566,452** | **8,808,621** |

The other items included in miscellaneous borrowed funds and financial debt correspond in particular to the current account debts taken out with other companies of the group

## Tax and social security debts

| | 12/31/2013 | 12/31/2014 |
|---|---|---|
| Staff – accrued expenses | 78,092 | 63,062 |
| Miscellaneous social agencies | 163,522 | 106,886 |
| Staff – Advances and Deposits | - | - |
| Paid leave (including social security contributions) | 73,626 | 55,842 |
| Government – Research Tax Credit FR | 946,651 | - |
| Government – accrued expenses | 20,478 | 30,622 |
| Tax on revenue to be reported | 3,495 | 5,141 |
| Collected VAT | 272,981 | 239,817 |
| Intra-com VAT | 182,123 | 0 |
| **TOTAL** | **1,740,968** | **501,300** |

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

## Liability accrual accounts

For the most part, the €95,188 in deferred income represents SATIMO HK's maintenance billings.

## Provision for fees paid to auditors

At 12/31/2014, the company recognized fees paid to auditors with a total value of €54,120.

## 4/ Other information

### Cash flow statement

Given that MVG Industries is not taken into account, the cash flow statement is in no way representative of the movements for the financial year. In order to avoid any inaccurate interpretation, the decision was made not to present a cash flow statement for this scope. In order to obtain a reliable account of movements for the financial year, consult the IFRS notes of the consolidated group.

### Tax expense

The tax expense of €2,197 breaks down as follows:

- Tax expense on the Japanese establishment: 2,197

| | |
|---|---|
| Japan taxation rates | 38.01% |
| Hong Kong taxation rates | 16.50% |
| Sweden taxation rates | 22.00% |
| Italy taxation rates | 32.32% |

| | |
|---|---|
| Loss carry-forward – Hong Kong | HKD 12,594,799 |
| Loss carry-forward – Japan | YEN 119,074,509 |
| Loss carry-forward – Sweden | SEK 489,632 |
| Loss carry-forward – France | €5,480,047 |

Microwave Vision opted for the tax consolidation system starting on 01/01/2009. The tax consolidation group also includes the subsidiary MVG Industries. As such, no expense is due for the company for financial year 2014.

The group's consolidated companies entered into a neutrality agreement that essentially provides that the consolidated siblings recognize their tax as if there were no consolidation.

For financial year 2014, MVG recognized no corporate tax for the tax consolidation. MVG generated a tax loss of €1,085,076 over this period due to the deduction of expenses related to the capital increase in the amount of €1,161,084. A tax consolidation debt of €3,297,393 was recorded in miscellaneous borrowed funds and financial debts as an offset to the corresponding tax receivable.

### Details of extraordinary expenses

At 12/31/2014, the corporate financial statements show extraordinary expenses of €11,828.

These extraordinary expenses are related to the allocation to accelerated depreciation on the costs of acquiring RAINFORD, Ltd amounting to €11,018 euros for financial year 2014.

## Breakdown of production sold by geographical region

| | 2014 |
|---|---|
| France | 7,308,216 |
| Europe | 108,308 |
| Asia | 6,695,272 |
| TOTAL | 14,111,796 |

Revenues are distributed according to the location of the entity responsible for generating these sales.

Revenue for France of €7,308,216 is fully made up of billing to MVG Industries for €2,029,123, to ORBIT/FR for €3,398,745 for a service rebilling agreement as part of the Group's Management put in place since 2009, to RAINFORD for €742,177 also for an agreement established in 2012, and to the various newly created subsidiaries in the US, Italy, and Hong Kong to replace the establishments for €1,138,171. The rest of the revenue (excluding France) results from the Group's commercial activity and is recorded in the various foreign institutions.

## Leasing and long-term rental commitments

The company recognized a leasing fee over the financial year of €14 K. Given this insignificant nature, such commitments are not reported.

## Retirement commitments

In accordance with the provisions of French law, the company is freed from its obligations to fund the pensions of staff in France through the payment of contributions calculated on the basis of wages to the agencies that manage the pension programs. There is no other commitment related to these contributions.

The law also requires, where applicable, a lump-sum retirement payment. This compensation is determined on the basis of seniority and the level of compensation at the time of departure. The rights are only earned by employees present in the company in France at retirement age. The company's commitment in this regard at December 31, 2014, is not significant, given the number of employees, and is therefore not covered by a provision in the company's accounts.

### Off-balance sheet commitments

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

- Foreign market advance payment guarantee: €440,875
- Pledging of business assets: €5,300,000
- Pledging of financial securities account: €3,180,000
- Pledge of 95.1% of the shares making up the share capital of MVG Industries to secure bank loans.
- Bonds: €241,400
- Tender bonds: €1,033,035.63
- First-demand guarantee: €296,816.93

## 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 | €4,700,000 | €12,497,193 | 100% | €18,624,761 | €18,020,478 | €2,731,704 |
| ORBIT/FR | $921,000 | -$11,730,000 | 62.17% | €11,315,740 | $39,350,825 | $780,450 |
| MVG, Inc | $2,365,253 | -$133,767 | 100% | 1,881,011 | $9,534,890 | $242,193 |
| MV Italy SRL | €100,000 | €1,645,603 | 100% | €1,602,215 | €3,865,326 | €274,194 |
| RAINFORD | £305,011 | - £327,975 | 100% | €449,918 | £6,231,270 | £214,011 |
| MICROWAVE VISION, Ltd | HKD 1,000,000.00 | 0 | 100% | 0 | 0 | 0 |

MICROWAVE VISION is the consolidating company.

The holding company established in Hong Kong during financial year 2013 was not the subject of the capital payment by MVG, SA at the close of the financial year.

At December 31, 2014, no dividends have been collected for financial year 2014. No bonds or sureties have been given by MICROWAVE VISION to its equity interests.

| Details of recognized items relating to equity interests | |
|---|---|
| Equity securities | 33,873,645 |
| ORBIT/FR loan | 202,684 |
| RAINFORD loan | 839,993 |
| AEMI loan | 745,453 |
| Liaison – MVG Industries (assets/liabilities) | 1,951,024 |
| Liaison – MVG and MVG Inc | -2,275,724 |
| Liaison – MVG and MV AMS, Ltd | -700,000 |
| Liaison – MVG and MV Italy, SRL | -491,720 |
| Liaison – SATIMO HK (Est.) and MV EMC, Ltd | -31,517 |
| Liaison – SATIMO HK (Est.) and MV AMS, Ltd | 859,824 |
| Interest – Cash agreement with MVG Industries | 128,847 |
| Interest – Cash agreement with ORBIT/FR | 119,263 |
| Revenue – MVG holding | 7,448,087 |

## Financial expenses and income of related companies

| | MVG Industries | ORBIT/FR | RAINFORD | MV Italy | MVG, Inc |
|---|---|---|---|---|---|
| Interest and similar expenses | - | - | - | 11,624 | 27,813 |
| **TOTAL EXPENSES** | **0** | **0** | **0** | **11,624** | **27,813** |
| | | | | | |
| Interest and similar income | 128,847 | 120,227 | 5,593 | 2,548 | - |
| **TOTAL INCOME** | **128,847** | **120,227** | **5,593** | **2,548** | **0** |

## Average staff employed during the financial year

| | France | Italy | Hong Kong | Sweden | Japan | TOTAL |
|---|---|---|---|---|---|---|
| Senior management | 4 | 0 | 0 | 2 | 3 | 9 |
| Other employees | 0 | 0 | 0 | - | 1 | 1 |
| **TOTAL** | **4** | **0** | **0** | **2** | **4** | **10** |

At July 1, 2013, the Italian and Hong Kong establishments became subsidiaries.

## Individual right to training (DIF)

Under the individual right to training, the number of acquired but unused hours amounts to 480 as of December 31, 2014.

## Executive pay

During the financial year, gross executive pay totaled €550,401.

## Relations with related parties

Relations with related parties are those established with MVG Industries and ORBIT/FR. These relations are commercial and industrial in nature for the most part and holding company relations with subsidiaries. Since 2009, there has been an agreement between MICROWAVE VISION S.A. and its establishments and subsidiaries. This agreement, approved by the respective boards of directors, governs the rebilling of management fees and rights to images.

Under this agreement, MICROWAVE VISION S.A. billed ORBIT/FR for €3,398,745 and was billed €2,167,832 over financial year 2013.

Over 2013, MICROWAVE VISION S.A. held a receivable of €7,057,058 with ORBIT/FR and had a supplier debt of €2,167,832.

# List of Appendices

# NOTES

# NOTES

# A global presence

Microwave Vision exports more than 90% of its production outside of France. The Group spans Europe, Asia and America through 20 locations in 10 countries.

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