Appendices

2015 Annual Financial Report

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MVG Microwave Vision Group

A. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2015

CONTENTS

Consolidated income statement

(In thousands of euros)	Notes	Financial year 2015	Financial year 2014
Revenue	4	60,126	56,663
Other income from operations	-	14	15
INCOME FROM ORDINARY OPERATIONS	**-**	**60,140**	**56,678**
Purchases consumed	-	-21,086	-20,431
Other recurring operating income and expenses (net)	5	-11,868	-9,326
Payroll expenses	6	-21,214	-19,506
Taxes	-	-516	-387
Allocation to amortization/depreciation	7	-1,742	-2,056
Allocation to impairments and provisions	7	-543	-11
RECURRING NET OPERATING INCOME	**-**	**3,171**	**4,961**
Net income on disposal of consolidated equity interests	-	-	-
Other operating income and expenses (net)	8	-2,807	-884
NET OPERATING INCOME	**-**	**364**	**4,077**
Income from cash and cash equivalents	-	0	-
Gross finance costs	9	-683	-527
NET FINANCE COSTS	**-**	**-683**	**-527**
Other financial income and expenses	10	-51	-
NET INCOME BEFORE TAXES	**-**	**-370**	**3,550**
Income taxes	11.1	-466	-947
NET INCOME AFTER TAXES FROM CONTINUING OPERATIONS	**-**	**-837**	**2,604**
Share in net income of associates	-	-	-
Net income from operations held for sale or discontinued	-	-	-
TOTAL NET INCOME	**-**	**-837**	**2,604**
Attributable to the owners of the Company	-	-72	2,382
Non-controlling interests	-	-764	222
Earnings per share	-	-0.012	0.379
Diluted earnings per share	-	-0.011	0.361

The notes are an integral part of the consolidated financial statements.

Statement of comprehensive income

(In thousands of euros)	**2015** *(12 months)*	**2014** *(12 months)*
NET INCOME	**-837**	**2,604**
Items that may not be reclassified to profit or loss:	-	-
• Losses on equity instruments	-31	-
• Deferred taxes on items that may not be reclassified to comprehensive income	0	-
Items that may be reclassified to profit or loss	0	-
• Actuarial gains and losses on pension plans	-17	-
• Currency translation adjustments	1,095	387
• Deferred taxes on items that may be reclassified to comprehensive income	1	-
Other comprehensive income	**1,048**	**387**
TOTAL COMPREHENSIVE INCOME	**212**	**2,991**
Group share	744	2,382
Share of non-controlling interests	-384	222

Statement of financial position

ASSETS *(In thousands of euros)*	Notes	At December 31, 2015	At December 31, 2014
Goodwill	12.1	13,530	13,527
Intangible fixed assets	12.1	1,038	686
Tangible fixed assets	12.2	9,166	8,121
Other financial assets	12.3	634	687
Deferred taxes	11.2	3,910	2,553
Other non-current liabilities	-	347	-
TOTAL NON-CURRENT ASSETS	**-**	**28,626**	**25,574**
Inventories and work in progress	13.1	9,530	7,752
Trade receivables and related accounts	13.2	31,482	30,573
Current tax receivables	13.3	3,243	7,558
Other current assets	13.4	3,645	308
Cash and cash equivalents	13.5	25,992	29,554
TOTAL CURRENT ASSETS	**-**	**73,892**	**75,745**
TOTAL ASSETS	**-**	**102,518**	**101,319**

EQUITY CAPITAL *(In thousands of euros)*	Notes	At December 31, 2015	At December 31, 2014
Capital	-	1,256	1,256
Reserves and retained earnings	-	65,084	64,565
TOTAL EQUITY CAPITAL ATTRIBUTABLE TO THE COMPANY'S	**15.3**	**66,340**	**65,821**
Non-controlling interests	-	3,715	4,194
TOTAL NON-CONTROLLING INTERESTS	**-**	**3,715**	**4,194**
TOTAL EQUITY CAPITAL	**15**	**70,055**	**70,015**

LIABILITIES *(In thousands of euros)*	Notes	At December 31, 2015	At December 31, 2014
Loans and financial debts	17	6,867	8,096
Commitments to staff	-	696	353
Provisions	16	-	354
Deferred taxes	12.2	105	90
Other non-current liabilities	19	0	-
TOTAL NON-CURRENT LIABILITIES	**-**	**7,668**	**8,893**
Bank loans and credit facilities	17	1,716	1,376
Provisions	-	769	348
Trade payables and related accounts	18	14,145	14,506
Current tax debts	-	286	423
Other current liabilities	19	7,879	5,758
TOTAL CURRENT LIABILITIES	**-**	**24,795**	**22,411**
TOTAL LIABILITIES	**-**	**32,463**	**31,304**
TOTAL LIABILITIES AND EQUITY	**-**	**102,518**	**101,319**

The notes are an integral part of the consolidated financial statements.

Cash flow statement

(In thousands of euros)	Year ended December 31, 2015	Year ended December 31, 2014
CONSOLIDATED NET INCOME	**-837**	**2,604**
Restatement of items not affecting cash:		
Amortization, depreciation, and provisions (net)	1,153	2,253
Net income from asset disposal and dilution losses/profits	31	2
Dividend income	-2	-
Cash from operations after net finance costs and taxes	**345**	**4,859**
Restatement of tax expense (income)	466	947
Restatement of net finance costs	683	522
Cash flow from operations before changes in WCR	**1,494**	**6,327**
Impact of changes in inventories	-1,347	-145
Impact of changes in trade and related receivables	-101	-4,537
Impact of changes in trade and related payables	374	-232
Taxes paid	339	-1,747
Cash flow from operations	**760**	**-334**
Impact of scope changes	-	-
Acquisition of tangible and intangible fixed assets	-2,967	-3,034
Acquisition of financial assets	-31	-
Change in loans and advances granted	-61	-49
Disposal of tangible and intangible fixed assets	-	-
Dividends received	2	-
Cash flow from investing activities	**-3,057**	**-3,083**
Other changes in equity capital	-3	27,399
Loan issues	324	239
Loan repayments	-1,304	-803
Net financial interest paid	-679	-539
Redemption of treasury shares	-119	-634
Dividends paid	-	-
Cash flow from financing activities	**-1,781**	**25,662**
Impact of exchange rate fluctuations	202	210
CHANGE IN NET CASH POSITION	**-3,877**	**22,455**
OPENING NET CASH POSITION	**29,555**	**7,100**
CLOSING NET CASH POSITION	**25,678**	**29,555**

The change in cash position of -€3,877 K is explained by a decrease in cash flows from operations. The change in working capital requirement came mainly from the increase in inventories (+€1,347 K), while the amount of trade and related receivables was stable (-€101 K), and the amount of trade and related payables increased slightly (+€374 K). The tax paid was positive because the company put in place a research tax credit financing process. Investments remained stable. Loan repayments increased by €501 K.

Statement of changes in consolidated equity capital

(In thousands of euros)	Capital	Other group reserves			Retained earnings	Total equity capital, group share	Non-controlling interests	TOTAL
		Reserves	Treasury shares	Total				
Situation at January 1, 2014	**711**	**32,697**	**-120**	**32,577**	**2,964**	**36,252**	**3,512**	**39,764**
Appropriation of profit or loss	-	2,964	-	2,964	-2,964	-	-	-
Redemption of treasury shares	-	-	-634	-634	-	-634	-	-634
Dividends distributed	-	-	-	-	-	-	-	-
Changes in fair value	-	-	-	-	-	-	-	-
Currency translation adjustments	-	664	-	664	-	664	495	1,159
Actuarial gains and losses	-	-	-	-	-	-	-	-
Net income for the period	-	-	-	-	2,382	2,382	222	2,604
Changes in capital	545	26,854	-	26,854	-	27,399	-	27,399
Other changes	-	-242	-	-242	-	-242	-35	-277
Total at December 31, 2014	**1,256**	**62,937**	**-754**	**62,183**	**2,382**	**65,821**	**4,194**	**70,015**
Appropriation of profit or loss	-	2,382	-	2,382	-2,382	-	-	-
Redemption of treasury shares	-	-	-119	-119	-	-119	-	-119
Dividends distributed	-	-	-	-	-	-	-	-
Loss on treasury shares	-	-	-31	-31	-	-31	-	-31
Currency translation adjustments	-	715	-	715	-	715	380	1,095
Actuarial gains and losses	-	-16	-	-16	-	-16	-	-16
Net income for the period	-	-	-	-	-72	-72	-764	-837
Changes in capital	-	-	-	-	-	-	-	-
Other changes	-	-53	-	-53	-	-53	-1	-54
TOTAL AT DECEMBER 31, 2015	**1,256**	**65,965**	**-904**	**65,062**	**-72**	**66,246**	**3,809**	**70,055**

Notes to the consolidated financial statements

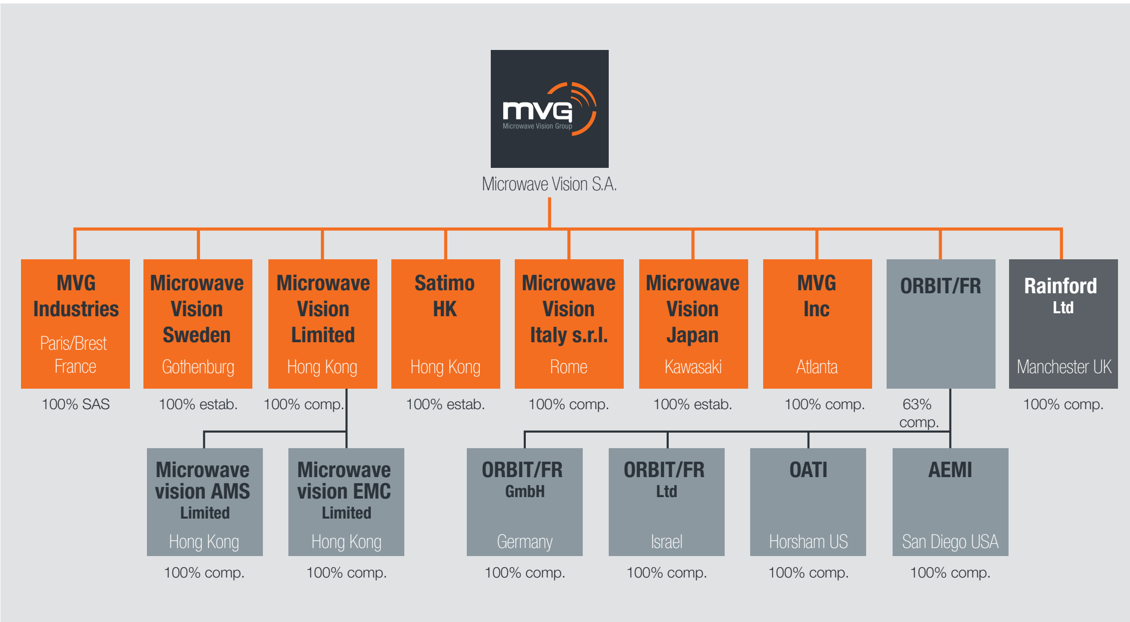
1/ General information

Activity of the MVG Group

The MVG 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 electronic environments and to not produce 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.

Organization chart of the MVG Group:



Note: MVG Industries has a 10% ownership interest in METRAWARE. This company is not consolidated.

APPENDICES

The Group includes 13 companies and three independent establishments presented below:

Microwave Vision Group

Companies	Activity	Headquarters	Method of consolidation 2015	% control 2015	% interest 2015	% control 2014	% interest 2014
Microwave Vision S.A.	**Holding company**		**Parent company**	**100%**	**100%**	**100%**	**100%**
MVG Industries	Manufacturing/R&D	Paris/Brest	FC	100%	100%	100%	100%
Microwave Vision Sweden	Sales	Gothenburg	FC	100%	100%	100%	100%
Microwave Vision Limited	Holding company	Hong Kong	FC	100%	100%	100%	100%
Satimo HK	Manufacturing	Hong Kong	FC	100%	100%	100%	100%
Microwave Vision Italy s.r.l	Manufacturing/R&D	Rome	FC	100%	100%	100%	100%
Microwave Vision Japan	Sales/Maintenance	Kawasaki	FC	100%	100%	100%	100%
MVG Inc	Sales/Maintenance	Atlanta	FC	100%	100%	100%	100%
ORBIT/FR	Holding company		FC (sub-consolidation)	100%	63%	100%	63%
Rainford Ltd	Manufacturing	Manchester UK	FC	100%	100%	100%	100%
Microwave Vision AMS	Sales/Maintenance	Hong Kong	FC	100%	100%	100%	100%
Microwave Vision EMC	Sales/Maintenance	Hong Kong	FC	100%	100%	100%	100%
ORBIT/FR, Ltd	Sales/Manufacturing	Germany	FC (sub-consolidation)	100%	63%	100%	63%
ORBIT/FR Ltd	Manufacturing	Israel	FC (sub-consolidation)	100%	63%	100%	63%
OATI	Sales	Horsham US	FC (sub-consolidation)	100%	63%	100%	63%
AEMI	Manufacturing	San Diego USA	FC (sub-consolidation)	100%	63%	100%	63%

FC: Full Consolidation

MICROWAVE VISION S.A. is a French company, domiciled at 17 avenue de Norvège, 91140 Villebon-sur-Yvette. It was admitted for listing on Alternext on June 30, 2005. The consolidated financial statements cover the period from January 1, 2015, to December 31, 2015. They were approved by the Board of Directors on April 22, 2016. ORBIT/FR and its subsidiaries are the subject of a sub-consolidation directly consolidated into the financial statements of the Microwave Vision Group.

Significant events of the period:
The Group's consolidation scope did not change.

2/ Main accounting methods

2.1. Declaration of compliance

The consolidated financial statements at December 31, 2015 (hereinafter "the financial statements") were prepared in compliance with the International Financial Reporting Standards (IFRS) as approved by the European Union and applicable at December 31, 2015. The IFRS framework as adopted in the European Union can be consulted on the European Commission's website: http://ec.europa.eu/finance/company-reporting/index_en.htm.

2.2. Preparation of the financial statements

The financial statements are presented in euros, and all values are rounded to the nearest thousand unless otherwise indicated. The totals and sub-totals presented in the consolidated financial statements are calculated in euros and then rounded to the nearest thousand. Consequently, the amounts may not add up exactly due to rounding.

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

The estimates and underlying assumptions are reviewed regularly. The effect of changes in accounting estimates is recognized during the period of the change and during all affected subsequent periods.

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

- impairment of intangible assets (notes 2.7, 2.9, and 12.1),
- estimation of recoverable value of capitalized tax losses carried forward (note 11.2),
- estimation of recoverable value of inventories (note 2.10).
- estimation of pension obligations (notes 2.15 and 16.1).

New standards, amendments, and interpretations applicable starting January 1, 2015

The new mandatory standards and interpretations applicable from January 1, 2015, have no material impact on the MVG Group's consolidated financial statements at December 31, 2015. They mainly concern:

- IFRIC 21 "Levies".
  IFRIC 21, applicable on January 1, 2015 with retrospective effect from January 1, 2014, aims to clarify when to recognize a liability for taxes or levies other than income taxes. Under this interpretation, the obligating event that gives rise to the recognition of a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the laws and regulations. As a result, certain taxes that were recognized progressively over the 12-month reporting period are from now on recognized at a single time as from January 1 of the current reporting period, and, to a lesser extent, there is a change in the reporting period when other taxes such as the social solidarity contribution due by French companies (*Contribution Sociale de Solidarité des Sociétés* or C3S) (to be recognized in N on the basis of revenue generated in N-1) are recognized.
- Improvements to IFRS (cycle 2011-2013).

New standards, amendments, and interpretations published by the IASB and not yet applicable by the company

These standards, amendments, and interpretations have not yet been adopted by the EU at December 31, 2015, and are mandatory for financial years beginning after December 31, 2015. The practical implications of the application of these standards, amendments, and interpretations and their effects on the Company's financial statements have been assessed or are currently being analyzed. Their impact should not be material.

Mandatory standards at February 1, 2015

- IAS 19 amendment, Defined benefit plans: employee contributions (11/13)
- Improvements to IFRS cycle 2010 - 2012 (12/13): Affected standards:
  - IFRS 2: Definition of vesting, market, performance and service conditions
  - IFRS 3: Accounting for contingent consideration
  - IFRS 8: Aggregation of segments and reconciliation of the total of reportable segments' assets to the entity's assets
  - IFRS 13: (Basis for Conclusions): Clarifications on valuation of short-term receivables and payables
  - IAS 16: Revaluation - Proportional adjustment of accumulated amortization and depreciation
  - IAS 24: Key management personnel services
  - IAS 38: Revaluation - Proportional adjustment of accumulated amortization and depreciation

APPENDICES

Mandatory standards at January 1, 2016

- IAS 1 amendment, Disclosure initiative (12/14)
- IAS 16 and IAS 38 amendments, Clarification of acceptable methods of depreciation and amortization (05/14)
- IAS 16 and IAS 41 amendments, Bearer plants (06/14)
- IAS 27 amendments, Equity method in separate financial statements (08/14)
- IFRS 11 amendment, Accounting for acquisitions of interests in joint operations (05/14)
- Improvements to IFRS cycle 2012 - 2014 (09/14) Affected standards:
  - IFRS 5: Change in methods of disposal of an asset or group of assets (disposal/distribution or vice versa): clarification that such a change does not modify treatment by IFRS 5
  - IFRS 7: Management mandate - Clarifications of conditions for recovery of disposed financial assets results in disclosure requirements relating to asset transfers (IFRS 7.B30 and .B30A of the application guide of .42C)
  - IFRS 7: Elimination of the requirement to include in interim financial statements the required disclosures on offsets of financial assets and liabilities and clarification on situations in which such disclosure is desirable
  - IAS 19: Discount rate of actuarial assumptions (question of regional markets); confirmation that, for countries that have an identical currency, the concept of active market is assessed on the basis of the corporate obligations of the entire monetary zone (eurozone, for example) and not only those of a given country
  - IAS 34: Clarification of the expression “elsewhere in the interim financial report” of IAS 34.16A (obligation to refer to, in interim financial statements, the location of such disclosures)

The other standards, amendments, and interpretations not yet applicable to the Company are listed below, and the analysis of the impacts of applying these standards is in progress:

- IFRS 9: “Financial Instruments”
- IFRS 14: “Regulatory Deferral Accounts”
- IFRS 15: “Revenue from Contracts with Customers”
- IFRS 16: “Leases”
- IFRS 10 and IAS 28 amendments, Sale or contribution of assets between an investor and its associate or joint venture (09/14)
- IFRS 10/IAS 28 amendment, Amendment - Effective date of amendments to IFRS 10 and IAS 28 (12/15)
- IAS 28, IFRS 10, IFRS 12 amendment, Investment entities: applying the consolidation exception (12/14)

2.3. Change in presentation

There was no change in presentation during the financial year.

2.4. Consolidation principles

The consolidated financial statements include the financial statements of Microwave Vision S.A., the Group’s parent company, and its direct and indirect subsidiaries at December 31, 2015. A subsidiary (including ad-hoc entities) is an entity controlled by the Group. The Group controls a subsidiary when it is exposed or it is entitled to variable yields because of its ties with the entity and it has the ability to influence these yields because of the power that it holds over it.

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

Full consolidation

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

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

Non-controlling interests

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

Interests in equity-method companies

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

2.5. Translation of transactions into foreign currencies

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

Transactions in foreign currencies

Transactions in foreign currencies are recorded using the exchange rate in force on the day of the transaction.

Monetary assets and liabilities in foreign currencies on the closing date are converted into euros using the exchange rate in force on that date. Foreign exchange differences arising from the settlement of transactions in foreign currencies and the conversion of non-monetary assets and liabilities into foreign currencies during the close are recognized in income or expenses. Non-monetary assets and liabilities in foreign currencies valued at the historical cost are converted using the exchange rate in force on the date of the transaction.

Activities abroad

The assets and liabilities of an activity abroad including goodwill and fair value adjustments resulting from consolidation are converted into euros using the exchange rate at the closing date. Income and expenses of an activity abroad are converted into euros using the rate approximating the exchange rates at the transaction dates. Foreign exchange differences resulting from conversions are recorded in the conversion reserve, as an entirely separate component of equity.

Net investment in an activity abroad

Foreign exchange differences resulting from the conversion of a net investment in an activity abroad are recognized in the conversion reserve in other comprehensive income. They are written back when the activity abroad is removed from the scope and are integrated into earnings from disposal.

Exchange rate

Currency		Closing rate	Average rate	Average rate N-1	Opening rate
GBP	Pound Sterling	1.36249	1.37772	1.24005	1.28386
HKD	Hong Kong dollar	0.11852	0.11625	0.09704	0.10619
JPY	Yen	0.00763	0.00745	0.00712	0.00689
SGD	Singapore dollar	0.64864	0.65571	0.59416	0.62274
USD	US dollar	0.91853	0.90121	0.75254	0.82366

2.6. Presentation of the statement of financial position

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

2.7. Intangible fixed assets and goodwill

Goodwill

Acquisitions completed from January 1, 2010

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

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

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

Goodwill is then valued at its cost, minus accumulated impairments. It is assigned to cash-generating units and is not amortized but undergoes an impairment test every year and each time there is an indication that the cash-generating unit has lost value (the impairment test methods are presented in note 2.9).

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

Acquisition completed before January 1, 2010

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

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

Research and development expenses

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

Expenditures incurred during the development phase are capitalized in intangible financial assets only if they meet all of the following criteria in accordance with IAS 38 Intangible Assets: (a) technical feasibility necessary for completion of the development project, (b) intention of the Group to complete the project, (c) ability of the project to use this intangible asset, (d) demonstration of the likelihood of future economic benefits attached to the assets, (e) availability of technical, financial, and other resources in order to complete the project, and (f) reliable valuation of the expenditures incurred. In this case, development expenses are amortized over an estimated useful life not exceeding three years from the date of initial marketing of the products or services.

Given the large number of development projects and the difficulty of identifying cross-spending by project, the Group considers the capitalization criteria not to be met. For information purposes, the research and development expenses incurred by MVG and MVG Industries total €3,486 K.

Other intangible fixed assets

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

Amortization

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

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

2.8. Tangible fixed assets

Freehold assets

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

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

Leased assets

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

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

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

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

Depreciation

Depreciation is recognized in expenses on a straight-line basis over the estimated useful life for each component of a tangible fixed asset. Land is not depreciated.

The estimated useful lives are as follows:

- Fixtures and technical installations: 5 to 10 years
- Machinery and equipment: 3 to 7 years
- Office and IT equipment and furniture: 3 to 10 years

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

2.9. Impairment

The book value of the Group's assets, other than inventories (see note 2.10), trade and other receivables (see note 2.11), and deferred tax assets (see note 2.20), is examined at each closing date in order to assess whether there is any indication that an asset has suffered a loss of value. If there is such an indication, the asset's recoverable value is estimated according to the method described below.

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

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

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

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

Calculation of recoverable value

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

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

Writeback of impairment loss

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

Goodwill impairment losses are irreversible.

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

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

2.10. Inventories

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

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

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

2.11. Financial assets

Non-current financial assets

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

Held-for-trading financial assets

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

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

Trade and other receivables

Trade and other receivables are measured at their fair value during the initial recognition, then at their amortized cost using the effective interest rate method (see 2.13), minus impairment losses.

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

Cash and cash equivalents

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

Derivatives

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

2.12. Capital

Dividends

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

Treasury shares

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

2.13. Financial debts

Interest-bearing loans

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

Effective interest rate

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

Transaction costs

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

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

Net financial debts

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

2.14. Provisions

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

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

Provisions for disputes and litigation

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

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

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

2.15. Employee benefits

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

These benefits are characterized in two ways:

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

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

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

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

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

Actuarial gains and losses are recognized in other comprehensive income.

2.16. Revenue

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

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

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

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

2.17. Advertising and promotion expenses

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

2.18. Other operating income and expenses

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

2.19. Finance costs

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

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

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

2.20. Income tax

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

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

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

The deferred tax is determined using the liability method for all the temporary differences between the book value of the assets and liabilities and their tax bases. The following items do no result in the recognition of deferred tax: goodwill not deductible for tax purposes, temporary differences related to equity interests in subsidiaries as long as they will not be reversed in the foreseeable future, as well as the initial recognition of an asset or liability in a transaction, which is not a business combination and does not affect book profit or taxable profit. The valuation of deferred tax assets and liabilities is based on the Group's assumptions for recovering the book value of assets and liabilities, using the tax rates that have been enacted or substantively enacted at the closing date.

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

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

The calculation of the income tax for the financial year is explained in note 11.

2.21. Subsidies

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

The company also receives the Competitiveness and Employment Tax Credit (CICE). In accordance with IAS 20, this tax credit was recorded as a deduction to payroll expenses (see note 6).

3/ Business combinations

No business combinations occurred during the financial year or the previous financial year.

4/ Revenue

> *Breakdown by activity*

(In millions of euros)	2015	2014
AMS BU sales	49.2	47.9
EMC BU sales	9.0	7.0
EIC BU sales	1.9	1.8
NSH BU sales	0.0	0.0
REVENUE	**60.1**	**56.7**

> *Breakdown by geographical area*

(In millions of euros)	2015	2014
Europe	22.8	19.3
Asia	19.8	22.1
North America	17.4	15.3
REVENUE	**60.1**	**56.7**

5/ Other net ordinary operating income and expenses

(In thousands of euros)	2015	2014
Rent and rental expenses	-1,969	-2,123
Travel and assignments	-3,182	-2,452
Maintenance and repairs	-212	-171
Postage expenses	-351	-384
Insurance premiums	-365	-330
Advertising	-490	-315
Compensation for temp employees & professional fees	-2,135	-1,206
Banking services	-237	-163
Transport	-1,911	-1,583
Energy	-1,011	-969
Other expenses	-5	-
CURRENT OPERATING EXPENSES	**-11,868**	**-9,695**
Other income	0	369
CURRENT OPERATING INCOME	**0**	**369**
CURRENT OPERATING EXPENSES AND INCOME (NET)	**-11,868**	**-9,326**

6/ Payroll expenses and staff size

(In thousands of euros)	2015	2014
Wages and salaries	17,033	16,019
Social security contributions	3,239	3,056
Other payroll expenses	861	874
Provision for pension obligations	81	86
PAYROLL EXPENSES	**21,214**	**20,035**

The Group had an average of 335 employees in 2015 (353 at December 31, 2014).

7/ Allocations to amortization, depreciation, provisions, and impairment

(In thousands of euros)	2015	2014
Net allocations to amortization/depreciation	-1,742	-2,056
Allocations to other operating provisions	-287	19
Allocations to provisions for current assets	-255	-30
ALLOCATIONS TO AMORTIZATION, DEPRECIATION, AND PROVISIONS	**-2,285**	**-2,067**

8/ Other net operating income and expenses

(In thousands of euros)	2015	2014
NBV of disposed assets	-20	-
Non-recurring legal fees	-3,275	-229
Relocation costs	-	-440
Other expenses	-	-215
OTHER OPERATING EXPENSES	**-3,295**	**-884**
Adjustment of provisions	127	-
Other income and expenses	360	-
OTHER OPERATING INCOME	**488**	**-**
OTHER OPERATING INCOME AND EXPENSES (NET)	**-2,807**	**-884**

In 2015, these non-recurring expenditures mainly corresponded to legal fees related to the defense of patents as part of ongoing proceedings for 1.2 M euros, re-engineering expenditures for 1.3 M euros, and professional fees related to external growth operations for 0.7 M euros.

9/ Finance costs

(In thousands of euros)	2015	2014
Loan interest	-683	-527
NET FINANCE COSTS	**-683**	**-527**

The Company has no significant finance lease debt.

10/ Other financial income and expenses

(In thousands of euros)	2015	2014
Alloc. to provisions	-8	-
Other expenses	-83	-
SUB-TOTAL OF FINANCIAL EXPENSES	**-91**	**-**
Income from disposal of cash equivalents	37	-
Dividends	2	-
SUB-TOTAL OF FINANCIAL INCOME	**39**	**-**
OTHER FINANCIAL INCOME AND EXPENSES	**-52**	**-**

11/ Income tax and deferred tax

11.1. Tax income/(expense)

(In thousands of euros)	2015	2014
Taxes payable	-385	-529
Deferred taxes	-81	-418
INCOME TAX EXPENSE (INCOME)	**-466**	**-947**

Microwave Vision S.A. and MVG Industries together constitute a tax consolidation group. The current tax expense payable for the financial year is distributed over the following companies:

(In thousands of euros)	
MVG Inc.	-85
Rainford Ltd	-83
Orbit/FR sub-consolidation	-153
Microwave Vision Italy s.r.l	-82
Other	18
TOTAL	**-385**

11.2. Deferred tax assets and liabilities

The change in net differed taxes on the balance sheet is as follows:

(In thousands of euros)	2015
Opening	2,553
Deferred tax income/expense	-81
Change in deferred tax in equity	17
Reclassification to current taxes	1,146
Changes in exchange rates	170
CLOSING	**3,805**

Deferred taxes mainly correspond to the losses of ORBIT/FR (€1.8 M in taxes) and the losses of the MVG tax consolidation group (€1.9 M in taxes). The four-year business plan provides reasonable assurance about the recoverability of a good portion of the underlying losses.

11.3. Tax analysis

(In thousands of euros)	2015	2014
CONSOLIDATED NET INCOME *(group share)*	**-837**	**2,604**
- consolidated tax expense (payable and deferred)	466	947
- minority	-	-
CONSOLIDATED NET INCOME BEFORE TAXES	**-370**	**3,550**
THEORETICAL RATE *(current rate applicable to the parent company)*	**33.33%**	**33.33%**
THEORETICAL TAX EXPENSE	**-123**	**1,183**
Difference in rate with foreign companies	-107	-93
Items taxed at a higher rate	-	-7
Tax losses for the financial year not used/not capitalized	1,278	388
Use/capitalization of prior non-capitalized loss carry-forwards	-15	-
Permanent differences	-566	-523
Adjustment on prior financial year	-	-
Reduction of tax/tax credits	-	-
ACTUAL TAX EXPENSE	**467**	**947**
EFFECTIVE TAX RATE	**N/A**	**26.68%**

For the year, tax losses not used and not capitalized came mainly from the Orbit/FR sub-consolidation (€2,480 K), MVG AMS based in Hong Kong (€355 K), and Microwave Vision S.A. (€1,000 K). These tax losses are not capitalized given the uncertainties associated with their use.

Permanent losses mainly consist of tax credits in France (Research Tax Credit and CICE).

12/ Non-current assets

12.1. Goodwill and intangible fixed assets

> *Goodwill*

(In thousands of euros)	Gross	Impairment	Net
AT DECEMBER 31, 2013	**13,530**	**-**	**13,530**
2014 movements	-	-	-
Changes in exchange rates	-3	-	-3
AT DECEMBER 31, 2014	**13,527**	**-**	**13,527**
2014 movements	-	-	-
Changes in exchange rates	3	-	3
AT DECEMBER 31, 2015	**13,530**	**-**	**13,530**

> *Breakdown of Goodwill*

In €K	12/31/2014	Increase	Decrease	Other change	12/31/2015
ORBIT/FR goodwill	7,987	-	-	-	7,987
ANTENESSA goodwill	3,528	-	-	-	3,528
RAINFORD goodwill	2,012	-	-	3	2,015
TOTAL	**13,527**	**0**	**0**	**3**	**13,530**

Impairment testing of intangible assets

Impairment tests are carried out annually using the discounted cash flow method based on existing operational forecasts covering at least a period of four years. The existing forecasts are based on past experience and the projected market trends and take into account the company's business plan. Flows after this four-year period are calculated by applying a growth rate to infinity of 2%.

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

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

The value in use of the CGUs was estimated by Management on the basis of the expected discounted values on the basis of the forecasts and existing projections of cash flows before taxes determined by the discounted cash flows (DCF) method over a period of four years. A discount rate, after tax, of 11% is applied. The terminal value was assessed on the basis of the most recent free cash flow (2019) discounted to infinity as defined in the company's business plans.

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

On this basis, no impairment of intangible assets was recorded this year.

> *Main assumptions:*

		Year ended 12/31/2015		
	Cash flow projection period	Discount rate	Cumulative growth rate at 4 years	Other key assumption(s)
MVG INDUSTRIES	2019	11%	8.6%	None
ORBIT/FR	2019	11%	43.6%*	None
RAINFORD	2019	11%	23.60%	None

*This growth forecast is based on the order book known at that date, which fully benefits sales to the aerospace and defense sectors, which are the preferred customers of ORBIT/FR.

	Difference between the CGU's recoverable value and the book value (€M)	"Threshold value" of the assumption
MVG INDUSTRIES	6.3	Discount rate 13.6%
ORBIT/FR	2.5	Discount rate 12.6%
RAINFORD	0.4	Discount rate 11.7%

Other intangible fixed assets

The gross value and the amortization of other intangible fixed assets are detailed in the following table:

(In thousands of euros)	Concessions, patents	Fixed assets in progress	Total
GROSS VALUES AT DECEMBER 31, 2014	**2,392**	**101**	**2,493**
Acquisitions	255	124	379
Currency translation adjustment	-185	-	-185
Reclassification	287	-100	187
Disposals	-16	-	-16
GROSS VALUES AT DECEMBER 31, 2015	**2,733**	**125**	**2,858**
AMORTIZATION/DEPRECIATION AT DECEMBER 31, 2014	**-1,807**	**-**	**1,807**
Allocations to amortization/depreciation	-192	-	-192
Decrease in amortization/depreciation	354	-	354
Reclassification	-163	-	-163
Currency translation adjustment	-12	-	-12
Other	-	-	-
AMORTIZATION/DEPRECIATION AT DECEMBER 31, 2015	**-1,820**	**-**	**-1,820**
NET VALUES AT DECEMBER 31, 2014	**585**	**101**	**686**
NET VALUES AT DECEMBER 31, 2015	**913**	**125**	**1,038**

12.2. Tangible fixed assets

The gross value and depreciation are detailed in the following table:

(In thousands of euros)	Equipment & machinery	Other	Balance	Total
GROSS VALUES AT DECEMBER 31, 2014	**11,954**	**3,749**	**1,028**	**16,731**
Acquisitions	1,106	533	794	2,433
Disposals	-174	-37	-	-211
Reclassifications	1,202	-	-1,028	174
Changes in exchange rates	563	311	-	874
GROSS VALUES AT DECEMBER 31, 2015	**14,651**	**4,556**	**794**	**20,001**
AMORTIZATION/DEPRECIATION AT DECEMBER 31, 2014	**-7,950**	**-660**	**-**	**-8,610**
Allocations to amortization/depreciation	-1,509	-356	-	-1,865
Decrease in amortization/depreciation	159	21	-	180
Reclassifications	-1	3	-	2
Changes in exchange rates	-353	-189	-	-542
AMORTIZATION/DEPRECIATION AT DECEMBER 31, 2015	**-9,654**	**-1,181**	**-**	**-10,835**
NET VALUES AT DECEMBER 31, 2014	**4,004**	**3,089**	**1,028**	**8,121**
NET VALUES AT DECEMBER 31, 2015	**4,997**	**3,375**	**794**	**9,166**

12.3. Non-current financial assets

(In thousands of euros)	2015	2014
Loans, guarantees, and other receivables	604	657
Fixed investments (non-current)	30	30
FINANCIAL ASSETS	**634**	**687**

Other non-current financial assets mainly consist of deposits and guarantees and non-consolidated equity securities.

13/ Current assets

13.1. Inventories

(In thousands of euros)	2015			2014		
	Cost	Writedown	Net	Cost	Writedown	Net
Raw materials,supplies & other provisions	7,920	-289	7,631	4,714	-158	4,557
Finished products	136	-	136	1,429	-	1,429
Merchandise	-	-	-	-	-	-
Under production	1,763		1,763	1,766	-	1,766
TOTAL	**9,819**	**-289**	**9,530**	**7,910**	**-158**	**7,752**

Impairment changed as follows:

(In thousands of euros)	2015	2014
Inventory impairment at January 1	-158	-158
Net impairment recorded in profit or loss	-132	-
Currency translation adjustment	-	-
INVENTORY IMPAIRMENT AT DECEMBER 31	**-290**	**-158**

13.2. Trade receivables and other debtors

(In thousands of euros)	2015			2014		
	Gross	Writedown	Net	Gross	Writedown	Net
Trade receivables and related accounts	31,738	-256	31,482	30,829	-256	30,573

The share of unbilled income in trade receivables totaled €17,675 K at December 31, 2015, compared with €16,457 K at December 31, 2014.

Impairment changed as follows:

(In thousands of euros)	2015	2014
Impairment of trade receivables at January 1	-256	-245
Net impairment recorded in profit or loss	203	-3
Currency translation adjustment	-3	-8
Reclassification	0	0
IMPAIRMENT OF TRADE RECEIVABLES AT DECEMBER 31	**-56**	**-256**

13.3. Current tax receivables

These are receivables for corporate tax and tax credits. These receivables and tax credits are classified in current receivables insofar as their amount is recoverable within one year.

13.4. Other current assets

(In thousands of euros)	2015	2014
Prepaid expenses	45	260
Loans of less than one year	-	-
Deferred expenses	48	48
OTHER CURRENT ASSETS	**93**	**308**

13.5. Cash and cash equivalents

(In thousands of euros)	2015	2014
Marketable securities	20,633	14,961
Cash assets	5,359	14,593
CASH AND CASH EQUIVALENTS	**25,992**	**29,554**

14/ Summary of financial assets

(In thousands of euros)	IAS 39 category	2015		2014	
		Book value	Fair value	Book value	Fair value
Loans, guarantees, and other receivables	L&R	634	634	687	687
Fixed investments (non-current)	L&R	0	0	-	-
TOTAL NON-CURRENT FINANCIAL ASSETS		**634**	**634**	**687**	**687**
Trade receivables and related accounts	L&R	31,482	31,482	30,573	30,573
Tax receivables		3,243	3,243	5,716	5,716
Tax receivables - excl. corporate tax(1)	N/A	1,557	1,557	1,139	1,139
Receivables from employees & social agencies(1)	N/A	-	-	4	4
Suppliers: advances and deposits		15	15	95	95
Other receivables(1)	N/A	1,979	1,979	605	605
Short-term loans(1)		-	-	-	-
Prepaid expenses(1)	N/A	45	45	260	260
Deferred expenses(1)	N/A	48	48	48	48
TOTAL OTHER CURRENT ASSETS		**38,369**	**38,369**	**38,440**	**38,440**
Marketable securities	HFT	20,633	20,633	14,961	14,961
Cash assets	L&R	5,359	5,359	14,593	14,593
CASH AND CASH EQUIVALENTS		**25,992**	**25,992**	**29,554**	**29,554**
TOTAL FINANCIAL ASSETS		**64,995**	**64,995**	**68,681**	**68,681**

(1) Does not constitute a financial liability under IAS 39

Financial liabilities at amortized cost L&R

Held for trading HFT

15/ Equity capital

15.1. Share capital

The share capital of Microwave Vision S.A. consists of ordinary shares:

	Number of shares	Nominal value	Share capital (in thousands of euros)
AT DECEMBER 31, 2014	6,282,166	€0.20	1,256
Capital increase	-	-	-
Capital reduction	-	-	-
AT DECEMBER 31, 2015	6,282,166	€0.20	1,256

Treasury shares:

	Number of treasury shares	Value (in thousands of euros)
AT DECEMBER 31, 2014	74,263	744
Purchases	-	-
Sales	2,856	-
AT DECEMBER 31, 2015	71,407	713

The rules in force on the Alternext market permit 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 situation of shares giving access to capital existing at December 31, 2015, 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 12/31/2014	8,000
Number of shares exercised during the period	0
NUMBER OF SHARES OUTSTANDING AT 12/31/2015	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 S.A. with a nominal value of 0.20 euros each;
- 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 12/31/2014	**310,000**
Number of shares exercised during the period	0
NUMBER OF SHARES OUTSTANDING AT 12/31/2015	**310,000**

Main characteristics of the 310,000 share subscription warrants:

- Each share subscription warrant entitles the holder to an ordinary share of Microwave Vision S.A. with a nominal value of 0.20 euros each;
- 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, and no impact was found on the income statement for the financial year.

> *Breakdown of share capital:*

	No. of shares	% of capital	Number of voting rights	% of capital
Employees	835,650	13%	1,352,223	17%
Investors	3,426,695	55%	4,277,331	55%
Floating shares	2,019,821	32%	2,154,878	28%

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	% of capital
Employees	1,153,650	17%	1,670,223	21%
Investors	3,426,695	52%	4,277,331	53%
Floating shares	2,019,821	31%	2,154,878	27%

> *Dividend:*

The company did not distribute any dividends during the year.

15.2. Earnings per share

Earnings per share is calculated by dividing net income (Group share) by the weighted average number of shares outstanding during the period, if any, after deducting the average number of treasury shares.

Diluted earnings per share is calculated by dividing net income (Group share) by the weighted average number of shares outstanding during the period. There are in-the-money capital dilution instruments. Consequently, the base earnings and the diluted earnings per share are identical.

15.3. Details of consolidated reserves

The details of consolidated reserves are as follows:

(In thousands of euros)	2015	2014
Share premium	52,485	52,485
Other reserves	7,381	7,410
Translation reserve	962	247
Consolidation reserve	5,137	2,795
CONSOLIDATION RESERVES	**65,965**	**62,937**

16/ Provisions

Provisions include:

(In thousands of euros)	2014	Allocation	Currency translation adjustment	Reclass-ification(*)	Writeback used	Writeback not used	2015
Commitments to staff	591	97	8	-	-	-	695
Provisions for warranties	653	10	74	43	-12	-	768
TOTAL PROVISIONS	**1,244**	**107**	**82**	**43**	**-12**	**-**	**1,463**
of which, in profit or loss	-	81	-	-	-12	-	-
of which, in other comprehensive income	-	16	8	-		-	-

* In 2014 and for previous years, a portion of the provisions for guarantees was classified in supplier accrued expenses in current debt.

Provisions for guarantees are classified in current provisions, and provisions for commitments to staff are classified in non-current provisions.

16.1. Commitments to staff

Commitments to staff represent the provision for retirement compensation for the group's activities located in France and Italy.

In France, defined-benefit commitments consist of a legal or contractual obligation to pay compensation in case of retirement of the employee. This provision is calculated using the projected credit unit method.

The pension provisions in France changed as follows:

(In thousands of euros)	2015
Opening	270
Benefits paid	-
Costs of past services	30
Financial cost	7
Actuarial gains and losses	17
CLOSING	**324**

This provision was calculated using the following assumptions:

- the criteria set out in the collective bargaining agreement for the metallurgy industry,
- an annual wage increase for employees of 1%,
- an annual discount rate of 2%,
- a retirement age of 60 to 67 for all categories except the individual exemption according to the date of birth,
- the mortality table used is the 2015 INSEE regulatory table,
- the employee turnover rates are 4% up to age 39, 2% from 40 to 50, and 1% from 50 to 55,
- the rate of employer's social security contributions is 40%,
- the retirement occurs at the employee's initiative.

The provision appearing on the balance sheet is equal to the actuarial debt as long as there is no hedging asset or actuarial gains or losses not recognized.

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

- an annual allocation equal to 6.9% of gross wages,
- a wage increase of 1.5% per year.

The pension provision for the activity in Italy changed as follows:

(In thousands of euros)	2015
Opening	321
Benefits paid	-
Costs of past services	50
Financial cost	-
Actuarial gains and losses	-
CLOSING	**371**

Actuarial gains and losses are recognized in other comprehensive income.

17/ Financial debt

17.1. Net financial debt

(In thousands of euros)	2015			2014		
	Non-current	Current	Total	Non-current	Current	Total
Bank loans and bonds	6,130	1,221	7,351	7,393	1,243	8,636
Bank credit facilities	-	314	314	-	-	-
Finance leasing	-	0	0	17	13	30
Accrued interest	-	27	27	23	-	23
Miscellaneous loans and financial debts	737	154	891	663	120	783
TOTAL FINANCIAL DEBTS AND ACCRUED INTEREST	**6,867**	**1,716**	**8,583**	**8,096**	**1,376**	**9,472**
Cash and cash equivalents	-	-25,992	-25,992	-	-29,554	-29,554
NET FINANCIAL DEBT	**6,867**	**-24,276**	**-17,409**	**8,096**	**-28,178**	**-20,082**

The movements over the period were as follows:

(In thousands of euros)	Opening	Increase	Reclassification	Currency translation adjustment	Repayment	Closing
Bank loans and bonds	8,636	-	-56	-	-1,229	7,351
Finance leasing	30	-	-	-	-30	0
Miscellaneous loans and financial debts	783	324	-120	-51	-45	891
TOTAL	**9,472**	**324**	**-176**	**-51**	**-1,304**	**8,242**

17.2. Schedule of non-current financial debt

(In thousands of euros)	Total	1 to 5 years	+5 years
Bond debt	**4,000**	**4,000**	-
Loans with credit institutions	2,130	2,130	-
Other debts	746	585	161
Total	**6,876**	**6,715**	**161**

17.3. Characteristics of the group's main loans

Characteristics of the main financial debt contracts in euros:

Nominal value	Book value	Rate	Due Date	Bank
4,000	4,000	4.80%	12/20/2019	CACEIS
2,650	1,988	3.27 + variable (0.2%)	02/28/2019	OSEO
5,300	1,348	Euribor 3 months + 2.725%	7/25/2017 and 7/25/2018	CIC SG
70	70	5.71%	12/10/2025	INTESA SANPAOLO
650	575		03/31/2019	Bpifrance

17.4. Covenants

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

18/ Trade payables and other creditors

(In thousands of euros)	2015	2014
Trade payables	14,145	14,506
Social security debts	1,910	1,601
Tax debts	1,321	1,177
Deferred income	3,724	2,204
Advances and deposits received	822	805
Other debts	387	394
TOTAL TRADE PAYABLES AND OTHER CREDITORS	**22,309**	**20,687**

All debts are due within one year.

19/ Other current liabilities

(In thousands of euros)	2015	2014
Customers: advances and deposits received	822	805
Customers: credit memos to be issued	-	-
Social security debts	1,910	1,601
Tax debts (excluding corporate tax)	1,035	754
Other debts	387	394
Deferred income	3,724	2,204
TOTAL OTHER CURRENT LIABILITIES	**7,878**	**5,758**

20/ Market risks and financial instruments

20.1. Interest rate risk

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

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

20.2. Currency risk

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

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

20.3. Liquidity risk

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

20.4. Counterparty risk

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

Customer risk

Because the Group generates most of its revenue with large, renowned French and foreign industrial groups, it does not face problems of insolvency of these customers.

Risk on cash

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

Cash is mainly invested in money-market SICAVs of HSBC (€20.8 M) and placed in term accounts with CIC (€2.0 M).

21/ Summary of financial liabilities

(In thousands of euros)	IAS 39 category	2015		2014	
		Book value	Fair value	Book value	Fair value
Financial debts including accrued interest	Revenue	8,583	8,583	9,472	9,472
Trade payables	Revenue	14,145	14,145	14,506	14,506
Social security debts(1)	N/A	1,910	1,910	1,601	1,601
Tax debts (excluding corporate tax)(1)	N/A	1,035	1,035	754	754
Tax debts (corporate tax)(1)	N/A	286	286	423	423
Other debts	Revenue	387	387	394	394
Customers: advances and credit memos to be established	Revenue	822	822	805	805
Deferred income(1)	N/A	3,724	3,724	2,204	2,204
TOTAL		**30,892**	**30,892**	**30,159**	**30,159**

(1) Does not constitute a financial liability under IAS 39

Financial liabilities at amortized cost	AC
Not applicable	N/A

22/ Related parties

22.1. Identification of related parties

There are no associates 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)
- Eric Beaumont (Strategy Director)
- Olivier Gurs (CFO)
- Pascal Gigon (CFO), who carried out his function through GFC, left the Group in 2015

22.2. Agreements

Under the support and services agreement between Microwave Vision S.A. and its subsidiaries, Microwave Vision S.A. invoices its subsidiaries an amount based on the annual budget of all the costs of its operational divisions. For financial year 2015, the amounts billed under this agreement amounted to €9,863 K. Since these are internal services within the Group, they are eliminated in the consolidation process.

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

22.3. Relations with key executives

Compensation of the executive officers, Chairman of the Board of Directors, and COOs

This compensation amounted to €512,689 under their employment contracts.

A provision for directors' fees was included in the accounts of Microwave Vision S.A. for €48,000 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 €2,712. 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: (see § 15. Equity capital)

23/ Commitments

23.1. Commitments

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

- Foreign market advance payment guarantee: 3,442,111 euros.
- Pledging of business assets: 5,300,000 euros.
- Pledging of financial securities account: 4,180,000 euros.
- Pledge of 95.1% of the shares making up the share capital of MVG Industries to secure bank loans.
- Guarantees: 241,400 euros.
- First-demand guarantee: 296,817 euros.
- Performance bond: 222,955 euros.

23.2. Mobilization of receivables

The research tax credit for 2012, 2013, and 2014 was the subject of a receivable assignment to BPIfrance for €2,116 K. Given the conditions of the assignment, the company deemed that the deconsolidation criteria are met.

23.3. Environmental risks

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

23.4. Other risks

24/ Other information

The Company's auditors' fees for 2015 totaled €54 K for their statutory audit engagement.

25/ Post-closing events

None

B. MANAGEMENT REPORT OF THE BOARD OF DIRECTORS ON THE FINANCIAL YEAR ENDED DECEMBER 31, 2015

Report on the group's management by the board of directors to the ordinary general meeting of June 22, 2016, and the consolidated financial statements for the financial year ended December 31, 2015

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, 2015, and to submit the consolidated financial statements for your approval.

The consolidated financial statements at December 31, 2015, 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

1.1 Group Activity

The Microwave Vision Group posted revenue of €17.1 M in the fourth quarter of 2015, representing a 2.7% increase. The Group continues on its path of growth, despite delays in the schedule for a number of current projects, particularly the major contract signed in Poland with Pit-Radwar (with only €2.3 M in revenue recorded for 2015 out of a total of €9 M) in the Aerospace Defense field.

For the entire year, revenue stood at €60.1 M, showing 6% growth. This gives the Group its 20th consecutive financial period of global growth, as it draws full benefit in 2015 from a positive currency impact in the order of €4.9 M. The breakdown of revenue for 2015 by sector remained evenly split between Aerospace Defense (50.4% of revenue) and Telecommunications (49.6%).

Performance was uniform throughout geographic regions. Growth was particularly buoyant in Europe and the Middle East (with 17% higher revenue) and in the Americas (+13%), driven by a number of commercial successes and a favorable exchange rate. These geographic zones contribute 38% and 29% respectively to annual revenue. In Asia, revenue dropped by 10% (33% of revenue), following an exceptional increase of +26% in 2014, though business and our outlook remain healthy in this region.

The AMS (Antenna Measurement System) division accounts for €49.2 M of annual revenue (82% of revenue). This division posts growth of 7% compared with 2014, with its technological solutions recognized by an ever-growing number of companies in the Aerospace Defense and Telecommunications sectors. The Telecommunications sector has seen sustained and dynamic demand for civil applications (4/5G, connected automobile solutions), which drove the branch's growth this year. The Aerospace Defense sector enjoyed controlled production with a high number of new orders at year-end, giving it a healthy and robust outlook for 2016/2017.

The **EMC (Electromagnetic Compatibility) department** posted revenue of €9.0 M (15% of total revenue), almost stable compared with 2014, due to delays in certain contracts and the assignment of teams to internal productions for AMS. As expected, the partnership signed with Amplifier Research is gradually ramping up and should make a greater contribution in 2016.

Lastly, the **EIC (Environmental and Industrial Control) department** achieved revenue of €1.9 M (3% of total revenue) compared with €1.7 M in 2014, as it continued to be driven by the sale of dosimeters.

As announced in January, new orders for the 2015 financial year were particularly high, reaching a total of €72.2 M. The Group continues to regularly gain market shares in a profitable sector. This allows the Group to start the 2016 financial year with a record level of new orders over 18 months of €55.3 M (compared with €43.1 M on January 1, 2015), the major portion of which should be recognized in 2016.

The Group also recorded €3.0 M in extraordinary expenses mainly related to the protection of our patents in Asia and the United States, reorganization in Israel and the United States, and legal expenses related to the external growth project.

1.2 Anticipated development and prospects

Due to a record number of orders received in 2015 (€72.2 M), the Group began financial year 2016 with a high number of new orders worth €55.3 M (compared with €43.1 M on January 1, 2015). Most of these orders will be filled in 2016.

The Group currently has a large portfolio of consulting requests in both the Telecommunications and Aerospace/Defense sectors. This proves its customers' interest in our technological and innovative solutions.

The Group will also incur non-recurring legal expenses again in 2016 for the protection of its intellectual property.

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

The Group expected a decrease in its 2015 annual earnings. It reported this to its shareholders before the official publication date of its annual financial statements.

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

1.4.1 Staff information

At December 31, 2015, the staff consisted of 332 people as follows:

- Microwave Vision Industries: 170 employees
- Orbit/FR: 127 employees
- Rainford: 35 employees

1.4.2 Environmental information

The company is looking into putting an environmental management system (EMS) in place. This would help improve the group's performance with regard to the environment and pollution prevention.

The company is continuing its commitment to its customers regarding the application of RoHS requirements, even though most of its products and equipment are not covered by the regulations.

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

1.5.1 Commercial risks

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

- **Geographic location,**
  Our group is fairly present in three continents.

- **Market situation,**
  Our Group listens to its customers and is very active in new product development. This strategy allows us to avoid the erosion of our market shares.

- **European monetary situation,**
  There is a commercial risk related to the value of the euro compared with the dollar. Our main competitors are American. Our Group is therefore more competitive when the euro weakens against the dollar. This advantage may become a risk in the opposite case of a stronger euro.

- **International monetary situation,**
  The Group works with Russia, India, and Japan on a recurring basis. In addition, the Group's activity is starting up in South America. The economy of these countries was fragile during financial year 2015. In particular, the Russian currency was considerably devalued, which significantly slowed down orders from this country. We paid particular attention to orders from South America, whose local currencies are frequently devalued in relation to the euro or the dollar. The Japanese economy remains sluggish, where commercial activity remains but without trending upward.

1.5.2 Customer risks

Because the Microwave Vision Group generates most of its revenue with large, renowned French and foreign industrial groups, it does not face insolvency problems. In 2015, no extraordinary loss was recognized on trade receivables. With regard to large measurement systems, billing is done in increments as progress is made on the systems. For standardized products, the Group requires an advance when an order is placed, a payment on delivery of the product, and a final payment upon final acceptance of the product.

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

In addition, the balanced geographical distribution of sales made by the Group in 2015 (37% of its revenue in Europe, 34% in Asia, and 29% in the US) and the high number of big names minimize customer risk.

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

Share of revenue in €K	2013	2014	2015
No. 1 customer	3,790	5,665	4,480
Top 5 customers	10,942	15,149	10,534

1.5.3 Interest rate risk

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

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

1.5.4 Currency risk

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

1.5.5 Risks related to intellectual property – Patents and exploitation rights

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

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

In 2015, the Group faced the use of one of its key patents by a US and Asian competitor and therefore initiated legal actions to defend its intellectual property.

1.5.6 Risks related to technological developments

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

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

1.5.7 Risks with regard to key employees

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

1.5.8 Fraud risks

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

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

1.6. Research and development activity

During financial year 2015, the Group increased its Research and Development effort to 10.0% of its revenue (9.3% in 2014). The Group produced demonstrators for all its new products, making it possible to present perfectly functional new innovations to its customers. This is an important factor in the decision-making process of customers. In general, the aim of the Research and Development efforts is to prepare our group for the increased frequency of future communication products. The Group is also continuing the development of hardware and software sub-systems for multi-sector technologies to meet the future requirements of its markets.

2. Economic situation of the Group

2.1. Balance Sheet: Assets and Liabilities

At December 31, 2015, the company's balance sheet totaled €102,518 K. It totaled €101,319 K at December 31, 2014.

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

Concerning assets:

1 - Non-current assets, which increased by €3,052 K (€28,626 K in 2015) mainly due to acquisitions of fixed assets for €1,397 K as well as the reclassification of deferred US taxes from current receivables to non-current deferred taxes for €1,300 K.

2 - Current assets of -€1,853 K (€73,892 K in 2015), under the effect of an increase in inventories of +€1,778 K, an increase in trade receivables of +€909 K, the reclassification of deferred taxes to non-current for -€1,300 K, and a decrease in cash of -€3,562 K.

Concerning liabilities:

- Equity capital increased from €70,015 K to €70,055 K.
- During the financial year, the Group acquired a new loan from the bank Intensa Sanpaolo s.p.a. for €70 K. MVG industries, SAS released the final installment of its innovation loan to BPI for €150 K, bringing the total amount of new loans to €220 K,
- Long-term debt decreased from €8,096 to €6,867 K,
- Net debt on equity capital (gearing) is 12%,
- Net debt on EBITDA (leverage) is 157%,
- Net debt is €8,583 K,
- Trade payables and related accounts decreased from €14,506 K at December 31, 2014, to €14,145 K in 2015.

2.2. Income statement

The average rate of the US dollar over 2015 was $1.1096 for €1, compared with $1.3289 for €1 in 2014.

For the financial year ended December 31, 2015:

- Revenue totaled €60,126 K excluding taxes compared with €56,663 K for the previous financial year,
- Total operating income totaled €14 K. Operating expenses for the financial totaled €56,969 K compared with €51,717 for the previous financial year,
- Recurring net operating income totaled €3,171 K compared with €4,961 K for the previous financial year,
- Net financial income totaled -€683 K at December 31, 2015, compared with -€527 K at December 31, 2014,
- Net income totaled -€836 K at December 31, 2015, compared with €2,605 K at December 31, 2014,
- The group share of net income totaled -€72 K at December 31, 2015, compared with €2,382 K at December 31, 2014.

Given these factors, recurring net income before taxes for the financial year totaled -€370 K for financial year 2015 versus €3,550 K for the year ended December 31, 2014.

Income tax represented an expense of -€466 K at December 31, 2015.

2.3. Activity and earnings of the French and foreign subsidiaries

The companies directly or indirectly held by the Group are:

- MVG Industries, a wholly owned subsidiary holding a minority stake in Metraware,
- MVG, Inc. a wholly owned subsidiary based in Atlanta, USA,
- MV Italy, SRL, a wholly owned subsidiary based in Rome, Italy,
- MICROWAVE VISION, Ltd, a wholly owned subsidiary holding two subsidiaries: MV AMS, Ltd and MVG EMC, Ltd, which are based in Hong Kong,
- RAINFORD EMC Systems Ltd, a wholly owned subsidiary based in Manchester, UK,
- ORBIT/FR, Inc., a 63% subsidiary holding 100% of the capital of the companies AEMI, ORBIT/FR Gmbh, ORBIT/FR Engineering, and ORBIT/FR Advanced technologies, based in Philadelphia (USA), San Diego (USA), Tel Aviv (Israel), and Munich (Germany) respectively.

2.4. Segment information on the Group's activity

The MVG Group is divided into three business units:

- AMS BU, which focuses on antenna measurements,
- EMC BU, which focuses on the electromagnetic compatibility sector,
- EIC BU, which focuses on the environmental and industrial control sector.

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

Segment income statement in €K	AMS		EMC		EIC	
	2015	2014	2015	2014	2015	2014
Revenue	49,200	47,885	9,000	7,008	1,900	1,769
Net operating income	2,593	4,345	474	376	104	240

The following table presents revenue by geographic region:

Revenue in €K	Dec. 31, 2015 (12 months)	Dec. 31, 2014 (12 months)
Europe	22,848	19,266
North America	17,437	15,299
Asia	19,841	22,098
TOTAL	**60,126**	**56,663**

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

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

Nature	Nominal (in €K)	12/31/2015 (in €K)	Less than 1 year (in €K)	More than 1 year (in €K)	Rate
ORBIT/FR SG CIC OSEO loan	3,283	1,344	690	654	Euribor 3 months + 2.17%
ANVAR	650	575	138	437	0%
2012 equity loan	2,650	1,988	530	1,458	Euribor 3 months + 2.7%
2013 bond loan	4,000	4,000	-	4,000	Interest rate at 4.8%
BPi innovation loan	238	238	-	238	0%
Intensa San Paolo loan	70	70	9	61	Interest rate at 5.71%
Accrued interest on loans	27	27	22	5	-
Leasing	65	20	13	7	-
Bank credit facilities	0	314	314	-	-
Miscellaneous	0	7	-	7	-
TOTAL	**10,983**	**8,583**	**1,716**	**6,867**	**-**

We ask that you approve the consolidated financial statements for the financial year ended December 31, 2015, as they are presented to you, the report of the board of directors on the Group's management, and the report of your co-auditors.

Lastly, we ask that you give final discharge to the directors for their management and relieve your co-auditors of their responsibility.

We thank you for your confidence and invite you to approve the text of the resolutions that we are submitting for your approval.

The Board of Directors

C. CORPORATE ANNUAL FINANCIAL STATEMENTS OF MICROWAVE VISION FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2015

Balance Sheet - Assets

	Gross	Amortization/ Depreciation Impairments	Net 12/31/2015	Net 12/31/2014
Subscribed capital not called				
CAPITAL ASSETS				
Intangible fixed assets	-	-	-	-
Preliminary expenses	-	-	-	-
Research and development expenses	-	-	-	-
Concessions, patents, licenses, software, rights & similar	916,777	371,261	545,516	612,113
Intangible business assets[1]	-	-	-	-
Other intangible fixed assets	123,932	-	123,932	108,191
Advances and deposits on intangible fixed assets	-	-	-	-
Tangible fixed assets	-	-	-	-
Land	-	-	-	-
Buildings	-	-	-	-
Technical installations, industrial equipment, and tools	-	-	-	-
Other tangible fixed assets	124,358	100,789	23,569	18,241
Tangible fixed assets in progress	-	-	-	-
Advances and deposits	-	-	-	-
Long-term investments[2]	-	-	-	-
Equity-method investments	-	-	-	-
Other equity interests	33,873,645	-	33,873,645	33,873,645
Receivables related to equity interests	-	-	-	-
Other fixed investments	-	-	-	-
Loans	1,832,096	-	1,832,096	1,788,130
Other long-term investments	897,333	66,540	830,793	182,302
TOTAL CAPITAL ASSETS	**37,768,142**	**538,590**	**37,229,552**	**36,582,622**
CURRENT ASSETS				
Inventories and work in progress	-	-	-	-
Raw materials and other supplies	48,856	-	48,856	40,795
Work in progress (goods and services)	-	-	-	-
Semi-finished and finished products	46,275	-	46,275	72,754
Merchandise	-	-	-	-
Advances and deposits paid on orders	-	-	-	-
Receivables[3]	-	-	-	-
Trade receivables and related accounts	23,191,770	-	23,191,770	15,672,757
Other receivables	4,582,595	-	4,582,595	9,812,399
Subscribed capital, called but not paid	-	-	-	-
Miscellaneous	-	-	-	-
Marketable securities	22,783,281	-	22,783,281	23,705,419
Cash assets	830,858	-	830,858	3,919,479
Prepaid expenses[3]	57,080	-	57,080	23,461
TOTAL CURRENT ASSETS	**51,540,716**		**51,540,716**	**53,247,063**
Loan issue costs	135,374	-	135,374	183,539
Bond redemption premiums	-	-	-	-
Unrealized foreign exchange losses	238,369	-	238,369	178,987
GRAND TOTAL	**89,682,601**	**538,590**	**89,144,011**	**90,192,211**

(1) Of which, lease right (2) Of which, less than 1 year (gross) (3) Of which, more than one year (gross)

Balance sheet - Equity & Liabilities

	12/31/2015	12/31/2014
EQUITY CAPITAL		
Capital	1,256,433	1,256,433
Share, merger, contribution, and other premiums	52,485,211	52,485,211
Revaluation differences	-	29,737
Statutory reserve	350,971	350,971
Reserves required by articles of association or contract	-	-
Regulated reserves	-	-
Other reserves	191,510	-
Retained earnings	6,848,897	7,041,259
Profit or loss for the financial year	-1,361,840	43,803
Investment subsidies	-	-
Regulated provisions	37,646	26,627
TOTAL EQUITY CAPITAL	**59,808,828**	**61,234,042**
OTHER EQUITY CAPITAL		
Proceeds from issues of equity securities	-	-
Conditional advances	-	-
TOTAL OTHER EQUITY CAPITAL	**-**	**-**
PROVISIONS FOR CONTINGENCIES AND EXPENSES		
Provisions for contingencies	-	-
Provisions for expenses	238,369	178,987
TOTAL PROVISIONS FOR CONTINGENCIES AND EXPENSES	**238,369**	**178,987**
DEBTS(1)		
Convertible bond loans	-	-
Other bond loans	4,000,000	4,000,000
Loans and debts with credit institutions(2)	265,155	261,100
Miscellaneous loans and financial debts(3)	6,461,233	11,399,876
Advances and deposits received on orders in progress	256,899	4,455
Trade payables and related accounts	17,185,250	12,083,340
Tax and social security debts	795,607	501,371
Debts on fixed assets and related accounts	-	-
Other debts	-	414,915
Deferred income(1)	121,379	95,188
TOTAL DEBTS	**29,085,524**	**28,760,246**
Unrealized foreign exchange gains	11,289	18,936
GRAND TOTAL	**89,144,011**	**90,192,211**
(1) Of which, more than one year (a)	6,353,685	7,565,397
(1) Of which, less than one year (a)	22,474,940	21,190,393
(2) Of which, bank credit facilities and overdrafts	-	-
(3) Of which, equity loans (a) With the exception of advances and deposits received on orders in progress	3,331,353	4,547,521

Income statement

	France	Exports	12/31/2015	12/31/2014
Operating income[(1)]	-	-	-	-
Sales of merchandise	-	-	-	-
Production sold (goods)	5,626,351	30,808	5,657,159	6,685,156
Production sold (services)	2,606,851	7,284,181	9,891,032	7,426,640
NET REVENUE	**8,233,202**	**7,314,989**	**15,548,191**	**14,111,796**
Production placed in inventory			-	61,000
Capitalized production			99,838	201,208
Operating subsidies			-	-
Writebacks on provisions (and amortization/depreciation) and transfers of expenses			106,844	-
Other income			7	133
TOTAL OPERATING INCOME (I)			**15,754,880**	**14,374,138**
Operating expenses[(2)]			-	-
Purchases of merchandise			-	-
Changes in inventory			-	-
Purchases of raw materials and other supplies			1,580,850	2,429,069
Changes in inventory			-	73,000
Other purchases and external expenses[(a)]			11,492,947	9,398,397
Taxes and similar payments			38,556	60,524
Wages and salaries			1,068,897	963,919
Social security contributions			395,536	349,952
Allocations to amortization, depreciation, and impairments:				
- On fixed assets: allocations to amortization/depreciation			212,795	167,000
- On fixed assets: allocations to impairment			-	-
- On current assets: allocations to impairments			-	12,468
- For contingencies and expenses: allocations to provisions			-	-
Other expenses			253,383	89,073
TOTAL OPERATING EXPENSES (II)			**15,042,964**	**13,543,402**
NET OPERATING INCOME (I-II)			**711,916**	**830,736**
Share of net income from joint ventures			-	-
Profit allocated or loss transferred (III)			-	-
Loss incurred or profit transferred (IV)			-	-
Financial income			-	-
From ownership interests[(3)]			-	-
From other securities and receivables on capital assets[(3)]			-	-
Other interest and similar income[(3)]			271,912	261,076
Writebacks on provisions and impairments and transfers of expenses			178,897	-
Positive foreign exchange differences			728,541	467,340
Net proceeds on disposals of marketable securities			37,322	9,499
TOTAL PRODUITS FINANCIERS (V)			**1,216,671**	**737,916**
Financial expenses			-	-
Allocations to amortization, depreciation, impairment, and provisions			304,909	178,987
Interest and similar expenses[(4)]			580,930	532,365
Negative foreign exchange differences			876,265	799,470
Net expenses on disposals of marketable securities			-	-
TOTAL FINANCIAL EXPENSES (VI)			**1,762,105**	**1,510,822**
NET FINANCIAL INCOME (V-VI)			**-545,433**	**-772,906**
RECURRING NET INCOME BEFORE TAXES (I-II+III-IV+V-VI)			**166,483**	**57,830**

	12/31/2015	12/31/2014
Extraordinary income	-	-
On management transactions	-	-
On capital transactions	7,000	-
Writebacks on provisions and impairment and transfers of expenses	-	-
TOTAL EXTRAORDINARY INCOME (VII)	**7,000**	**-**
Extraordinary expenses	-	-
On management transactions	1,900,467	810
On capital transactions	3,508	-
Allocations to amortization, depreciation, impairment, and provisions	11,018	11,018
TOTAL EXTRAORDINARY EXPENSES (VIII)	**1,914,994**	**11,828**
NET EXTRAORDINARY INCOME (VII-VIII)	**-1 907 994**	**-11 828**
Employee profit sharing (IX)	-	-
Income taxes (X)	-379,671	2,198
TOTAL INCOME (I+III+V+VII)	**16,978,552**	**15,112,054**
TOTAL EXPENSES (II+IV+VI+VIII+IX+X)	**18,340,391**	**15,068,250**
PROFIT OR LOSS	**-1,361,840**	**43,803**
(a) Including: - Equipment leasing fees - Property leasing fees (1) Of which, income relating to prior financial years (2) Of which, expenses relating to prior financial years (3) Of which, income pertaining to related entities (4) Of which, interest pertaining to related entities	14,310 -	14,310 -

APPENDICES

CONTENTS

Notes to the corporate financial statements of Microwave Vision for the financial year ended December 31, 2015

- **The balance sheet for the financial year ended 12/31/2015 totaled €89,144,011 before appropriation of net income.**
- **The income statement shows a loss of €1,361,840.**
- **The financial year has a duration of 12 months, covering the period from 1/1/2015 to 12/31/2015.**
- **The notes indicated below are an integral part of the annual financial statements.**
- **These annual financial statements were approved by the Board of Directors on 4/22/2016.**

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

1/ Significant events of the financial year

In 2015, Microwave Vision S.A. faced with the use of one of its key patents by a US and Asian competitor and therefore initiated legal actions to defend its intellectual property.

2/ Accounting principles, rules, and methods

The financial statements at December 31, 2015, 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 accounting methods,
- Going concern,
- Independence of financial periods,

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

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

The main methods used are presented below.

2.1. Conversion of autonomous facilities

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

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

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

"Commercial" liaison accounts are converted at the closing rate. Foreign exchange differences resulting from these conversions are recorded in equity in a subdivision of retained earnings. As such, debit-balance conversion differences reduce the distributable profits.

2.2. Intangible fixed assets

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

2.3. Tangible fixed assets

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

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

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

2.4. Long-term assets

Equity securities are recorded on the balance sheet at the acquisition or contribution value. An impairment is established at the close of the financial year when the value in use is less than the acquisition cost.

At the close of each financial year, the value in use of each line of securities is assessed on the basis of:

- equity capital of the subsidiary;
- its prospects according to the discounted cash flows method. These flows are determined on the basis of four-year forecasts with an assumption of growth to infinity of 2% from the fifth year and a discount rate of 11%.

2.5. Inventories

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

2.6. Receivables

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

2.7. Transactions in foreign currencies

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

Unrealized exchange losses that are not offset are the subject of a provision for contingencies, in whole or in part, according to the following methods. Cash accounts in foreign currencies existing at the close of the financial year are converted into euros using the exchange rate in force on that date. Exchange gains or losses resulting from this conversion are recognized in profit or loss.

2.8. Marketable securities

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

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

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

2.10. Provisions

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

They mainly include provisions for exchange losses.

2.11. Retirement age compensation

Obligations related to statutory or contractual retirement compensation were valued at 12/31/2015. Such compensation is not recorded but is mentioned in off-balance sheet commitments.
The amount mentioned in off-balance sheet commitments is determined at the close of the financial year taking into account the seniority of the staff and the probability of their presence in the company at the retirement date. The calculation is based on an actuarial method incorporating assumptions of changes in wages, retirement age, and returns on long-term investments at the closing date.

The assumptions used are as follows:

- Discount rate: 2%;
- Wage increases: 1%;
- Employer social security contribution rate: 40%;
- Average employee turnover;
- Retirement age between 60 and 67 according to the age of the employees.

2.12. Recognition of income

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

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

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

2.13. Post-closing events

No significant events occurred following the close of the financial year.

2.14. Tax consolidation

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

3/ Notes on the balance sheet

The figures are expressed in euros, unless otherwise indicated.

3.1. Intangible fixed assets

	Gross value 12/31/2014	Increases	Decreases	Transfers	Gross value 12/31/2015	Amortization 12/31/2015	Net value
Other intangible fixed assets	832,680	-	-	84,097	916,777	371,261	545,516
Tangible fixed assets in progress	108,191	99,838	-	-84,097	123,932	-	123,932
TOTAL	**940,871**	**99,838**	**0**	**0**	**1,040,709**	**371,261**	**669,448**

3.2. Tangible fixed assets

	Gross value 12/31/2014	Increases	Decreases	Transfers	Gross value 12/31/2015	Amortization 12/31/2015	Net value 12/31/2015
Industrial equipment and machinery	12,238	1,408	-	-1,682	11,964	11,862	102
Fixtures	21,839	2,535	-	-	24,374	24,374	-
Transport equipment	22,638	21,686	22,638	-	21,686	369	21,317
Office equipment and computer furniture	58,418	6,234	-	1,682	66,334	64,184	2,150
TOTAL	**115,133**	**31,863**	**22,638**	**0**	**124,358**	**100,789**	**23,569**

3.3. Long-term assets

	12/31/2014	Increases	Decreases	12/31/2015
Equity securities	33,873,645	-	-	33,873,645
Loans	1,788,130	246,650	202,684	1,832,096
Other long-term investments	182,302	715,031	-	897,333
TOTAL	**35,124,459**	**228,518**	**948,137**	**35,844,077**

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

	12/31/2014	Allocations	Writebacks	12/31/2015
Research and development expenses	-	-	-	-
Other intangible fixed assets	220,566	150,694	0	371,260
INTANGIBLE FIXED ASSETS	**220,566**	**150,694**	**0**	**371,260**
Industrial equipment and tools	12,872	0	1,011	11,862
Fixtures	19,219	5,155	0	24,374
Transport equipment	15,387	4,112	19,130	369
Office equipment and computer furniture	49,414	14,772	0	64,186
TANGIBLE FIXED ASSETS	**96,892**	**24,039**	**20,141**	**100,790**
Other long-term investments	0	66,540	0	66,540
LONG-TERM INVESTMENTS	**0**	**66,540**	**0**	**66,540**
TOTAL	**317,458**	**241,273**	**20,141**	**538,590**

3.5. Inventories

The inventory corresponds to an inventory of spare parts located in the Satimo Hong Kong establishment for a value of €95,131. These inventories are made up of raw materials and semi-finished products.

No provision for impairment of inventories was established at 12/31/2015.

3.6. Trade receivables

The balance of trade receivables at December 31, 2015, breaks down as follows:

	Trade receivables	Unbilled income
France	17,677,271	-
Italy	1,725	-
Asia (Hong Kong + Japan)	2,744,674	2,770,668
Sweden	-2,568	-
TOTAL	**20,421,102**	**2,770,668**

All of these receivables are due within one year.

APPENDICES

3.7. Other receivables

	12/31/2015	12/31/2014
Staff – Expense reports	-	3,634
Government – Research tax credit	3,059,859	3,473,570
Deductible VAT	306,198	59,578
VAT credit to be carried forward	137,279	164,252
VAT on accrued invoices	15,882	32
Miscellaneous creditors (Advances)	89	-
Financial liaison - MV Spain	103,288	3,006
Financial liaison - MVG Industries	940,252	5,248,418
Liaison - MVG AMS, Ltd	19,653	859,824
Liaison - Microwave Vision, Ltd	95	85
TOTAL	**4,582,595**	**9,812,399**

All other receivables are due within one year, with the exception of CIR and CICE receivables, whose share due within one year is estimated at €1,656,518 (2015 CIR financing). Part of the CIR is related to expenditures incurred for the protection of our patents.

The research tax credits for 2012, 2013, and 2014 were the subject of financing with Bpifrance for €946,652, €1,291,003, and €1,193,672 respectively.

3.8. Marketable securities

At December 31, 2015, this item consisted of investments in money market SICAVs and term accounts for €20,783 K and €2,000 K respectively.

Treasury shares are presented at December 31, 2015 under "Other long-term investments" for €713,005. They were presented in "Marketable securities" at December 31, 2014, for €744,180.

3.9. Prepaid expenses

This item has a balance of €57 K. Prepaid expenses mainly consist of fees and subscriptions for MVG for €48 K and miscellaneous expenses for Japan for €9 K.

3.10. Equity capital

	Balance 12/31/2014	Balance 2014 profit	Other Movements	Translation adjustment	Profit for financial year 2015	Balance 12/31/2015
Share capital	1,256,433	-	-	-	-	1,256,433
Share premium	52,485,211	-	-	-	-	52,485,211
Currency translation adjustment	29,737	-	-	-29,737	-	0
Statutory reserve	350,971	-	-	-	-	350,971
Other reserves	-	-	191,510	-	-	191,510
Retained earnings	7,041,259	43,803	-191,510	-44,656	-	6,848,897
Accelerated depreciation	26,627	-	11,018	-	-	37,646
2014 profit	43,803	-43,803	-	-	-	0
2015 profit	-	-	-	-	-1,361,840	-1,361,840
TOTAL	**61,234,041**	**0**	**11,018**	**-74,393**	**-1,361,840**	**59,808,828**

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

Accelerated depreciation pertains to the restatement of borrowing costs related to the acquisition of Rainford. These 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 situation of shares giving access to capital existing at December 31, 2015, 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	8,000
Number of beneficiaries	1
Strike price	23.20
Strike deadline	Feb. 26, 2017
NUMBER OF SHARES OUTSTANDING AT 12/31/2014	**8,000**
Number of shares exercised during the period	0
NUMBER OF SHARES OUTSTANDING AT 12/31/2015	**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;
- unit share subscription warrant issue price: €2.32;
- unit share subscription price: €23.20;
- 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 12/31/2014	**310,000**
Number of shares exercised during the period	0
NUMBER OF SHARES OUTSTANDING AT 12/31/2015	**310,000**

Main characteristics of the 310,000 share subscription warrants:

- each share subscription warrant entitles the holder to an ordinary share of Microwave Vision with a nominal value of €0.20;
- unit share subscription warrant issue price: €0.67;
- unit share subscription price: €13.50;
- strike deadline: July 18, 2017.

3.11. Changes in provisions

	12/31/2014	Allocations	Writebacks	12/31/2015
Provisions for impairment of treasury shares	0	66,540	0	66,540
Provisions for bad debts	104,132	-	104,132	0
Provisions for expenses	178,987	238,369	178,986	238,370
Provisions for warranties	0	-	-	0
TOTAL	**283,119**	**304,909**	**283,118**	**304,909**

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

3.12. Loans and financial debts

The debt maturity schedule at December 31, 2015, breaks down as follows:

Due dates	< 1 year	1-5 years	> 5 years	TOTAL
Other bond loans	-	4,000,000	-	4,000,000
Funds borrowed from credit institutions	26,655	178,875	59,625	265,155
Miscellaneous loans and financial debts	1,216,168	2,115,185	-	3,331,353
Miscellaneous loans and financial debts with related companies	-	3,129,881	-	3,129,881
TOTAL	**1,242,823**	**9,423,941**	**59,625**	**10,726,389**

Loan repayments totaled €1,216,168 for the year.

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

The expense relating to the spreading of borrowing costs was €48,165.

	12/31/2014	Amortization/ Depreciation	Writeback	12/31/2015
Spreading of borrowing costs	183,539	48,165	-	135,374
TOTAL	**183,539**	**48,165**	**0**	**135,374**

3.13. Trade payables

	12/31/2015	12/31/2014
Trade payables	12,752,018	9,063,347
Suppliers - Invoices not yet received	4,433,232	3,019,993
TOTAL	**17,185,250**	**12,083,340**

Trade payables are due within one year.

3.14. Tax and social security debts

	12/31/2015	12/31/2014
Staff – accrued expenses	66,013	63,062
Miscellaneous social agencies	154,396	106,886
Staff – Advances and Deposits	-	-
Paid leave (including social security contributions)	56,835	55,842
Government – Research Tax Credit FR	-	-
Government – accrued expenses	16,051	30,622
Tax on revenue to be reported	-	5,141
Collected VAT	502,312	239,817
Intra-com VAT	-	-
TOTAL	**795,607**	**501,370**

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

3.15. Liability accrual accounts

Deferred income of €121,379 primarily corresponds to the proportionate share of maintenance contracts relating to the following financial year.

4/ Other information

4.1. Details of net financial income

Net financial income	Expenses	Income
Foreign exchange differences and adjustments	876,265	728,541
Allocations and writebacks for impairment of treasury shares	66,540	0
Allocations and writebacks on foreign exchange losses	238,369	178,897
Interest on current accounts	74,561	271,912
Interest on loans	345,640	-
Interest on current bank credit facilities	160,730	-
Proceeds from disposal of marketable securities	-	37,322
TOTAL	**1,762,105**	**1,216,672**

4.2. Details of net extraordinary income

Net extraordinary income	Expenses	Income
Disposals of assets	3,508	7,000
Extraordinary professional fees	1,878,373	-
Other extraordinary expenses	22,094	-
Accelerated depreciation	11,018	-
TOTAL	**1,914,993**	**7,000**

In 2015, extraordinary professional fees mainly corresponded to expenses incurred in the defense of the company's patents (€1.2 M) and external growth operations (€0.7 M).

4.3. Breakdown of production sold by geographical region

	2015	2014
France	9,748,445	7,308,216
Europe	129,043	108,308
Asia	5,670,703	6,695,272
TOTAL	15,548,191	14,111,796

4.4. Pension obligations

A provision for the obligation at December 31, 2015, was established in the company's accounts. It is estimated at 109,507 euros, considering the calculation assumptions presented in the accounting principles and methods.

4.5. List of subsidiaries and equity interests

Name of Equity Interest	Capital	Reserves and retained earnings	% of capital held	Book value of securities	Revenue excl. taxes last year	Earnings
MVG Industries	€4,700,000	15,228,896	100%	€18,624,761	20,152,595	1,860,065
ORBIT/FR	$921,000	$12,510,000	63%	€11,315,740	$34,508,000	-$2,726,000
MV Georgia	$2,365,253	$108,426	100%	1,881,011	$11,358,094	$198,494
MV Italie SRL	€100,000	1,919,797	100%	€1,602,215	3,527,334	157,692
Rainford	£151,001	£695,996	100%	€449,918	£7,456,018	£174,658
Microwave Vision, LTD	1,000,000.00 HKD	0	100%	0	0	0

MICROWAVE VISION is the consolidating parent company of the group.

4.6. Financial expenses and income of related companies

	MVG Industries	Orbit/FR US	Rainford	MV Italie	MVG Inc	TOTAL
Interest and similar expenses	-	-	-	11,796	62,765	74,561
Interest and similar income	108,895	158,010	5,007	-	-	271,912

4.7. Table of items falling into several balance sheet categories

	Related companies
ASSETS	
Equity interests and related receivables	33,873,645
Loans	1,832,096
Trade receivables and related accounts	18,083,141
Other receivables	960,000
LIABILITIES	
Miscellaneous loans and financial debts	3,096,481
Trade payables and related accounts	16,273,062

4.8. Average staff employed during the financial year

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

4.9. Executive pay

During the financial year, gross executive pay totaled €512,689.

4.10. Increases and reductions in future tax liabilities

Increases and reductions in future tax liabilities

	Amount	Tax
Increases: Regulated provisions	-	-
Subsidies to be added back into earnings	-	-
Reductions: Provisions not deductible in their accounting year	-	-
Unrealized exchange gains on debts and receivables for 2015	11,289	3,763
Total allowable operating loss carry-forwards	2,954,100	-
Total deferred amortization/depreciation	-	-
Total long-term capital losses	-	-

4.11. Off-balance sheet commitments

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

- Foreign market advance payment guarantee: €3,442,111
- Pledging of business assets: €5,300,000
- Pledging of financial securities account: €4,180,000
- Pledge of 95.1% of the shares making up the share capital of MVG Industries to secure bank loans.
- Guarantees: €241,400
- First-demand guarantee: €296,816.93
- Performance bond: €222,955
- As part of the relocation of the plant of Rainford Ltd in England, your Company guaranteed the owners that Rainford Ltd would comply with the obligations under the lease and undertakes to compensate the owners if your subsidiary breaches its obligations or to replace it by entering into a new lease with the owners under the same terms and conditions as the lease entered into.

4.12. Auditors' fees

At 12/31/2015, the company recognized fees paid to auditors with a total value of €53,684.

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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