2019 ANNUAL FINANCIAL REPORT

CONTENTS

MVG Microwave Vision Group

A. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2019

CONTENTS

1. Statement of financial position

ASSETS *(In thousands of euros)*	12/31/2019	12/31/2018	Note
Goodwill	13,531	13,531	10.1
Intangible fixed assets	1,259	857	10.2
Tangible fixed assets	19,122	10,254	10.3
Other non-current financial assets	1,010	1,014	10.4
Deferred tax assets	2,996	3,225	10.12
Other long-term assets	-	23	10.5
NON-CURRENT ASSETS	**37,918**	**28,904**	**-**
Inventories	13,924	10,213	10.6
Trade receivables and related accounts	41,735	36,358	10.7
Current tax receivables	4,307	3,420	10.8
Other current assets	5,773	2,302	10.7
Cash and cash equivalents	22,081	14,676	10.9
CURRENT ASSETS	**87,820**	**66,969**	**-**
TOTAL ASSETS	**125,737**	**95,873**	**-**

LIABILITIES *(In thousands of euros)*	12/31/2019	12/31/2018	Note
Capital	1,297	1,256	-
Premiums	55,200	52,485	-
Reserves	14,855	10,509	-
Currency translation adjustments	121	<121>	-
Consolidated profit (loss)	4,611	4,762	-
EQUITY CAPITAL (GROUP SHARE)	**76,085**	**68,891**	**5**
NON-CONTROLLING INTERESTS	**-**	**-**	**5**
TOTAL EQUITY CAPITAL	**76,085**	**68,891**	**-**
Long-term financial debts	10,795	172	10.13
Commitments to staff	1,961	954	10.11
Other non-current liabilities	-	-	-
NON-CURRENT LIABILITIES	**12,756**	**1,126**	**-**
Short-term financial debts	2,768	4,546	10.13
Current provisions	1,019	939	10.11
Trade payables and related accounts	13,223	11,801	10.14
Current tax liabilities	897	470	-
Other current liabilities	18,989	8,099	10.14
CURRENT LIABILITIES	**36,896**	**25,856**	**-**
TOTAL LIABILITIES	**125,737**	**95,873**	**-**

2. Statement of comprehensive income

NET INCOME *(in thousands of euros)*	12/31/2019	12/31/2018	Note
Revenue	87,401	74,637	10.17
Other income from operations	-	-	-
INCOME FROM ORDINARY OPERATIONS	**87,401**	**74,637**	**-**
Purchases consumed	<34,149>	<26,459>	10.18
External expenses	<12,203>	<12,809>	10.19
Payroll expenses	<26,631>	<24,176>	10.20
Taxes	<636>	<470>	-
Other current operating income and expenses	<176>	<522>	-
CURRENT OPERATING INCOME BEFORE ALLOCATIONS TO AMORTIZATION AND DEPRECIATION AND PAYROLL EXPENSES RELATING TO ALLOCATIONS OF BONUS SHARES	**13,606**	**10,201**	**10.21**
Payroll expenses relating to allocations of bonus shares	<994>	-	-
Allocations to amortization, depreciation, and impairments, net of writebacks	<5,712>	<3,338>	-
RECURRING NET OPERATING INCOME	**6,899**	**6,863**	**-**
Other non-current operating income and expenses	<596>	<477>	10.22
NET OPERATING INCOME	**6,303**	**6,386**	**-**
Income from cash and cash equivalents	8	87	10.24
Gross finance costs	<641>	<592>	10.24
NET FINANCE COSTS	**<634>**	**<505>**	10.24
Other financial income and expenses	232	<87>	10.24
NET FINANCIAL INCOME	**<402>**	**<592>**	**-**
NET INCOME BEFORE TAXES	**5,901**	**5,794**	**-**
Income tax	<1,290>	<824>	10.25
NET INCOME OF CONSOLIDATED COMPANIES	**4,611**	**4,970**	**-**
Share of net income of equity associates	-	-	-
NET INCOME FOR THE PERIOD	**4,611**	**4,970**	**-**
Net income – Group share	4,611	4,762	-
Net income – Non-controlling interests	-	208	-

2.1/ Earnings per share

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

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

NET INCOME PER SHARE *(in thousands of euros)*	12/31/2019	12/31/2018
NET INCOME ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**4,611**	**4,762**
Weighted average number of shares outstanding	6,486,320	6,282,166
BASE EARNINGS PER SHARE	**0.71**	**0.76**

DILUTED EARNINGS PER SHARE *(in thousands of euros)*	12/31/2019	12/31/2018
NET INCOME ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**4,611**	**4,762**
Weighted average number of shares outstanding	6,486,320	6,282,166
Weighted average number of securities retained for dilutive items	140,000	310,000
Weighted average number for the calculation of the diluted net profit per share	**6,626,320**	**6,592,166**
DILUTED EARNINGS PER SHARE	**0.70**	**0.72**

The only dilutive instruments are the allocations of bonus shares presented in note 10.10.

3. Statement of the other elements of comprehensive income

NET INCOME *(in thousands of euros)*	12/31/2019	12/31/2018
NET INCOME FOR THE PERIOD	**4,611**	**4,970**
Actuarial gains and losses on defined-benefit plans	<77>	24
Taxes	23	<7>
Currency translation adjustments	224	312
TOTAL OTHER ELEMENTS OF COMPREHENSIVE INCOME	**170**	**328**
COMPREHENSIVE INCOME	**4,781**	**5,298**
Comprehensive income – Group share	4,781	5,090
Comprehensive income – Minority interests	-	208

4. Financing table by analysis of cash flows

CASH FLOW TABLE *(in thousands of euros)*	12/31/2019	12/31/2018
Group share of net profit (loss)	4,611	4,762
Minority interests share of net profit (loss)	-	208
Net income (including minority interests)	**4,611**	**4,970**
Net allocations to depreciation, amortization, and provisions	4,983	3,148
Other calculated income and expenses	236	0
Disposal gains and losses	188	19
Self-financing capacity after net finance costs and taxes	**11,012**	**8,137**
Net finance costs	542	592
Tax expense (including deferred taxes)	1,290	824
Self-financing capacity before net finance costs and taxes	**12,844**	**9,553**
Taxes paid	<1,737>	<1,202>
Change in WCR related to operations	923	<9,009>
CASH FLOW GENERATED BY OPERATIONS	**12,031**	**<658>**
INVESTMENT ACTIVITIES		
Disbursements related to tangible and intangible fixed asset acquisition	<3,696>	<2,301>
Proceeds from sales of tangible and intangible fixed assets	-	14
Disbursements related to acquisitions of non-current financial assets	<49>	<48>
Disbursements related to sales of non-current financial assets	228	30
Impact of scope changes	<59>	<6,188>
CASH FLOW RELATED TO INVESTMENT ACTIVITIES	**<3,577>**	**<8,493>**
FINANCING ACTIVITIES		
Amounts received from shareholders upon capital increase:	2,756	-
Redemption and sale of treasury shares	<1,050>	-
Collections related to new debt	4,000	21
Loan repayments	<6,319>	<1,047>
Net financial interest paid	<525>	<589>
CASH FLOW RELATED TO FINANCING ACTIVITIES	**<1,138>**	**<1,615>**
CHANGES IN CASH POSITION	**7,316**	**<10,767>**
Impacts of changes in exchange rates	90	206
OPENING CASH POSITION	**14,676**	**25,236**
Reclassification of cash flow	-	-
CLOSING CASH POSITION	**22,081**	**14,676**

5. Change in equity capital – Group Share

(In thousands of euros)	Capital	Reserves	Treasury shares	Net income for the period	Equity capital – Group share	Non-controlling interests	Equity capital of the consolidated entity
EQUITY CAPITAL AS OF DECEMBER 31, 2017	**1,256**	**66,222**	**<650>**	**1,343**	**68,171**	**1,628**	**69,799**
Appropriation of profit or loss	-	1,343	-	<1,343>	-	-	-
Treasury shares	-	<1>	10	-	9	-	9
Buyout of minority interests	-	<4,351>	-	-	<4,351>	<1,837>	<6,188>
Currency translation adjustments	-	312	-	-	312	-	312
Net income for the period	-	-	-	4,762	4,762	209	4,971
Other changes	-	<12>	-	-	<12>	-	<12>
EQUITY CAPITAL AS OF DECEMBER 31, 2018	**1,256**	**63,513**	**<640>**	**4,762**	**68,891**	**-**	**68,891**
Appropriation of profit or loss	-	4,762	-	<4,762>	-	-	-
Treasury shares	-	<1,010>	<41>	-	<1,050>	-	<1,050>
Buyout of minority interests	-	-	-	-	-	-	-
Currency translation adjustments	-	224	-	-	224	-	224
Net income for the period	-	-	<0>	4,611	4,611	-	4,611
Adjustments of N-1 net profit (loss)	-	-	-	-	-	-	-
Allocation of bonus shares	-	994	<0>	-	994	-	994
Exercise of share subscription warrants	41	2,756	-	-	2,797	-	2,797
IAS 19	-	<54>	-	-	<54>	-	<54>
Other changes	-	<329>	-	-	<329>	-	<329>
EQUITY CAPITAL AS OF DECEMBER 31, 2019	**1,297**	**70,857**	**<681>**	**4,611**	**76,083**	**<0>**	**76,083**

6. Main accounting methods

6.1/ Declaration of compliance

Pursuant to European Regulation no. 1606/2002 of July 19, 2002, consolidated financial statements published for the financial year ended December 31, 2018, are drafted in accordance with the international accounting standards set out by the IASB (International Accounting Standards Board), as adopted in the European Union.

6.2/ Judgments and estimates

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

Information about the main assumptions relating to the estimates and judgments made in applying the accounting methods with a significant effect on the amounts recognized in the financial statements are described in the following notes:
- impairment of intangible assets (note 6.7);
- estimated recoverable value of capitalized loss carry-forwards (note 6.20);
- estimated recoverable value of inventories (note 6.10);
- estimated pension obligations (notes 6.15 and 10.11).

6.3/ Preparation of the financial statements

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

New standards and interpretations adopted by the European Union and applicable as of January 1, 2019:

- **IFRS 16– Leases.**

The new standards or amended standards and interpretation of the following standards were applied to the financial statements ended December 31, 2019:

IFRS 16 replaces the standard of the same name IAS 17 and the corresponding interpretations (IFRIC 4, SIC 15, and SIC 27).

It imposes a single method of accounting for leases by lessees by recognizing a "Right to use" asset and a "Lease liability," whether for operating leases or finance leases.

The new standard permits:
- a more faithful representation of a company's assets and liabilities;
- increased transparency; and
- improved comparability between companies that lease and companies that borrow to buy assets;
- elimination of the need for most investors, credit rating agencies and others to make adjustments.

The new standard is applicable as of January 1, 2019. The Group chose to apply the simplified retrospective method and some of the simplifying measures proposed by the standard. Therefore, the comparative information will not be restated as of the date of transition.

The simplifying measures adopted by the Group are as follows:
- leases with a remaining term of less than 12 months as of the closing date,
- leases on assets with an individual replacement value of less than 5,000 euros.

The Group identified the lease agreements that primarily pertain to real estate assets but also vehicles.

As of January 1 2019, the Group booked a new asset relating to the rights of use of leased assets, mainly buildings and vehicles, for an amount of €11.5 million and a new liability, corresponding to rent liabilities in the amount of €11.5 million.

To determine rent liabilities, the Group discounted future rent payments using an estimated incremental borrowing rate for the assets as of January 1, 2019 of the same nature as the leased assets.

Due to the specific characteristics of certain leases (particularly in terms of renewal), the terms used for the valuation of lease agreements under IFRS 16, in certain cases, will be different from those used for the valuation of off-balance-sheet commitments. Similarly, the rates used to measure the lease obligation will have an impact on the amount recognized as a financial liability.

In accordance with IFRS 16, lease contracts are recognized under tangible fixed assets as a right of use of the leased asset. These contracts are recognized at the beginning of the lease for the discounted value of the minimum payments in relation to the lease, against a liability corresponding to the lease liabilities due to the lessor.

These fixed assets are depreciated on a straight-line basis over the duration of the lease contract, which corresponds to the non-cancellable period of each contract, unless the Group is reasonably certain of exercising the renewal options set out in the contract.

According to this model, allocations to asset depreciation are booked as an operating expense, while the cost of the debt to the lessor is booked as a financial charge.

- **Amendments to IFRS 9 entitled "Prepayment features with negative compensation"**

These amendments deal with the frequent case of instruments containing a prepayment clause when the exercise of this clause results in a repayment that is less than the sum of the principal and the interest still due. This is known as negative compensation.

Before this amendment, such instruments could not be recognized at amortized cost, because they did not satisfy the so-called "SPPI" (solely payment of principal and interest) test.

As these instruments are very common, many called for these instruments, despite the prepayment clause, to be able to be recognized at amortized cost instead of fair value through profit or loss.

The amendment allows this, provided however that this negative compensation for prepayment is "reasonable", which will require judgment to be exercised.

Moreover, the instrument must be held within a "held to collect" business model, i.e. held in order to obtain the payment of interest and the principal.

These amendments are applicable as of January 1, 2019, and early application is permitted.

- **Limited amendments to IAS 19 entitled "Plan Amendment, Curtailment or Settlement".**

These limited amendments apply to amendments, curtailments, or settlements of defined-benefit plans. In these cases, IAS 19 already required actuarial assumptions to be updated and its net defined benefit liability (or asset) to be revalued. These amendments clarify that a company must use these updated actuarial assumptions to measure the cost of current services and the net interest on defined benefits.

The entity must recognize and measure the cost of past services or the gain or loss on settlement without considering the effect of the asset ceiling. It must then determine the effect of the asset ceiling after the plan amendment, curtailment, or settlement and recognize any change in that effect.

The amendments are applicable prospectively for financial years beginning on or after January 1, 2019, and their early application is permitted.

- **Amendment to IAS 28 "Long-term Interests in Associates and Joint Ventures."**

  Paragraph 14A was added to IAS 28, and paragraph 41 was deleted. IFRS 9, including the provisions on impairment, applies to long-term interests in associates and joint ventures. IFRS 9 does not take into account the losses of the associate or joint venture or any impairment of the net investment that would be recognized under IAS 28.

  These amendments have been approved by the EU: Regulation (UE) no. 2019/237 of February 8, 2019. These amendments are applicable as of January 1, 2019.

- **IFRIC 23 "Uncertainty over Income Tax Treatments."**

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

  The interpretation recommends that an entity use judgment to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together.

  To that end, the entity may consider, for example:
  - how it completes its tax return and how it handles tax treatments;
  - how it expects to be monitored by the tax authorities and how it responds to any questions that may result from such monitoring.

  IFRIC 23 applies from January 1, 2019; early application is permitted.

- **"IFRS annual improvements, 2015–2017 cycle."**

  The "IFRS annual improvements, 2015–2017 cycle" make minor amendments to the following three standards:
  - IAS 12: An entity recognizes all tax consequences of dividend payments in the same way (§ 52B deleted and § 57A added).
  - IAS 23: An entity treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale (amended § 14).
  - IFRS 11: When an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business (addition of § B33CA).
  - IFRS 3: When an entity obtains control of a business that is a joint operation, the entity remeasures previously held interests in that business (addition of § 42A).

These amendments are applicable as of January 1, 2019.

New standards and interpretations that have not yet been adopted in Europe but may be applied in advance as of January 1, 2019:
The MVG Group chose not to apply these texts early for the accounts closed as of December 31, 2019.

- **Amendments to IAS 1 and IAS 8: change in the definition of the term "material".**

  On October 31, 2018, the IASB published amendments to its definition of the term "material", in order to enable companies to exercise their judgment in terms of materiality more easily. The modifications clarify the definition of "material", and the way in which it should be applied by including in the definition the clarifications that until now had featured elsewhere in IFRS standards. The modifications ensure that the definition of "material" is consistent across all IFRS standards.

The former definition was as follows: “Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements”.

The new definition is now: “Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements”.

Assuming that they are adopted by the European Union, these mandatory amendments are applicable for financial years beginning on or after January 1, 2020. Early application of this amendment is nevertheless permitted.

6.4/ Consolidation principles

The consolidated financial statements include the financial statements of Microwave Vision S.A., the Group’s parent company, and its direct and indirect subsidiaries at December 31, 2019. 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 to 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.

6.5/ Translation of transactions in foreign currencies

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

The conversion rates for the major currencies used in the Group for the 12-month periods ended on December 31, 2019, and December 31, 2018, are as follows:

Closing rate	12/31/2019	12/31/2018	Average rate	12/31/2019	12/31/2018
Pound Sterling	1.17536	1.1179	Pound Sterling	1.13986	1.13025
Hong Kong dollar	0.11432	0.1115	Hong Kong dollar	0.11399	0.10799
Yen	0.00820	0.0080	Yen	0.00819	0.00767
Chinese yuan	0.12787	0.12698	Chinese yuan	0.12930	0.12808
US dollar	0.89015	0.8734	US dollar	0.89319	0.84639

6.6/ Presentation of the statement of financial position

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

6.7/ Intangible fixed assets and Goodwill

Acquisitions completed on or after 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.

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

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

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

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

Acquisitions completed before January 1, 2010

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

- the expenses related to the acquisitions were integrated into the acquisition cost when calculating the goodwill;
- non-controlling interests (previously referred to as minority interests) were valued at their share of net assets of the acquired entity, and contingent 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 fixed assets only if they meet all of the following criteria in accordance with IAS 38 *Intangible Assets*: (a) technical feasibility necessary for completion of the development project, (b) intention of the Group to complete the project, (c) ability of the project to use this intangible asset, (d) demonstration of the likelihood of future economic benefits attached to the assets, (e) availability of technical, financial, and other resources in order to complete the project, and (f) reliable valuation of the expenditures incurred. In this case, development expenses are amortized over an estimated useful life not exceeding three years from the date of initial marketing of the products or services.

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

Expenses incurred for the 2019 financial year amount to €5,263 k which makes the company eligible for the research tax credit.

Other intangible fixed assets

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

Amortization/Depreciation

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

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

6.8/ Tangible fixed assets

Freehold assets

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

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

Leased assets

As of January 1, 2019, the Group applied IFRS 16 “Leases” to its leased assets.

Lease contracts, as defined by IFRS 16 “Leases”, are recognized on the balance sheet, reflected in:
- a liability for the payment obligation;
- an asset that corresponds to the right to use the leased asset for the duration of the contract.

Valuation of the right of use of assets

As of the effective date of a lease contract, the right of use is valued at its cost and includes:

- the initial amount of the debt, added to which are, if applicable, prepayments made to the lessor, net if appropriate of benefits received from the lessor;
- if appropriate, the initial direct costs incurred by the lessee to conclude the contract. These are marginal costs that would not have been incurred if the contract had not been concluded;
- The estimated costs of refurbishing and dismantling the leased asset according to the terms of the contract. As of the date of the initial recognition of the right of use, the lessee adds to these costs the discounted amount of the refurbishing and/or dismantling costs, with a liability or a restoration provision as a contra entry.

The right of use is amortized over the duration of the underlying assets' useful life corresponding to the duration of the lease contract.

Evaluation of rent payables

As of the effective date of the contract, the lease payable is recognized in an amount equal to the discounted value of rents over the duration of the contract.

The amounts taken into account in respect of rents in the evaluation of the debt are:

- fixed rents (including rents fixed in essence, i.e. even those that contain a variable in form, they are in essence inevitable);
- variable rents based on a rate or an index, using the rate or index as of the effective date of the contract;
- the payments to be made by the lessee in respect of a residual value guarantee;
- the fines to be paid in the event that an option to terminate or not renew the contract is exercised, if the duration of the contract was determined under the assumption that the lessee would exercise it.

The lease duration corresponds to the non-cancellable period of each contract, unless the Group is reasonably certain of exercising the renewal options set out in the contract.

The discount rate to be applied is similar to the interest rate that the lessee would have to pay to borrow, for a duration and with a similar guarantee, the funds necessary to purchase the asset underlying the lease contract in a similar economic environment.

The debt relating to the lease contract evolves is as follows:

- it is increased by interest charges determined by the application of the discount rate to the debt, at the beginning of the period;
- and decreased by the amount of the payments made.

The interest charges for the period as well as the variable payments, not taken into account at the time of the initial evaluation of the debt, and incurred over the period considered, are recognized in expenses.

Moreover, the debt may be re-estimated in the following situations:

- revision of the lease term;
- modification relating to the evaluation of the reasonably certain (or not) exercise of an option;
- re-estimate relating to residual value guarantees;
- revision of the rates or indices on which the rents are based when the rents are adjusted.

Type of lease contracts:

The Group is a tenant in its offices in most countries in which it operates. In addition, lease contracts in the IFRS 16 scope of application also concern vehicles.

Exemptions:

The Group uses the exemptions provided for by IFRS 16 that allow the following not to be recognized on the balance sheet: short-term contracts (equal to or less than 12 months) or those on low-value assets (€5,00).

Amortization/Depreciation

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

Land is not depreciated.

The estimated useful lives are as follows:

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.

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

Impacts of the application of IFRS 16 on the balance sheet:

(In thousands of euros)	Impacts of first-time application of IFRS 16	IFRS 16 31/12/2019
Rights of use of leased premises	10,218	10,218
Amortization of rights of use of leased premises	-	<1,652>
Rights of use of leased vehicles	457	457
Amortization of rights of use of leased vehicles	-	<255>
TOTAL RIGHTS OF USE OF LEASED ASSETS	**10,675**	**8,768**
Deferred taxes	-	51
NON-CURRENT ASSETS	**10,675**	**8,819**
TOTAL ASSETS	**10,675**	**8,819**
Consolidated reserves and other reserves	-	0
Profit or loss for the year	-	<183>
EQUITY CAPITAL - GROUP SHARE	**0**	**<183>**
TOTAL EQUITY CAPITAL	**0**	**<183>**
Financial debts from leases (non-current) + 1 year	1,314	7,489
NON-CURRENT LIABILITIES	**1,314**	**7,489**
Financial debts from leases (current) - 1 year	9,361	1,872
Trade payables	<381>	<381>
CURRENT LIABILITIES	**8,979**	**1,490**
TOTAL LIABILITIES	**10,294**	**8,979**
TOTAL EQUITY CAPITAL AND LIABILITIES	**10,294**	**8,797**

Impacts of the application of IFRS 16 on the income statement:

(In thousands of euros)	31/12/2019 before IFRS 16	Impacts of IFRS 16	12/31/2019
External expenses	<14,111>	1,908	<12,203>
CURRENT OPERATING INCOME BEFORE ALLOCATIONS TO AMORTIZATION AND DEPRECIATION AND PAYROLL EXPENSES RELATING TO ALLOCATIONS OF FREE SHARES	**11,698**	**1,908**	**13,606**
Allocations to amortization, depreciation, and impairments, net of writebacks	<3,806>	<1,907>	<5,712>
NET OPERATING INCOME	**6,302**	**1**	**6,303**
Net finance costs	<400>	<234>	<634>
Income tax	<1,341>	51	<1,290>
NET INCOME FOR THE PERIOD	**4,793**	**<182>**	**4,611**

6.9/ Impairment

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

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

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

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

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

Calculation of recoverable value

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

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

Writeback of impairment loss

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

Goodwill impairment losses are irreversible.

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

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

6.10/ Inventories

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

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

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

6.11/ Financial assets

Non-current financial assets

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

Held-for-trading financial assets

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

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

Trade and other receivables

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

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

Cash and cash equivalents

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

Derivatives

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

6.12/ Capital

Dividends

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

Treasury shares

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

6.13/ Financial debts

Interest-bearing loans

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

Effective interest rate

The effective interest rate is the rate used to discount future cash flows to maturity precisely 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 include interest-bearing loans and interest payable, net of cash and cash equivalents.

6.14/ Provisions

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

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

Provisions for disputes and litigation

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

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

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

6.15/ Employee benefits

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

These benefits are characterized in two ways:

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

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

The assumptions used for France are as follows:

Salary increase rate:	1% constant
Collective agreement:	Metallurgy
Departure at the initiative of:	Employee
Calculation method:	Prospectively, on a pro-rata basis
Discount rate:	0.77%
Employee turnover:	5% until 50 years of age
Social security contribution rate:	47%
Retirement age:	67

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

- an annual contribution equal to 6.3 % of gross wages,
- a wage revaluation of 1.5 % per year

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

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

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

Actuarial gains and losses are recognized in other comprehensive income.

6.16/ Revenue

The Group applies IFRS 15 to its consolidated financial statements starting January 1, 2018. This standard defines a general approach for recognizing revenue in five steps:

- step 1: Identify the contract;
- step 2: Identify "performance obligations" in the contract. These will be used as units of account for revenue recognition;
- step 3: Determine the contract price;
- step 4: Allocate the contract price to each "performance obligation";
- step 5: Recognize revenue as a "performance obligation" is fulfilled, either on a given date or on a progress basis.

According to the analysis conducted by the Group on its various activities, performance obligations are generally fulfilled on a continuous basis. Revenue is recognized on a progress basis.

Accrued income (contract assets) or deferred income (contract liabilities) are recorded at closing based on estimated total revenue and the degree of progress noted per case to calculate the difference between billing and the revenue to be recognized.

6.17/ Advertising and promotional expenses

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

6.18/ Other operating income and expenses

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

6.19/ Finance costs

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

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

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

6.20/ Income tax

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

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

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

The deferred tax is determined using the liability method for all the temporary differences between the book value of the assets and liabilities and their tax bases. The following items do 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 as of the closing date.

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

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

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

6.21/ Subsidies

The Group makes expenditures for research and development and may thus be eligible for a Research Tax Credit. IAS 20 requires companies to allocate public subsidies to the costs, expenses, or assets that they are meant to offset. The research tax credit is recorded as a deduction from the expenses to which it relates.

7. Significant events of the financial year

7.1/ Key achievements

Following the acquisition of the minority interests of the Orbit subgroup on 04/06/2018, Microwave Vision S.A. transferred the shares of the German subsidiary "Orbit FR Europe GmbH" to its assets as of January 1, 2019.

On February 26, 2019, the company signed a major contract worth more than €30 M, the largest recorded since the formation of the Group, with a leading principal in the Aerospace/Defense sector.

On July 18, 2019, the redeemable stock warrants expired. 204,154 stock warrants were exercised on 310,000 shares, at a strike price of €13.50, and as a result, the share capital increased from 6,282,166 to 6,486,320 shares, i.e. an increase in share capital of €10,831 (€0.20 per share) and in the share premium of €2,715,248 (€13.30 per share).

The Board of Directors launched a plan allocate bonus shares on July 12, 2019. It relates to 140,000 shares and provides for an acquisition period of 12 months.

The company repaid the €4,000,000 bond issue, and also took out two new loans for €2,000,000 each from CIC and Bpifrance.

7.2/ Post-closing events

The emergence of the COVID-19 epidemic in January 2020 increases the uncertainty of the global economic environment and the markets. Its consequences for the MVG Group are difficult to assess, and will depend on its scale, duration and geographical scope, as well as the measures taken by the countries affected.

We are doing everything we can to ensure the safety of our employees, first and foremost. Where possible, teleworking has been rolled out on a broad basis and the subsidiaries involved in production have continued their activities, while complying with the rules on hygiene, safety and social distancing, as well as the rules imposed by their government.

The COVID-19 crisis does not jeopardize the Group as a going concern or its cash position. As of the reporting date, we have no knowledge of a significant loss in revenue or profit.

8. Consolidation scope

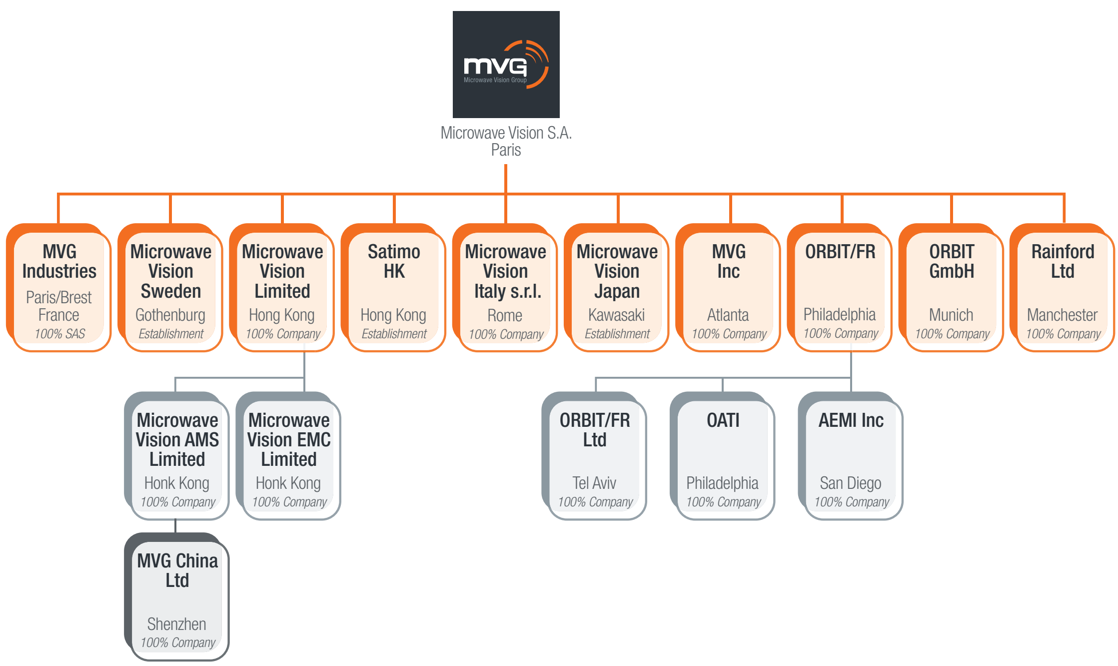
8.1/ Activity

The MVG Group has four business units:

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

8.2/ Organizational chart

The organizational structure of the MVG Group as of December 31, 2019 breaks down as follows:



NOTES

8.3/ List of consolidated companies

The entities included in the scope of consolidation as of 12/31/2019 are presented below:

Entities	Activity	Head office	Consolida-tion method 12/31/2019	Consolida-tion method 12/31/2018	% control as of 12/31/2019	% control as of 12/31/2018	% interest as of 12/31/2019	% interest as of 12/31/2018
MICROWAVE VISION S.A.	Holding / Distribution / Manufacturing	Consolidating entity						
MVG INDUSTRIES	Manufacturing/ R&D	Paris/Brest, France	Full Consolidation	Full Consolidation	100.00 %	100.00 %	100.00 %	100.00 %
MICROWAVE VISION ITALY S.R.L	Manufacturing/ R&D	Rome, Italy	Full Consolidation	Full Consolidation	100.00 %	100.00 %	100.00 %	100.00 %
MVG INC	Distribution / Maintenance	Atlanta USA	Full Consolidation	Full Consolidation	100.00 %	100.00 %	100.00 %	100.00 %
MICROWAVE VISION EMC	Distribution / Maintenance	Hong Kong	Full Consolidation	Full Consolidation	100.00 %	100.00 %	100.00 %	100.00 %
MICROWAVE VISION AMS	Distribution / Maintenance	Hong Kong	Full Consolidation	Full Consolidation	100.00 %	100.00 %	100.00 %	100.00 %
MICROWAVE VISION Limited	Holding company	Hong Kong	Full Consolidation	Full Consolidation	100.00 %	100.00 %	100.00 %	100.00 %
MICROWAVE VISION CHINA	Manufacturing / Distribution / Maintenance	Shenzhen China	Full Consolidation	Full Consolidation	100.00 %	100.00 %	100.00 %	100.00 %
RAINFORD LTD	Manufacturing	Manchester United Kingdom	Full Consolidation	Full Consolidation	100.00 %	100.00 %	100.00 %	100.00 %
ORBIT/FR Europe, GmbH	Distribution	Haar Germany	Full Consolidation	Full Consolidation	100.00 %	100.00 %	100.00 %	100.00 %
ORBIT sub-group(*)	Manufacturing / Distribution	Horsham USA	-	Full Consolidation	-	100.00 %	-	100.00 %
ORBIT Japan	Manufacturing / Distribution	Kanagawa Japan	Full Consolidation	-	100.00 %	-	100.00 %	-
OATI	Manufacturing / Distribution	Warminster USA	Full Consolidation	-	100.00 %	-	100.00 %	-
AEMI	Manufacturing / Distribution	Otay USA	Full Consolidation	-	100.00 %	-	100.00 %	-
ORBIT FR INC	Holding company	Warminster USA	Full Consolidation	-	100.00 %	-	100.00 %	-
ORBIT FR LTD	Manufacturing / Distribution	Tel-Aviv Israel	Full Consolidation	-	100.00 %	-	100.00 %	-

Unconsolidated entity

The company METRAWARE, 10%-owned by MVG INDUSTRIES, is not consolidated.

Consolidated entities

MICROWAVE VISION, S.A.

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

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

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

MICROWAVE VISION, Ltd
Microwave Vision Ltd is the Group's holding in Hong Kong, which owns two operational companies: Microwave Vision AMS, Ltd and Microwave Vision EMC, Ltd, which market and maintain the systems installed in the APAC region.
Microwave Vision AMS owns MVG China, which assembles multi-sensor systems that complete the range of Microwave systems. This company was created on July 3, 2017, in Shenzhen in the People's Republic of China.

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

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

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

UNE HOLDING ORBIT FR Inc.
Located in Warminster, USA, and with no operational role.

ORBIT/FR EUROPE, GmbH
Based in Haar, Germany, is responsible for marketing ORBIT products in Europe and manufacturing certain specific systems.

ORBIT/FR ENGINEERING, Ltd
Based in Emek Hefer, Israel, manufactures positioners and masts for the entire Group and acts as distributor for its region.

ORBIT ADVANCED TECHNOLOGY, Inc (OATI)
Located in Warminster, USA, is responsible for distributing ORBIT products in the Americas. This entity also integrates equipment manufactured in Israel.

ADVANCED ELECTROMAGNETICS, Inc (AEMI)
Based in Otay in the United States, is the Group entity that designs and produces the electromagnetic absorbers for all Group companies.

Autonomous establishments:
- MVG Sweden, based in Gothenburg, is the headquarters of the European commercial management,
- Microwave Vision Japan, based in Tokyo, markets the Group's products and is responsible for their maintenance in the Japanese territory;
- Satimo Hong Kong markets the products of the "Satimo" Group in the Chinese territory.

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

9. Comparability of financial statements

9.1/ Accounting changes

The Group has applied IFRS 16 since January 1, 2019 (see note 6.3).

9.2/ Changes in scope

No changes in scope are reported during financial year 2019.

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

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

10.1/ Goodwill

(In thousands of euros)	12/31/2018	Increase	Decrease	12/31/2019
MVG INDUSTRIES /ANTENNESSA	3,529	-	-	3,529
RAINFORD LTD	2,015	-	-	2,015
ORBIT/FR	7,987	-	-	7,987
GROSS VALUES	**13,531**	**-**	**-**	**13,531**
MVG INDUSTRIES / ANTENNESSA	-	-	-	-
RAINFORD LTD	-	-	-	-
ORBIT/FR	-	-	-	-
IMPAIRMENTS	**-**	**-**	**-**	**-**
MVG INDUSTRIES / ANTENNESSA	3,529	-	-	3,529
RAINFORD LTD	2,015	-	-	2,015
ORBIT/FR	7,987	-	-	7,987
NET VALUES	**13,531**	**-**	**-**	**13,531**

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

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

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

The value in use of the CGUs was estimated by Management on the basis of the expected discounted values on the basis of the forecasts and existing projections of cash flows before taxes determined by the discounted cash flows (DCF) method over a period of four years. A discount rate, after tax, is applied. The terminal value was assessed on the basis of the most recent free cash flow (2022) discounted to infinity as defined in the company's business plans.

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

After performing the goodwill impairment test, no loss of value was found as of 12/31/2019.

10.2/ Intangible fixed assets

The intangible fixed assets break down as follows:

(In thousands of euros)	12/31/2018	Increase	Decrease	Currency translation adjustments	Reclassi-fications	12/31/2019
Research and development expenses	774	-	-	-	-	775
Concessions, patents, licenses	3,278	685	-	<0>	294	4,256
Other intangible fixed assets	-	-	-	-	-	-
Intangible fixed assets in progress	295	-	-	-	<294>	-
GROSS VALUES	**4,346**	**685**	**-**	**<0>**	**-**	**5,032**
Research and development expenses	<775>	-	-	-	-	<775>
Concessions, patents, licenses	<2,714>	<284>	-	-	<0>	<2,998>
Other intangible fixed assets	-	-	-	-	-	-
Intangible fixed assets in progress	-	-	-	-	-	-
DEPRECIATION AND AMORTIZATION	**<3,489>**	**<284>**	**-**	**-**	**<0>**	**<3,773>**
Research and development expenses	<1>	-	-	-	-	-
Concessions, patents, licenses	564	401	-	<0>	293	1,259
Other intangible fixed assets	-	-	-	-	-	-
Intangible fixed assets in progress	295	-	-	-	<294>	-
NET VALUES	**857**	**401**	**-**	**<0>**	**<0>**	**1,259**

(In thousands of euros)	12/31/2017	Increase	Decrease	Currency translation adjustments	Reclassi-fications	12/31/2018
Research and development expenses	774	-	-	-	-	774
Concessions, patents, licenses	2,851	50	-	<0>	377	3,278
Other intangible fixed assets	-	-	-	-	-	-
Intangible fixed assets in progress	448	223	-	-	<377>	295
GROSS VALUES	**4,073**	**273**	**-**	**<0>**	**-**	**4,346**
Research and development expenses	<775>	-	-	-	-	<775>
Concessions, patents, licenses	<2,469>	<245>	-	-	-	<2,714>
Other intangible fixed assets	-	-	-	-	-	-
Intangible fixed assets in progress	-	-	-	-	-	-
DEPRECIATION AND AMORTIZATION	**<3,244>**	**<245>**	**-**	**-**	**-**	**<3,489>**
Research and development expenses	<1>	-	-	-	-	<1>
Concessions, patents, licenses	382	<195>	-	<0>	377	564
Other intangible fixed assets	-	-	-	-	-	-
Intangible fixed assets in progress	448	223	-	-	<377>	295
NET VALUES	**829**	**29**	**-**	**<0>**	**-**	**857**

10.3/ Tangible fixed assets

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

(In thousands of euros)	12/31/2018	First-time application of IFRS 16	Increase	Decrease	Currency translation adjust-ments	Reclassifica-tions	12/31/2019
Right of use	-	10,651	-	-	24	-	10,675
Buildings	-	10,193	-	-	25	-	10,218
Vehicles	-	458	-	-	<1>	-	457
Technical installations, equip. & tools	18,225	-	769	<472>	123	1,028	16,703
Leased install, equip. & tools	532	-	-	-	-	<65>	467
Other tangible fixed assets	6,890	-	1,396	-	163	<31>	11,136
Tangible fixed assets in progress	861	-	835	-	1	<1,013>	756
Advances and deposits on tang. fixed assets	-	-	-	-	-	-	-
GROSS VALUES	**26,508**	**10,651**	**3,000**	**<472>**	**311**	**<81>**	**39,737**
Right of use	-	-	<1,907>	-	<1>	-	<1,907>
Buildings	-	-	<1,651>	-	<1>	-	<1,652>
Vehicles	-	-	<256>	-	1	-	<255>
Technical installations, equip. & tools	<12,217>	-	<1,715>	284	<88>	27	<11,796>
Leased install, equip. & tools	<513>	-	-	-	-	46	<467>
Other tangible fixed assets	<3,523>	-	<1,101>	-	<94>	8	<6,444>
Tangible fixed assets in progress	-	-	-	-	-	-	-
Advances and deposits on tang. fixed assets	-	-	-	-	-	-	-
DEPRECIATION AND AMORTIZATION	**<16,253>**	**-**	**<4,723>**	**284**	**<183>**	**81**	**<20,614>**
Right of use	-	10,651	<1,907>	-	23	-	8,768
Buildings	-	10,193	<1,651>	-	23	-	8,566
Vehicles	-	458	<256>	-	<0>	-	202
Technical installations, equip. & tools	6,008	-	<947>	<188>	35	1,055	4,907
Leased install, equip. & tools	18	-	-	-	-	<18>	-
Other tangible fixed assets	3,367	-	295	-	68	<24>	4,692
Tangible fixed assets in progress	861	-	835	-	1	<1,013>	756
Advances and deposits on tang. fixed assets	-	-	-	-	-	0	-
NET VALUES	**10,254**	**10,651**	**<1,723>**	**<188>**	**128**	**0**	**19,122**

(In thousands of euros)	12/31/2017	Increase	Decrease	Currency translation adjustments	Reclassifica-tions	12/31/2018
Technical installations, equip. & tools	17,154	616	<46>	370	663	18,757
Other tangible fixed assets	6,425	599	<681>	235	312	6,890
Tangible fixed assets in progress	970	861	-	-	<970>	861
GROSS VALUES	**24,550**	**2,076**	**<727>**	**604**	**5**	**26,508**
Technical installations, equip. & tools	<10,652>	<1,902>	33	<253>	45	<12,730>
Other tangible fixed assets	<3,282>	<736>	662	<120>	<47>	<3,523>
Tangible fixed assets in progress	-	-	-	-	-	-
DEPRECIATION AND AMORTIZATION	**<13,934>**	**<2,638>**	**694**	**<374>**	**<2>**	**<16,253>**
Technical installations, equip. & tools	6,502	<1,286>	<14>	116	708	6,026
Other tangible fixed assets	3,144	<137>	<19>	114	266	3,367
Tangible fixed assets in progress	970	861	-	-	<970>	861
NET VALUES	**10,616**	**<562>**	**<33>**	**231**	**3**	**10,254**

10.4/ Long-term assets

The other long-term assets essentially correspond to deposits and guarantees.

(In thousands of euros)	12/31/2019	12/31/2018
Equity interests in unconsolidated companies	30	30
Other financial assets	979	983
TOTAL	**1,010**	**1,014**

No impairment was recorded.

10.5/ Other long-term assets

Other long-term assets were made up of loan issue costs. They were zero as of 12/31/2019.

10.6/ Inventories

The inventories break down as follows:

(In thousands of euros)	12/31/2019	12/31/2018
Inventories of raw materials and other supplies	16,299	12,192
Inventories of semi-finished and finished products	457	301
GROSS VALUES	**16,755**	**12,492**
Inventories of raw materials and other supplies	<2,831>	<2,279>
Inventories of semi-finished and finished products	-	-
IMPAIRMENTS	**<2,831>**	**<2,279>**
Inventories of raw materials and other supplies	13,467	9,912
Inventories of semi-finished and finished products	457	301
NET VALUES	**13,924**	**10,213**

Impairments on inventories changed as follows:

(In thousands of euros)	12/31/2018	Allocations	Writebacks	Currency translation adjustments	12/31/2019
Inventories of raw materials and other supplies	(2,279)	(668)	143	(27)	(2,831)
TOTAL	**<2,279>**	**<668>**	**143**	**<27>**	**<2,831>**

10.7/ Trade receivables and other current assets

Trade receivables and other current assets break down as follows:

(In thousands of euros)	12/31/2019	12/31/2018
Trade receivables – Gross value	42,141	36,540
Provision for impairment of trade receivables	<406>	<183>
TRADE RECEIVABLES AND RELATED ACCOUNTS	**41,735**	**36,358**
Advances and deposits paid	25	10
Current account advances	34	27
Tax and social security receivables	4,435	1,510
Prepaid expenses	933	158
Miscellaneous debtors	345	597
OTHER CURRENT ASSETS	**5,773**	**2,302**
TOTAL	**47,507**	**38,660**

Impairments changed as follows:

(In thousands of euros)	12/31/2018	Allocations	Writebacks	Reclassification	Currency translation adjustments	12/31/2019
Impairment of trade receivables	<183>	<205>	-	<12>	<7>	<406>
TOTAL	**<183>**	**<205>**	**-**	**<12>**	**<7>**	**<406>**

10.8/ Current tax receivables

The research tax credits for 2017, 2018, and 2019 were financed with Bpifrance for €1,398,705, €1,606,400 and €1,306,180 respectively.

10.9/ Cash and cash equivalents

The item “Cash and cash equivalents” includes the following items as of 12/31/2019:

(In thousands of euros)	12/31/2019	12/31/2018
Marketable securities	1,003	1,084
Cash assets	21,078	13,592
TOTAL	**22,081**	**14,676**

10.10/ Share capital

As of December 31, 2019, the share capital consists of 6,486,320 shares with a nominal value of €0.20 each.

10.10.1. Treasury shares

	Number of treasury shares	Value *(In thousands of euros)*
OPENING BALANCE	**71,052**	**641**
Capital increase	-	-
Redemption or cancellation of treasury shares	(66,000)	-
Loss on liquidity contract	(2,540)	-
COSING BALANCE	**2,512**	**41**

10.10.2. Allocation of bonus shares

IFRS 2 requires an entity to recognize in its results and financial position the effects of share-based payment transactions, including charges relating to transactions that grant stock options to employees.

Allocations of equity instruments (stock warrants, bonus shares, stock options, etc.) are covered by IFRS 2 as payment for services rendered or to be rendered.

In accordance with IFRS 2, the employee services received relating to the allocation of equity instruments are recognized in expenses in the income statement with a matching entry under equity capital. The charge corresponds to the fair value of the plans relating to the instruments concerned, which is recognized on a straight-line basis in the income statement on the acquisition periods for rights relating to these plans. This charge is recognized in the payroll expenses column.

The fair value of the instrument granted is the price that a consenting and well-informed buyer would accept to pay, under normal market conditions. It is assessed using option evaluation models (which are based on contractual assumptions, such as strike price or maturity, and market hypotheses, such as volatility or market prices) or, in relation to plans to allocate bonus shares, on the fair value of the underlying as of the grant date.

The instruments issued covered by IFRS 2 and issued by the Group are bonus shares. The Group allocated 140,000 bonus shares in 2019. Based on a fair value per bonus share of €14.21, the total value of the plan was €1,989 k. The charge was recognized on a straight-line basis over the 2019-2020 period, resulting in a charge of €994 k for 2019.

10.10.3. Breakdown of capital

As of December 31, 2019, the capital breaks down as follows:

- Before allocation of bonus shares:

	No. of shares	% of capital
Management & employees	998,022	15.39%
Investors (Eximium, Bpifrance, Seventure)(1)	2,619,150	40.38%
Floating shares	2,869,148	44.23%
TOTAL	**6,486,320**	**100%**
(1)		
Eximium	1,346,480	20.76%
Bpifrance	865,385	13.34%
Seventure	407,285	6.28%
TOTAL	**2,619,150**	**-**

NOTES

- After allocation of bonus shares:

	No. of shares	% of capital
Management & employees	1,138,022	17.54%
Investors (Eximium, Bpifrance, Seventure)	2,619,150	40.38%
Floating shares	2,729,148	42.08%
TOTAL	**6,486,320**	**100%**

10.11/ Provisions for contingencies and expenses

The provisions break down as follows:

(In thousands of euros)	12/31/2018	Allocations	Writebacks used	Reserves impact	Currency translation adjustments	Reclassi-fications	12/31/2019
Provisions for employee benefits	954	107	<83>	77	-	905	1,961
TOTAL COMMITMENTS TO STAFF	954	107	<83>	77	-	905	1,961
Provisions for warranties	939	282	<97>	-	17	<122>	1,019
TOTAL CURRENT PROVISIONS	939	282	<97>	-	17	<122>	1,019
TOTAL	**1,893**	**389**	**<180>**	**77**	**17**	**783**	**2,980**

(In thousands of euros)	12/31/2017	Allocations	Writebacks used	Reserves impact	Currency translation adjustments	12/31/2018
Provisions for employee benefits	896	82	-	<24>	-	954
TOTAL COMMITMENTS TO STAFF	**896**	**82**	**-**	**<24>**	**-**	**954**
Provisions for warranties	752	395	<237>	-	30	939
TOTAL CURRENT PROVISIONS	**752**	**395**	**<237>**	**-**	**30**	**939**
TOTAL	**1,648**	**477**	**<237>**	**<24>**	**30**	**1,893**

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

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

10.12/ Deferred taxes

Deferred tax assets and liabilities restated in the consolidated financial statements break down as follows:

(In thousands of euros)	12/31/2019	12/31/2018
Deferred tax assets	2,996	3,225
Deferred tax liabilities	-	-
NET DEFERRED TAXES	**2,996**	**3,225**

For more details, see 10.25.2.

10.13/ Miscellaneous loans and financial debts

10.13.1. Loans and financial debts

The change in loans and financial debts breaks down as follows as of 12/31/2019:

(In thousands of euros)	12/31/2018	First-time application of IFRS 16	Change in scope	Increase	Repayment	Foreign exchange differences	12/31/2019
Bond loans	4,000	-	0	0	<4,000>	0	0
Funds borrowed from credit institutions	398	-	0	4,000	<398>	0	4,000
IFRS 16 rent payables	0	11,057	-	-	<1,780>	84	9,362
Other loans	308	-	<21>	21	<116>	1	193
Accrued interest	12	-	0	0	<4>	0	8
TOTAL LOANS AND ACCRUED INTEREST	**4,718**	**11,057**	**<21>**	**4,021**	**<6,297>**	**86**	**13,563**
Current bank credit facilities	0	-	0	0	0	0	0
TOTAL FINANCIAL DEBTS	**4,718**	**11,057**	**<21>**	**4,021**	**<6,297>**	**86**	**13,563**

10.13.2. Breakdown by major currency

All of the financial debts are denominated in euros.

10.13.3. Breakdown by maturity date

	CURRENT		NON-CURRENT			
(In thousands of euros)	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Bond loans	-	4,000	-	-	-	4,000
Other bank loans	793	398	3,207	-	4,000	398
Perpetual floating-rate notes	-	-	-	-	-	-
IFRS 16 rent payables	1,872	-	7,489	-	9,361	-
Funds borrowed from intl. cred. inst. Cur.not due	8	12	-	-	8	12
Other loans	95	136	98	172	193	308
LOANS	**2,768**	**4,546**	**10,795**	**172**	**13,563**	**4,718**
Current bank credit facilities	-	-	-	-	-	-
TOTAL FINANCIAL DEBTS	**2,768**	**4,546**	**10,795**	**172**	**13,563**	**4,718**

10.13.4. Characteristics of the Group's main loans

(In thousands of euros)	Nominal value	Book value	Rate	Due Date	Bank
MVG HOLDING	2,000	2,000	1.17%	12/31/2024	Bpifrance
MVG HOLDING	2,000	2,000	1.23%	1/5/2025	CIC
MVG HOLDING	102	46	0	3/31/2022	Bpifrance
MVG ITALIE	70	33	5.71%	12/10/2025	INTESA SANPAOLO
MVG INDUSRIES	137	62	0	3/31/2022	Bpifrance

10.13.5. Covenants

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

10.14/ Other short-term liabilities

Other short-term liabilities include the following:

(In thousands of euros)	12/31/2019	12/31/2018
Trade payables	13,223	11,801
Fixed asset suppliers	36	47
Advances and deposits received on orders	1,842	578
Social security payable	5,071	2,317
Taxes payable	2,321	1,539
Deferred income	9,431	4,000
Other debts	287	88
Tax debts: corporate tax	897	-
TOTAL	**33,110**	**20,371**

10.15/ Fair value of financial assets and liabilities

Financial assets and liabilities are categorized as follows:

(In thousands of euros)	Balance sheet value	Fair value through profit or loss	Loan, receivables, and debts	Debts at amortized cost	Derivatives
Other non-current financial assets	1,010	-	1,010	-	-
Other long-term assets	-	-	-	-	-
NON-CURRENT ASSETS	**1,010**	**-**	**1,010**	**-**	**-**
Trade receivables	41,735	-	41,735	-	-
Cash	22,081	22,081	-	-	-
CURRENT ASSETS	**63,816**	**22,081**	**41,735**	**-**	**-**
ASSETS	**64,826**	**22,081**	**42,745**	**-**	**-**
Long-term financial debts	10,795	-	-	10,795	-
NON-CURRENT LIABILITIES	**10,795**	**-**	**-**	**10,795**	**-**
Short-term financial debts	2,768	-	-	2,768	-
Trade payables	13,223	-	-	13,223	-
CURRENT LIABILITIES	**15,991**	**-**	**-**	**15,991**	**-**
LIABILITIES	**26,786**	**-**	**-**	**26,786**	**-**

10.16/ Breakdown of assets by geographic area

(In thousands of euros)	12/31/2019	12/31/2018
Europe	73,655	60,999
North America	47,144	29,680
Asia	4,939	5,194
TOTAL	**125,738**	**95,873**

10.17/ Revenue

10.17.1 Breakdown of revenue by business sector

(In thousands of euros)	12/31/2019	12/31/2018
BU AMS	70,300	59,672
BU EMC	15,333	12,876
BU EIC	1,768	2,089
TOTAL	**87,401**	**74,637**

10.17.2 Breakdown of revenue by geographic area

(In thousands of euros)	12/31/2019	12/31/2018
Europe	25,418	24,940
Asia	22,634	23,281
Americas	39,349	26,416
TOTAL	**87,401**	**74,637**

10.18/ Purchases consumed

Purchases consumed break down as follows:

(In thousands of euros)	12/31/2019	12/31/2018
Purchases of raw materials and other supplies	<35,310>	<21,309>
Change in inventories of raw materials and other supplies	3,971	328
Purchases of merchandise	<50>	<31>
Outsourcing purchases	<3,602>	<6,025>
Production placed in inventory	156	373
Capitalized production	586	88
Subsidies	98	116
TOTAL	**<34,149>**	**<26,459>**

10.19/ External expenses

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

(In thousands of euros)	12/31/2019	12/31/2018
Rent and rental expenses	<458>	<2,254>
Maintenance and repairs	<816>	<284>
Insurance premiums	<372>	<265>
Payments for intermediaries and fees	<2,151>	<2,654>
Energy	-	<552>
Advertising	<586>	<614>
Transport	<2,477>	<1,896>
Travel and assignments	<4,412>	<3,766>
Postage expenses	<321>	<346>
Banking services	<201>	<178>
Other external expenses	<408>	-
TOTAL	**<12,203>**	**<12,809>**

10.20/ Payroll expenses

Payroll expenses are presented in detail in the following table:

(In thousands of euros)	12/31/2019	12/31/2018
Wages and salaries	<20,489>	<18,577>
Social security contributions	<6,096>	<5,630>
Other payroll expenses	<47>	31
TOTAL EXTERNAL EXPENSES	**<26,631>**	**<24,176>**

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

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

(In thousands of euros)	12/31/2019	12/31/2018
Allocations to amortization and depreciation of fixed assets	<4,750>	<2,642>
Allocations to provisions on current assets	<873>	<830>
Allocations to other operating provisions	<23>	<25>
Allocations to provisions for contingencies and expenses	<342>	<395>
Allocations to provisions for pension	<47>	<82>
TOTAL ALLOCATIONS	**<6,036>**	**<3,974>**
Writebacks of provisions on current assets	143	399
Writebacks of provisions for contingencies and expenses	97	237
Writebacks on provisions for pension	83	-
TOTAL WRITEBACKS	**323**	**636**
ALLOCATIONS NET OF WRITEBACKS	**<5,713>**	**<3,338>**

10.22/ Current operating income

Current net operating income breaks down by business sector as follows:

(In thousands of euros)	12/31/2019	12/31/2018
BU AMS	5,549	5,487
BU EMC	1,210	1,184
BU EIC	140	192
TOTAL	**6,899**	**6,863**

10.23/ Other non-current operating income and expenses

Other non-current operating income and expenses consist of the following:

(In thousands of euros)	12/31/2019	12/31/2018
Income from sales of fixed assets	-	14
Other extraordinary income	1	0
TOTAL NON-CURRENT OPERATING INCOME	**1**	**14**
Expenses on management operations	<386>	<22>
Net book value of sold tangible fixed assets	0	<33>
Non-recurring legal fees	1	0
Other extraordinary expenses	<213>	<436>
TOTAL NON-CURRENT OPERATING EXPENSES	**<597>**	**<491>**
TOTAL OTHER NON-CURRENT OPERATING INCOME AND EXPENSES	**<596>**	**<477>**

10.24/ Net financial income

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

(In thousands of euros)	12/31/2019	12/31/2018
Dividends	-	-
Other income from equity interests	8	5
Net income on sales of marketable securities	-	21
Other financial income	-	60
Income from cash and cash equivalents	**8**	**87**
Interest expenses on loans	<542>	<592>
Discounts granted	<3>	<0>
Net expenses on disposals of marketable securities	<97>	-
Gross finance costs	**<641>**	**<592>**
NET FINANCE COSTS	**<634>**	**<505>**
Foreign exchange gains	675	1,485
Foreign exchange losses	<475>	<1,515>
Other financial expenses	<0>	4
Other financial income	32	<60>
OTHER FINANCIAL INCOME AND EXPENSES	**232**	**<87>**
NET FINANCIAL INCOME	**<402>**	**<592>**

10.25/ Income tax

10.25.1 Analysis of income tax

The income tax expense breaks down as follows:

(In thousands of euros)	12/31/2019	12/31/2018
Taxes payable	<964>	<828>
Deferred taxes	<326>	4
TOTAL	**<1,290>**	**<824>**

10.25.2 Analysis of deferred tax by type

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

Deferred tax asset	12/31/2018	Through other comprehensive income	Change	Through profit or loss	12/31/2019
Construction work	5	-	-	1	6
Expenses related to the purchase of fixed assets	16	-	-	-	16
Loss carry-forwards used	1,759	-	-	<354>	1,405
Provisions for retirement compensation	137	-	23	<11>	149
Capital gains on internal transfers	36	-	0	<13>	24
IFRS 16	-	-	0	480	480
Other	1	-	-	-	1
Deferred corporate taxes	1,289	-	-	70	1,359
Set-off of deferred tax asset/deferred tax liability	<14>	-	<430>	-	<444>
TOTAL	**3,229**	**-**	**(407)**	**174**	**2,996**

Deferred tax liabilities	12/31/2018	Through other comprehensive income	Change	Through profit or loss	12/31/2019
Regulated provisions	13	-	-	-	13
Treasury shares	2	-	-	-	2
IFRS 16	-	-	0	429	429
Set-off of deferred tax asset/deferred tax liability	<14>	-	<430>	-	<444>
TOTAL	**0**	**-**	**(430)**	**429**	**(0)**
NET	**3,228**	**-**	**23**	**(255)**	**2,996**

10.25.3 Tax analysis

(In thousands of euros)	12/31/2019	12/31/2018
CONSOLIDATED NET INCOME OF CONSOLIDATED COMPANIES	**4,611**	**4,970**
/ Income taxes	1,290	824
PRE-TAX NET INCOME ON ACTIVITIES	**5,901**	**5,794**
Theoretical tax at the parent company's rate	1,652	1,622
Difference in rate with foreign companies	<1>	<118>
Tax losses for the financial year not used	137	94
Utilization of prior loss carry-forwards not used	<446>	<124>
Adjustment of corporate tax/prior corporate tax	8	<195>
Permanent differences	<61>	<455>
TOTAL	**1,290**	**824**

11. Risks

11.1/ Market risks and financial instruments

11.1.1 Interest rate risk

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

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

11.1.2 Currency risk

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

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

11.1.3 Liquidity risk

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

11.1.4 Counterparty risk

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

11.1.5 Customer risk

Because the Group generates most of its revenue with large, renowned French and foreign industrial groups, it does not face problems of insolvency of these customers. However, the work to recover receivables is greater in China than elsewhere in the world.

11.1.6 Treasury risk

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

Cash is mainly invested in money-market SICAVs.

11.2/ Environmental risks

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

12. Other information

12.1/ Average workforce

During financial year 2019, the average workforce was 378 employees across all entities put together, compared to 352 employees for financial year 2018.

12.2/ Off-balance sheet commitments

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

As part of the relocation of the Rainford Ltd plant to England, Microwave Vision 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.

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

- Foreign market advance payment guarantee (in euros): 1,166,388
- Foreign market performance guarantee (in euros): 429,970
- Foreign market tender guarantee (in USD): 250,000

12.3/ Executive pay

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

12.4/ Related parties

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

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

12.5/ Auditors' fees

The fees associated with the Auditors' services for financial year 2019 amount to €335 k, of which €292 k was for the audit of the financial statements and €43 k was for other services.

B. MANAGMENT REPORT OF THE BOARD OF DIRECTORS ON THE FINANCIAL YEAR ENDED DECEMBER 31, 2019

Report of the board of directors on the Group's management to the annual ordinary general meeting of June 18, 2020, and the consolidated financial statements for the financial year ended December 31, 2019

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, 2019, and to submit the consolidated financial statements for your approval.

The consolidated financial statements at December 31, 2019, consisting of the balance sheet, the income statement, and the notes, were prepared according to IFRS standards.

An update on your co-auditors' mission will also be given to you shortly.

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 applicable law, we hereby present our report on the Group's management.

1. Group position and activities

1.1. Group activity

The Group's revenue totals €87.4 million for the 2019 financial year, an increase of 12.8% at constant exchange rates (+17.1% at current exchange rates). The Group therefore achieved its 24rd consecutive year of growth.

Geographical and sectoral positioning that continues to be diversified.

The Group continues to demonstrate its ability to take full advantage of its sectoral and geographical opportunities by leveraging its strong international presence.

At sector level, its activities remained fairly balances, with 53% in Civil Telecommunications and 47% in Aerospace & Defense.

The geographical distribution of revenue breaks down as follows: 45% in North America, 30% in Europe and 25% in Asia. Activity in Asia remained stable in absolute terms, while activity in the US increased significantly.

The AMS (Antenna Measurement System) division posted revenues of €70.1 M to December 31, 2019 (80% of 2019 revenues), an increase of 18.4% compared with the year to December 31, 2018. Growth was in particular driven by the Aerospace/Defense sector. In this regard, the major contract of more than €30 M won in February 2019 contributed €6.5 M to the revenues for the year.

The Civil Telecommunications business, driven by the sale of 5G products, also remained extremely dynamic.

Revenue from the EMC (Electromagnetic Compatibility) sector totaled €15.4 M to December 31, 2019, compared with €13.3 M to December 31, 2018, and was marked by intense activity in the US and Europe.

Finally, the EIC (Environmental and Industrial Control) department posted revenues of €1.8 M to December 31, 2019, compared to €2.1 M to December 31, 2018, in line with the Group's expectations for this division.

1.2. Anticipated development and prospects

In 2019, the Group set a record for new orders, at €124.1 M compared with €78.0 M in 2018, a huge increase of +59% (+52% at constant exchange rates compared with 2018).

These new orders notably included the recent €6.6 M contract won at the end of the year in the Aerospace/Defense sector to supply a large antenna measurement system for satellite development.

This sales performance confirms the significant appeal of the solutions developed by the Group, which are perfectly in line with market developments. In particular, MVG continues to be active in major calls for proposals, such as the major contracts already won in the fields of Aerospace/Defense, and confirms the highly competitive nature of its products.

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

The emergence of the COVID-19 epidemic in January 2020 increases the uncertainty of the global economic environment and the markets. Its consequences for the MVG Group are difficult to assess, and will depend on its scale, duration and geographical scope, as well as the measures taken by the countries affected.

We are doing everything we can to ensure the safety of our employees, first and foremost. Where possible, teleworking has been rolled out on a broad basis and the subsidiaries involved in production have continued their activities, while complying with the rules on hygiene, safety and social distancing, as well as the rules imposed by their government.

The COVID-19 crisis does not jeopardize the Group as a going concern or its cash position. As of the reporting date, we have no knowledge of a significant loss in revenue or profit.

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

1.4.1 Staff information

At December 31, 2019, the staff consisted of 385 people as follows:
- Satimo: 179 employees
- Orbit: 154 employees
- Rainford: 52 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. The Japanese economy remains sluggish, but commercial activity nevertheless is still trending upward. In general, contracts are denominated in euros, US dollars, and in pounds sterling.

1.5.2 Customer risks

Because the Microwave Vision Group generates most of its revenue with large, renowned French and foreign industrial groups, it does not face insolvency problems. In 2019, no significant extraordinary loss was recognized on trade receivables. With regard to large measurement systems, billing is done in increments as progress is made on the systems. For other systems, the Group requires an advance when an order is placed, a payment on delivery of the product, and a final payment upon final acceptance of the product.

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

In addition, the geographical distribution of sales made by the Group in 2019 (30% of its revenue in Europe, 25% in Asia, and 45% in the US) and the high number of big names minimize customer risk.

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

Share of revenue in €K	2015	2016	2017	2018	2019
Number 1 customer	4,480	5,970	2,782	5,061	9,205
Top 5 customers	10,534	13,464	10,130	16,925	25,569

1.5.3 Interest rate risk

All of the Microwave Vision Groups debt is taken on at a fixed interest rate. All previous loans matured in 2019.

At the end of 2019, the Group took out two fixed rate loans with BPI France and CIC, for €2 M each.

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.

Legal action to defend the patents held by the Group is ongoing in Asia.

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 devoted €5,263 k to Research and Development. The Group receives the Research Tax Credit in France.

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

1.5.7 Risks with regard to key employees

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

1.5.8 Risk of fraud

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

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

1.6. Research and development activity

During financial year 2019, the Group continued its Research and Development efforts, allocating 6.02% of its revenue (6.36% in 2018). The Group produced demonstrators for all its new products, making it possible to present perfectly functional new innovations to its customers. This is an important factor in the decision-making process of customers. In general, the aim of the Research and Development efforts is to prepare our group for the increased frequency of future 5G communication products. The Group's goal is to be a key player in future 5G measurement systems. The Group is also continuing the development of hardware and software sub-systems for multi-sector technologies to meet the future requirements of its markets.

2. Economic situation of the Group

2.1. Balance Sheet: Assets and Liabilities

As of December 31, 2019, the company's balance sheet totaled €125,737 k. It totaled €95,873 k as of December 31, 2018.

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

Concerning assets:

1 – Non-current assets increased by €9,014 k (€37,918 k in 2019), mainly following an increase in tangible fixed assets (+€8,868 k).

2 – Current assets increased by €20,851 k (€87,820 k in 2019), impacted by an increase in cash (+€7,405 k), an increase in trade receivables and related accounts (+€5,377 k) and an increase in inventories (+€3,711 k).

Concerning liabilities:

- Equity capital increased from €68,891 k to €76,085 k.
- Long-term financing increased from €172 k to €10,795 k;
- Trade payables and related accounts increased from €11,801 k at December 31, 2018 to €13,223 k at December 31, 2019.

2.2. Income statement

The average rate of the US dollar over 2019 was $1.1196 for €1, compared with $1.1815 for €1 in 2018.

For the financial year ended December 31, 2019:

- revenue totaled €87,401 k excluding taxes compared with €74,637 k for the previous financial year;
- operating expenses for the financial year amounted to €73,795 k versus €64,436 k for the previous financial year;
- other non-current operating income and expenses amounted to €596 k versus €477 k for the previous financial year,
- current net operating income totaled €6,899 k versus €6,863 k for the previous financial year;
- net financial income was -€402 k in 2019 compared with -€592 k in 2018;
- profit before taxes totaled €5,901 k for financial year 2019 versus €5,794 k for financial year 2018;
- income tax represents an expense of €1,290 k in 2019 compared with €824 k in 2018;
- net income was €4,611 k in 2019 compared with €4,970 k in 2018;
- net income, group share, was €4,611 k in 2019 compared with €4,762 k in 2018.

2.3. List of French and foreign subsidiaries

The companies directly or indirectly held by the Group are:
- MVG Industries, 100% subsidiary, which holds a minority stake in Metraware;
- MVG, Inc., 100% subsidiary, which is based in Atlanta in the United States,
- MV Italy, SRL, 100% subsidiary, which is based in Rome, Italy;
- Microwave Vision, Ltd, 100 % subsidiary, which holds two subsidiaries: MV AMS, Ltd and MVG EMC, Ltd, which are based in Hong Kong; MV AMS, Ltd wholly owns the subsidiary created during the year, MVG China, which is based in Shenzhen;
- RAINFORD EMC Systems Ltd, 100% subsidiary, which is based in Manchester, in the United Kingdom;
- ORBIT/FR, Inc, 100% subsidiary, which holds 100% of the capital of the Aemi, Orbit Engineering, and Orbit Advanced Technologies companies, respectively based in Warminster, United States, San Diego, United States and Tel-Aviv, Israel.
- ORBIT/FR Europe, GmbH, 100% subsidiary, based in Haar (near Munich) in Germany.

2.4. Segment information on the Group's activity

The MVG Group is divided into four business units:
- the AMS business unit concerns antenna measuring activity;
- the EMC business unit concerns the electromagnetic compatibility sector;
- the EIC business unit concerns the environment and industrial control sector,
- the NSH business unit focuses on medical imaging instruments and security imaging for airports.

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

Segment income statement (in €K)	AMS		EMC		EIC		NSH	
	2019	2018	2019	2018	2019	2018	2019	2018
Revenue	70,300	59,672	15,333	12,876	1,768	2,090	0	0
Net operating income	5,070	5,487	1,106	1,184	128	192	0	0

The following table presents revenue by geographic region:

Revenue (in €K)	12/31/2019 (12 months)	12/31/2018 (12 months)
Europe	25,418	24,940
North America	39,349	26,417
Asia	22,634	23,281
TOTAL	87,401	74,637

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

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

Nature	Nominal (in €K)	Still owed as of 31/12/2019 (in €K)	2019 (in €K)	2020 (in €K)	More than 1 year (in €k)	Rate
ORBIT/FR SG CIC loan	3,283	0	0	0	0	Euribor 3 months + 2.17%
BPI	650	0	50	0	0	0%
2012 equity loan	2,650	0	398	0	0	Euribor 3 months + 2.7%
2013 bond loan	4,000	0	4,000	0	0	Interest rate at 4.80%
CIC 2019 loan	2,000	2,000	0	393	1,607	Interest rate at 1.23 (APR)
BPI France 2019 loan	2,000	2,000	0	400	1,600	Interest rate at 1.17 (APR)
BPI Innovation loan	246	115	48	55	60	0%
Intensa San Paolo loan	70	33	10	10	23	Interest rate at 5.71%
Leasing UK	-	24	9	9	15	-
Accrued interest on loans	30	30	12	30	0	-
IFRS 16 rent payables	11,057	9,361	1,696	1,872	7,489	-
Bank credit facilities	0	0	0	0	-	-
TOTAL	**25,986**	**13,563**	**6,222**	**2,769**	**10,794**	**-**

We ask that you approve the consolidated financial statements for the financial year ended December 31, 2019, 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 urge you to approve the text of the resolutions that we are submitting for your approval.

The Board of Directors

C. CORPORATE GOVERNANCE REPORT

The MVG Group is chaired by Philippe GARREAU. The Group decided to give him the mandate of Chairman and CEO. This decision was motivated by the Group's history, since Philippe Garreau was responsible for key product research and development. With his involvement in all of the Group's business units, he was able to create relationships of trust in an operational sense with the Group's key leaders. Philippe GARREAU has been an employee of the Group for 28 years and has overseen the Group for 24 years.

1. The Board of Directors

The company is managed by a Board of Directors consisting of 6 members and 1 observer as follows:

- 1 independent director
- 3 directors who are employees of the Group
- 2 non-independent external directors
- 1 observer representing Bpifrance
- 16.66% independent directors
- 2 women.

Eight meetings took place in 2019, with an attendance rate of 95%.

2. Internal committees

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

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

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

3. Powers and duties of the Chairman and CEO

The duties of the Chairman and the Chief Executive Officer are as follows:

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

NOTES

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

4. Powers and duties of the Board of Directors

The Board of Directors determines the policies of the Company's activities, including its strategic policies, and ensures that they are implemented. Without prejudice to the powers expressly assigned to the general meetings of shareholders and within the limits of the business purpose, it is responsible for all issues concerning the functioning of the Company and settles matters for which it is responsible through its deliberations.

In particular, without this list being exhaustive, the Board of Directors, in accordance with current legislative and regulatory provisions and under the conditions and in accordance with the procedures established by its internal regulation:

- has the authority to convene the Company's general meetings of shareholders and set their agenda;
- approves the Group's annual budget presented by the CEO as well as all changes to this budget;
- approves the corporate financial statements and the consolidated financial statements and prepares the annual management report and corporate governance report;
- authorizes the agreements and commitments referred to in Articles L. 225-38 et seq. of the French Commercial Code;
- chooses how the Company's general management is conducted in accordance with articles 21.1 and 21.4 of the articles of association;
- appoints or dismisses:
  - the Chairman of the Board of Directors,
  - the CEO,
  - and, where appropriate, at the proposal of the CEO, the deputy CEOs;
- determines the powers of the CEO and, as applicable, with the CEO's agreement, those of the deputy CEO(s);
- may co-opt a director;
- establishes the compensation of the CEO and the deputy CEO(s) and directors engaged in paid employment in the Group;
- distributes attendance fees to the directors in accordance with the provisions of its internal regulations;
- may decide to issue debt instruments not giving access to capital;
- decides to allocate compensation to the observer(s), if any;
- authorizes the CEO, with the right to sub-delegate, to grant bonds, endorsements, and guarantees:
  - by establishing, for each financial year: – an overall ceiling, – as necessary, a maximum amount per operation; and
  - by validating in advance any operation that would cause the overall ceiling or maximum per operation amount to be exceeded.

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

5. Composition of the Board of Directors

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

Sophie de Roux:
A graduate of Sciences Po Paris and ESSEC and holder of a law degree, she has spent more than 20 years working in financial management positions in an international environment, particularly at Dassault Systèmes. She has experience on both the Group side and the LBO entrepreneurial side. She has participated in numerous external growth operations and has a strong awareness of contractual, legal, and tax issues.
She is a member of the Supervisory Board of Savencia Holding, Director and member of the Audit Committee of Verlinvest, Director and Chairman of the Audit Committee of Sapec, SA, and Chairman of Corporate Value Associates France SASU.

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

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

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

Gianni BARONE, Director:
Graduate of the University of Torvergata (Italy) and SupAero (Master's in Aerospace Electronics), he started his career at ESA in 1990. He worked for Space Engineering in Italy for 6 years, a company that specializes in studying and producing space antennas.
Then in 1996, he participated in the start-up of the Italian Altran establishments. This was an opportunity for him to work with key accounts in France, Scandinavia, and Asian countries in the mobile radiocommunications field.
He joined SATIMO in April 2000 as Sales Director and director of SATIMO Italy.

Sylvain DEKENS, Observer (permanent representative of Bpifrance Investissement), resigned on December 19, 2019:
A graduate of SUPAERO, he began his career in 2009 with Deutsche Bank's Mergers & Acquisitions teams in Paris, where he acts on various consulting assignments for European industrial players as well as for investment funds.
In 2011, he joined Fonds Stratégique d'Investissement, which became Bpifrance in 2013, where he is currently Investment Director.

Louis MOLIS, Observer (permanent representative of Bpifrance Investissement), co-opted in December 19, 2019 subject to ratification at the next general meeting
A graduate from HEC, he began his career as an entrepreneur in particular by creating an advertising department dedicated to mobile marketing. From 2011, he was an associate at Bridgepoint Capital (European investment fund). He joined JCDecaux in April 2014, as head of M&A and Development before becoming CEO of JCDecaux Link in May 2015. He was then appointed Director of Mergers and Acquisitions and Development of the group based in Plaisir. In 2019, he joined Bpifrance, where he is currently Investment Director.

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

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

7. Changes in the composition of the Board of Directors

Directors	2020	2021	2022	2023	2024	2025
Philippe Garreau				√ (3)		
Sophie de Roux	√ (2)					
Agnès Mestreau Garreau				√ (3)		
Olivier Gurs				√ (3)		
Bruno Rivet				√ (3)		
Gianni Barone				√ (3)		
Sylvain Dekens(1)	√ (2)					
Louis Molis						√ (4)

(1) Observer
(2) Following the general meeting to be held in 2020 to approve the 2019 financial statements
(3) Following the general meeting to be held in 2023 to approve the 2022 financial statements
(4) Following the general meeting to be held in 2025 to approve the 2024 financial statements

D. AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

RSM Paris
Member of RSM International
26 rue Cambacérès, 75008 Paris

Auditeurs & Conseil Associés
Member of Nexia International
31 rue Henri Rochefort, 75017 Paris

Year ended December 31, 2019

To the general meeting of MICROWAVE VISION,

Opinion

In execution of the task with which we have been entrusted by your general meetings, we have carried out the audit of the consolidated financial statements of the MICROWAVE VISION company for fiscal year ended December 31, 2019, as they are attached to this report. These accounts were approved by the Board of Directors on April 10, 2020, based on the information available as of this date, and against the backdrop of the developing public health crisis relating to Covid-19.

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

Basis of the opinion

Audit framework

We conducted our audit in accordance with the professional standards applicable in France. We believe that the elements that we have collected are sufficient and appropriate to form the basis of our opinion.

Our responsibilities in accordance with these standards are indicated in the section of this report entitled "Responsibilities of the statutory auditors regarding the audit of the consolidated financial statements."

Independence

We carried out our audit with respect for the rules of independence to which we are subject for the period from January 1, 2019 to the issue date of our report, and in particular we did not provide any services prohibited by the code of ethics for the profession of statutory auditor.

Observation

Without calling into question the opinion expressed above, we draw your attention to Note 9.1 "Accounting changes" of the Notes to the Consolidated Accounts, which explains the change in accounting methods relating to the application as of January 1, 2019 of IFRS 16 "Leases".

Justification of our assessments

Pursuant to the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code regarding the justification of our assessments, we would like to bring the following assessments to your attention, which, in our professional judgment, were the most important for the audit of the consolidated financial statements.

The assessments thus made are part of the audit of the consolidated financial statements taken as a whole, approved under the conditions set out above, and the formation of the opinion that we expressed above. We do not express an opinion on the elements of these consolidated financial statements taken individually.

Valuation of the intangible assets

The goodwill, reported on the balance sheet ended 2019 at 13,531 thousand euros, was subject to impairment tests in accordance with the procedures described in the notes "6.9 Impairment" and 10.1 "Goodwill." We examined the procedures under which these tests were carried out based on the discounted future cash flow method and verified that the assumptions used were consistent with the provisional data obtained from the strategic plans established for each activity or division under the control of the Group's management, and we verified that the notes 6.9 "Impairment" and 10.1 "Goodwill" provide the appropriate information.

We verified the reasonableness of these estimates as part of our assessments.

Deferred tax assets for allowable loss carry-forwards

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

We verified the reasonableness of these estimates as part of our assessments.

Specific verifications

In accordance with the professional standards applicable in France, we also conducted the specific verifications provided for by the applicable laws and regulations of the information concerning the Group provided in the management report of the Board of Directors on April 10, 2020. With regard to the events that have occurred and the information that has emerged following the date of the financial statements relating to the crisis linked to Covid-19, the management has informed us that they will be covered by a statement to the general meeting to be held to approve the accounts.

We have no comments to make regarding the sincerity and correlation of this information with the information contained in the consolidated financial statements.

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

It is Management's responsibility to prepare consolidated financial statements that present a true and fair view in accordance with French accounting rules and standards as well as to put in place the internal control structure that it deems necessary for the preparation of consolidated financial statements that do not contain material misstatements, whether resulting from fraud or error.

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

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

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

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

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

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

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

Drafted in Paris on April 29, 2020
The statutory auditors

RSM Paris	Auditeurs & Conseils Associés
François Aupic	Philippe Mendes

E. CORPORATE ANNUAL FINANCIAL STATEMENTS OF MICROWAVE VISION FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2019

Balance Sheet (assets)

	Year ended 12/31/2019 (12 months)				Previous year 12/31/2018 (12 months)	
	Gross	Amort. and Deprec. & Prov	Net	%	Net	%
Subscribed capital not called (0)						
CAPITAL ASSETS						
Preliminary expenses	-	-	-	-	-	-
Research and development	-	-	-	-	-	-
Concessions, patents, trademarks, software, and similar rights	2,216,584	1,126,236	1,090,348	1.23	482,191	0.55
Goodwill	-	-	-	-	-	-
Other intangible fixed assets	-	-	-	-	293,502	0.33
Advances and deposits on intangible fixed assets	-	-	-	-		-
Land	-	-	-	-	-	-
Buildings	-	-	-	-	-	-
Technical installations, industrial tools and equipment	-	-	-	-	-	-
Other tangible fixed assets	34,536	15,841	18,695	0.02	23,344	0.03
Fixed assets in progress	-	-	-	-	-	-
Advances & deposits	-	-	-	-	-	-
Equity interests valued according to the equity method	-	-	-	-	-	-
Other equity interests	40,978,919	-	40,978,919	46.12	40,061,225	45.42
Receivables related to equity interests	-	-	-	-	-	-
Other fixed investments	-	-	-	-	-	-
Loans	1,815,989	-	1,815,989	2.04	1,815,989	2.06
Other long-term investments	299,474	-	299,474	0.34	883,026	1.00
TOTAL (I)	**45,345,502**	**1,142,077**	**44,203,425**	**49.75**	**43,559,277**	**49.38**
CURRENT ASSETS						
Raw materials, supplies	-	-	-	-	-	-
Production of goods in progress	-	-	-	-	-	-
Production of services in progress	-	-	-	-	-	-
Semi-finished and finished products	-	-	-	-	-	-
Merchandise	-	-	-	-	-	-
Advances & deposits paid on orders	-	-	-	-	-	-
Trade receivables and related accounts	33,922,767	-	33,922,767	38.18	34,725,901	39.37
Other receivables	-	-	-	-	-	-
• Due from suppliers	285,110	-	285,110	0.32	-	-
• Personnel	-	-	-	-	-	-
• Social agencies	29,149	-	29,149	0.03	-	-
• Government – Income tax	10,105	-	10,105	0.01	-	-
• Government – Taxes on revenue	605,937	-	605,937	0.68	406,607	0.46
• Other	3,811,499	-	3,811,499	4.29	2,948,791	3.34
Subscribed capital, called but not paid	-	-	-	-	-	-
Marketable securities	2,947,650	-	2,947,650	3.32	3,097,360	3.51
Futures and tokens held	-	-	-	-	-	-
Cash assets	2,619,288	-	2,619,288	2.95	3,292,493	3.73
Prepaid expenses	270,608	-	270,608	0.30	71,478	0.08
TOTAL (II)	**44,502,114**	**-**	**44,502,114**	**50.08**	**44,542,632**	**50.50**
Expenses to be spread out over several financial years (III)	0	-	0	0.00	23,311	0.03
Bond redemption premiums (IV)	-	-	-	-	-	-
Currency translation adjustments and differences in valuation of assets (V)	149,901	-	149,901	0.17	81,483	0.09
TOTAL ASSETS (0 to V)	**89,997,516**	**1,142,077**	**88,855,440**	**100.00**	**88,206,702**	**100.00**

Balance sheet (liabilities)

	Year ended 12/31/2019 (12 months)	%	Previous year 12/31/2018 (12 months)	%
EQUITY CAPITAL				
Share capital or individual capital (paid up:)	1,297,264	1.46	1,256,433	1.42
Share, merger, contribution, and other premiums	55,200,459	62.12	52,485,211	59.50
Revaluation differences	-	-	-	-
Statutory reserve	350,971	0.39	350,971	0.40
Reserves required by articles of association or contract	-	-	-	-
Regulated reserves	-	-	-	-
Other reserves	130,807	0.15	130,807	0.15
Retained earnings	4,304,470	4.84	4,022,541	4.56
PROFIT OR LOSS FOR THE YEAR	**170,799**	**0.19**	**302 725**	**0.34**
Investment subsidies	-	-	-	-
Regulated provisions	55,091	0.06	55,091	0.06
TOTAL (I)	**61,509,860**	**69.22**	**58,603,779**	**66.44**
Proceeds from issues of equity securities	-	-	-	-
Conditional advances	-	-	-	-
TOTAL (II)	**-**	**-**	**-**	**-**
PROVISIONS FOR CONTINGENCIES AND EXPENSES				
Provisions for contingencies	-	-	-	-
Provisions for expenses	1,479,148	1.66	81,483	0.09
TOTAL (III)	**1,479,148**	**1.66**	**81,483**	**0.09**
LOANS AND DEBTS				
Convertible bond loans	-	-	-	-
Other bond loans	-	-	4,000,000	4.53
Borrowed funds and debts with credit institutions	-	-	-	-
• Loans	4,053,837	4.56	77,905	0.09
• Overdrafts, bank credit facilities	-	-	-	-
Miscellaneous loans and financial debts	-	-	-	-
• Miscellaneous	-	-	397,500	0.45
• Associates	4,187,898	4.71	4,772,570	5.41
Advances & deposits received on orders in progress	9,417	0.01	7,966	0.01
Trade payables and related accounts	16,494,395	18.56	18,898,615	21.43
Taxes and social security payable	-	-	-	-
• Personnel	330,822	0.37	566,905	0.64
• Social agencies	176,272	0.20	226,503	0.26
• Government – Income tax	-	0.00	467	0.00
• Government – Taxes on revenue	280,784	0.32	228,182	0.26
• Government – guaranteed bonds	-	-	-	-
• Other taxes and similar payments	98,974	0.11	8,019	0.01
Debts on fixed assets and related accounts	-	-	-	-
Other debts	70,671	0.08	43,605	0.05
Futures	-	-	-	-
Deferred income	162,197	0.18	240,282	0.27
TOTAL (IV)	**25,865,267**	**29.11**	**29,468,519**	**33.41**
Currency translation adjustments and differences in valuation of liabilities (V)	1,164	0.00	52,922	0.06
TOTAL LIABILITIES (I to V)	**88,855,440**	**100.00**	**88,206,702**	**100.00**

Income statement

	France	Exports	Year ended 12/31/2019 (12 months) Total	%	Previous year 12/31/2018 (12 months) Total	%	Absolute change (12/12) Change	%
Sales of merchandise	-	-	-	-	-	-	-	-
Production sold (goods)	-	3,447,804	3,447,804	36.31	4,412,710	41.30	-964,906	-21.86
Production sold (services)	1,044,155	5,003,025	6,047,180	63.69	6,272,286	58.70	-225,106	-3.58
NET REVENUES	**1,044,155**	**8,450,829**	**9,494,984**	**100.00**	**10,684,996**	**100.00**	**-1,190,012**	**-11.13**
Production placed in inventory			-	-	-	-	-	-
Capitalized production			520,179	5.48	223,060	2.09	297,119	133.20
Operating subsidies			-	-	-	-	-	-
Writebacks on depreciation & amortization, provisions, and transfers of expenses			30,278	0.32	29,855	0.28	423	1.42
Other income			622,206	6.55	331,062	3.10	291,144	87.94
TOTAL OPERATING INCOME (I)			**10,667,648**	**112.35**	**11,268,971**	**105.47**	**-601,323**	**-5.33**
Purchases of merchandise (including customs duties)			-	-	-	-	-	-
Change in inventory (merchandise)			-	-	-	-	-	-
Purchases of raw materials and other supplies			2,496,877	26.30	1,682,331	15.74	814,546	48.42
Change in inventories (raw materials and other supplies)			-	-	-	-	-	-
Other purchases and external expenses			4,137,535	43.58	5,858,756	54.83	-1,721,221	-29.37
Taxes and similar payments			69,153	0.73	66,500	0.62	2,653	3.99
Wages and salaries			1,537,235	16.19	1,625,495	15.21	-88,260	-5.42
Social security contributions			972,321	10.24	698,465	6.54	273,856	39.21
Allocations to amortization and depreciation on fixed assets			276,674	2.91	227,238	2.13	49,436	21.76
Allocations to provisions on fixed assets			-	-	-	-	-	-
Allocations to provisions on current assets			-	-	-	-	-	-
Allocations to provisions for contingencies and expenses			-	-	-	-	-	-
Other expenses			648,845	6.83	546,074	5.11	102,771	18.82
TOTAL OPERATING EXPENSES (II)			**10,138,639**	**106.78**	**10,704,859**	**100.19**	**-566,220**	**-5.28**
NET OPERATING INCOME (I-II)			**529,008**	**5.57**	**564,112**	**5.28**	**-35,104**	**-6.21**
Share of net income from joint ventures			-	-	-	-	-	-
Profit allocated or loss transferred (III)			-	-	-	-	-	-
Loss incurred or profit transferred (IV)			-	-	-	-	-	-
Financial income from equity interests			-	-	-	-	-	-
Income from other marketable securities and receivables			-	-	-	-	-	-
Other interest and similar income			261,685	2.76	263,338	2.46	-1,653	-0.62
Writebacks on provisions and transfers of expenses			81,483	0.86	25,942	0.24	55,541	214.10
Positive foreign exchange differences			420	0.00	546,505	5.11	-546,085	-99.91
Net proceeds on disposals of investment securities			-	-	-	-	-	-
TOTAL FINANCIAL INCOME (V)			**343,588**	**3.62**	**835,784**	**7.82**	**-492,196**	**-58.88**
Financial allocations to amortization/depreciation and provisions			149,901	1.58	81,483	0.76	68,418	83.97
Interest and similar expenses			383,723	4.04	443,883	4.15	-60,160	-13.54
Negative foreign exchange differences			4,056	0.04	583,512	5.46	-579,456	-99.29
Net expenses on disposals of marketable securities			-	-	-	-	-	-
TOTAL FINANCIAL EXPENSES (VI)			**537,680**	**5.66**	**1,108,878**	**10.38**	**-571,198**	**-51.50**
NET FINANCIAL INCOME (V-VI)			**-194,092**	**-2.03**	**-273,094**	**-2.55**	**79,002**	**28.93**
NET CURRENT INCOME BEFORE TAXES (I-II+III-IV+V-VI)			**334,916**	**3.53**	**291,018**	**2.72**	**43,898**	**15.08**

	Year ended 12/31/2019 (12 months)		Previous year 12/31/2018 (12 months)		Absolute change (12/12)	
	Total	%	Total	%	Change	%
Extraordinary income on management operations	-	-	-	-	-	-
Extraordinary income on capital transactions	1,071,283	11.28	23,004	0.22	1,048,279	N/S
Writebacks on provisions and transfers of expenses	337,089	3.55	-	-	337,089	N/S
TOTAL EXTRAORDINARY INCOME (VII)	**1,408,372**	**14.83**	**23,004**	**0.22**	**1,385,368**	**N/S**
Extraordinary expenses on management operations	83,264	0.88	150	0.03	83,114	N/S
Extraordinary expenses on capital transactions	184,738	1.95	32,897	0.31	151,841	461.56
Extraordinary allocations to amortization/depreciation and provisions	1,329,247	14.00	-	-	1,329,247	N/S
TOTAL EXTRAORDINARY EXPENSES (VIII)	**1,597,249**	**16.82**	**33,047**	**0.31**	**1,564,202**	**N/S**
NET EXTRAORDINARY INCOME (VII-VIII)	**-188,877**	**-1.98**	**-10,043**	**-0.08**	**-178,834**	**N/S**
Employee profit-sharing (IX)	-	-	-	-	-	-
Income taxes (X)	-24,760	-0.25	-21,750	-0.19	-3,010	-13.83
TOTAL INCOME (I+III+V+VII)	**12,419,608**	**130.80**	**12,127,760**	**113.50**	**291,848**	**2.41**
TOTAL EXPENSES (II+IV+VI+VIII+IX+X)	**12,248,809**	**129.00**	**11,825,035**	**110.67**	**423,774**	**3.58**
NET INCOME	**170,799** *Profit*	**1.80**	**302,725** *Profit*	**2.83**	**-131,926**	**-43.57**
Equipment leasing	-	-	-	-	-	-
Real estate leasing	-	-	-	-	-	-

CONTENTS

Notes to the corporate financial statements of Microwave Vision for the financial year ended December 31, 2019

- **The balance sheet for the financial year ended 12/31/2019 totaled €88,855,440 before appropriation of net income. The income statement shows a profit of €170,799.**
- **The financial year has a duration of 12 months, covering the period from 1/1/2019 to 12/31/2019.**
- **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 4/10/2020.**

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

1/ Significant events of the financial year

Following the acquisition of the minority interests of the Orbit subgroup on 04/06/2018, Microwave Vision S.A. transferred the shares of the German subsidiary "Orbit FR Europe GmbH" to its assets as of January 1, 2019.

On July 18, 2019, the redeemable stock warrants expired. 204,154 stock warrants were exercised on 310,000 shares at a strike price of €13.50, and, as a result, the share capital increased from 6,282,166 to 6,486,320 shares, i.e. an increase in share capital of €10,831 (€0.20 per share) and in the share premium of €2,715,248 (€13.30 per share)

The company repaid the €4,000,000 bond issue, and also took out two new loans for €2,000,000 each from CIC and BPI France.

The tax inspection on the financial years running from 01/01/2015 to 12/31/2019 was closed in 2019.

2/ Accounting principles, rules, and methods

The financial statements at December 31, 2019, were prepared in compliance with the provisions of the French Commercial Code (Articles L123-12 to L123-28) and ANC regulation no. 2016-07 of November 4, 2016, relating to the French General Accounting System (PCG) approved by ministerial decree of December 26, 2016.

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

- consistency of methods,
- going concern,
- Independence of financial periods,

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

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

The main methods used are presented below.

2.1. Conversion of autonomous facilities

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

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

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

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

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

2.2. Intangible fixed assets

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

2.3. Tangible fixed assets

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

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

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

2.4. Long-term investments

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

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

- equity capital of the subsidiary;
- its prospects according to the discounted future cash flow method. These flows are determined on the basis of four-year forecasts with an assumption of growth to infinity of 1% from the fifth year and a discount rate of 10.11%.

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. The foreign exchange gains and losses resulting from the conversion of the trade receivables and payables are now reported under net financial income instead of net operating income.

2.8. Marketable securities

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

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

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

2.10. Provisions

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

They mainly concern foreign exchange losses and the allocation of bonus shares.

2.11. Retirement compensation

Obligations related to statutory or contractual retirement compensation were valued at 12/31/2019.

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

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

The assumptions used are as follows:

- Salary increase rate: 1% constant
- Collective agreement: metallurgy
- Departure at the initiative of: employee
- Calculation method: prospectively on a pro-rata basis
- Discount rate: 0.77%
- Employee turnover: 5% until 50 years of age
- Retirement age: 67
- Social security contribution rate: 47%

2.12. Recognition of income

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

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

- **Sale of products and studies:** 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

The emergence of the COVID-19 epidemic in January 2020 increases the uncertainty of the global economic environment and the markets. Its consequences for the MVG Group are difficult to assess, and will depend on its scale, duration and geographical scope, as well as the measures taken by the countries affected.

We are doing everything we can to ensure the safety of our employees, first and foremost. Where possible, teleworking has been rolled out on a broad basis and the subsidiaries involved in production have continued their activities, while complying with the rules on hygiene, safety and social distancing, as well as the rules imposed by their government.

The COVID-19 crisis does not jeopardize the Group as a going concern or its cash position. As of the reporting date, we have no knowledge of a significant loss in revenue or profit.

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 12/31/2018	Increases	Decreases	Transfers	Gross value 12/31/2019	Amortization 12/31/2019	Net value 12/31/2019
Other intangible fixed assets	1,361,140	561,342	-	293,502	2,216,583	1,126,236	1,090,347
Intangible fixed assets in progress	293,501	-	-	-293,502	-	-	-
TOTAL	**1,654,641**	**561,342**	**-**	**-**	**2,010,345**	**1,126,236**	**1,090,347**

3.2. Tangible fixed assets

	Gross value 12/31/2018	Increases	Decreases	Transfers	Gross value 12/31/2019	Amortization 12/31/2019	Net value 12/31/2019
Industrial equipment and tools	1,700	-	-	2,254	3,954	2,360	1,594
Fixtures	-	-	-	-	-	-	-
Transport equipment	26,000	-	-	-	26,000	8,919	17,081
Office equipment and computer furniture	5,362	1,394	-	-2174	4,582	4,562	20
TOTAL	**33,062**	**1,394**	**-**	**80**	**34,536**	**15,841**	**18,695**

3.3. Long-term investments

	12/31/2018	Increases	Decreases	12/31/2019
Equity securities	40,061,225	917,694	-	40,978,919
Loans	1,815,989	-	-	1,815,989
Other long-term investments	883,026	1,199,237	1,782,789	299,474
TOTAL	**42,760,240**	**2,116,931**	**1,782,789**	**43,094,382**

The treasury shares are presented as of December 31, 2019 in the item "Other long-term investments" in the amount of €143,213, compared to €696,621 at closing of the previous financial year.

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

	12/31/2018	Allocations	Writebacks	12/31/2019
Research and development expenses	-	-	-	-
Other intangible fixed assets	878,949	247,287	-	1,126,236
INTANGIBLE FIXED ASSETS	**878,949**	**247,287**	**-**	**1,126,236**
Industrial equipment and tools	1,437	923	-	2,360
Fixtures	-	-	-	-
Transport equipment	3,719	5,200	-	8,919
Office equipment and computer furniture	4,562	-	-	4,562
TANGIBLE FIXED ASSETS	**9,718**	**6,076**	**-**	**15,841**
Other long-term investments	-	-	-	-
LONG-TERM INVESTMENTS	**-**	**-**	**-**	**-**
TOTAL	**888,667**	**253,410**	**-**	**1,142,077**

3.5. Inventories

None.

3.6. Trade receivables

The balance of trade receivables at December 31, 2019, breaks down as follows:

	Trade receivables	Unbilled income
France and Europe	3,912,471	4,415,769
USA	21,607,367	2,490,368
Sweden	-	-
Hong Kong	474,359	959,263
Japan	52,068	11,102
TOTAL	**26,046,265**	**7,876,502**

All of these receivables are due within one year.

3.7. Other receivables

	12/31/2019	12/31/2018
Social agencies	29,149	-
Government – Research tax credit	3,337,283	2,840,557
Government - Income tax	10,105	-
Deductible VAT	49,240	41,564
VAT credit to be carried forward	380,467	195,279
VAT on accrued invoices	176,230	169,765
Miscellaneous debtors	371,069	-
Pool MVG/ UK	2	-
Liaison - MVG AMS, Ltd	103,054	108,143
Financial liaison – HK Ind	-	2
Liaison – Microwave Vision, Ltd	91	89
TOTAL	**4,456,690**	**3,355,399**

All other receivables are due within one year, with the exception of CIR receivables, whose share due within one year is estimated at €1,792,940 (2019 CIR financing).

The research tax credits for 2016, 2017, and 2018 were the subject of financing with Bpifrance for €1,398,705, €1,606,400 and €1,604,405 respectively.

3.8. Marketable securities

As of December 31, 2019, this item consisted of investments in money market SICAVs and term accounts for €997 k and €300 k respectively. It also consisted of treasury shares intended for or still available to employees in the amount of €1,650 k.

3.9. Prepaid expenses

This item has a balance of €271 k. Prepaid expenses are primarily comprised of property rents for €27 k, fees and subscriptions for €34 k, professional fees for €10 k, advertising expenses for €18 k and social contributions for €161 k.

3.10. Equity capital

	Balance 12/31/2018	Balance of 2018 net income	Other movements	Translation adjustment	Net income for financial year 2019	Balance 12/31/2019
Share capital	1,256,433	-	40,831	-	-	1,297,264
Share premium	52,485,211	-	2,715,248	-	-	55,200,459
Statutory reserve	350,971	-	-	-	-	350,971
Other reserves	130,807	-	-	-	-	130,807
Retained earnings	4,022,541	302,725	-	-20,796	-	4,304,470
Accelerated depreciation	55,091	-	-	-	-	55,091
2018 net income	302,725	-302,725	-	-	-	-
2019 net income	-	-	-	-	170,799	170,799
TOTAL	**58,603,779**	**-**	**2,756,079**	**-20,796**	**170,799**	**61,509,860**

Share capital consists of 6,486,320 shares with a nominal value of €0.20 each.

Accelerated depreciation pertains to the borrowing costs related to the acquisition of Rainford. These expenses fully amortized as of 12/31/2019.

The Board of Directors launched a plan allocate bonus shares on July 12, 2019. It relates to 125,000 shares and provides for an acquisition period of 12 months.

3.11. Provisions for contingencies and expenses

	12/31/2018	Allocations	Writebacks	12/31/2019
Provisions for expenses	81,483	149,901	81,483	149,901
Other provisions for expenses	-	1,329,247	-	1,329,247
TOTAL	**81,483**	**1,479,148**	**81,483**	**1,479,148**

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.

The other provisions for expenses booked as of 12/31/2019 relate to the allocation of bonus shares.

3.12. Loans and financial debts

The debt maturity schedule at December 31, 2019, breaks down as follows:

Due dates	< 1 year	1-5 years	> 5 years	TOTAL
Funds borrowed from credit institutions	821,224	3,232,613	-	4,053,837
Miscellaneous loans and financial debts with related companies	4,187,898	-	-	4,187,898
TOTAL	**5,009,122**	**3,232,613**	**-**	**8,241,735**

Loan repayments totaled €4,397,500 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 as of the closing date of the financial year.

The expense relating to the spreading of borrowing costs was €23,311.

	12/31/2018	Amortization/ Depreciation	Writeback	12/31/2019
Spreading of borrowing costs	23,311	23,311	-	-
TOTAL	**23,311**	**23,311**	**-**	**-**

3.13. Trade payables

	12/31/2019	12/31/2018
Trade payables	14,056,562	16,462,905
Suppliers – Invoices not yet received	2,437,833	2,435,710
TOTAL	**16,494,395**	**18,898,615**

Trade payables are due within one year.

3.14. Taxes and social security payable

	12/31/2019	12/31/2018
Remuneration due to staff	153,580	356,763
Miscellaneous social agencies	158,512	226,502
Paid leave (including social security contributions)	195,001	210,142
Government – Income tax	-	467
Government – Accrued expenses	98,974	8,019
Tax on revenue to be reported	33,487	-
VAT collected on invoices to be raised	240,959	221,585
Intra-community VAT	6,338	6,597
TOTAL	**886,851**	**1,030,075**

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

3.15. Liability accrual accounts

Deferred income of €162,197 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	4,056	420
Allocations and writebacks on foreign exchange losses	149,901	81,483
Interest on current accounts	50,327	-
Interest on loans	27,498	24,911
Interest on current bank credit facilities	305,898	209,870
Proceeds from disposal of marketable securities	-	-
Other financial items	-	26,904
TOTAL	**537,680**	**343,588**

4.2. Details of net extraordinary income

Net extraordinary income	Expenses	Income
Penalties	83,264	-
Capital gains and losses on liquidity contract	59,759	100,532
Extraordinary professional fees	124,978	-
Exceptional allocations to amort/depr.	1,329,247	-
Rebilling of bonus shares	-	970,751
Writebacks on provisions and transfers of expenses	-	337,089
TOTAL	**1,597,249**	**1,408,372**

Other extraordinary items are income and expenses on liquidity contract operations.

4.3. Breakdown of production sold by geographical region

	2019	2018
France	1,044,153	5,523,923
Europe	2,743,389	374,667
Outside Europe	5,707,442	4,786,406
TOTAL	**9,494,984**	**10,684,996**

4.4. Pension obligations

A provision for the obligation at December 31, 2019, was established in the company's accounts. It is estimated at 101,791 euros, considering the calculation assumptions presented in the accounting principles and methods.

4.5. List of subsidiaries and equity interests

Name of the interest	Capital	Reserves and retained earnings	% of capital held	Book value of securities	Revenue excl. taxes Last year	Net income
MVG Industries	€4,700,000	21,233,738	100%	€18,624,761	€21,979,672	€1,760,339
ORBIT/FR	$921,000	$10,778,625	100%	€17,503,320	$59,801,608	$2,136,296
MVG, Inc	$2,365,253	$1,235,964	100%	€1,881,011	$19,529,338	-$70,641
MV Italie SRL	€100,000	4,608,370	100%	€1,602,215	6,132,613	1,696,703
Rainford	£151,001	£2,817,338	100%	€449,918	£11,718,296	£352, 607
Orbit/FR Europe, Gmbh	€25,565	-€232,242	100%	€917,964	3,548,864	53,706
Microwave Vision, LTD	HKD 1,000,000	0	100%	0	0	0

Microwave Vision is the consolidating parent company of the Group.

4.6. Average staff employed during the financial year

	France	Italy	Hong Kong	Sweden	Japan	TOTAL
Senior management	4	0	0	1	1	6
Other employees	2	0	0	1	6	9
TOTAL	**6**	**0**	**0**	**2**	**7**	**15**

4.7. Executive pay

During the financial year, gross executive pay totaled €1,108,387.

4.8. 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	-1,164	-326
Total allowable loss carry-forwards	-3,975,785	-993,946

4.9. Off-balance sheet commitments

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

- As part of the relocation of the Rainford Ltd plant to 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.

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

- Foreign market advance payment guarantee (in euros): 808,888
- Foreign market performance guarantee (in euros): 429,970
- Foreign market tender guarantee (in USD): 250,000

4.10. Auditors' fees

Auditors' fees in the income statement amounted to €84,600, of which:

- €78,000 related to account certification
- €6,600 related to services other than account certification, which include the report on regulated agreements, the review of the management report and the statement concerning financial ratios.

A global presence

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

Nous contacter :

finance@mvg-world.com

http://investor.mvg-world.com/fr