EGIDE

2017 REGISTRATION DOCUMENT

INNOVATIVE HERMETIC SOLUTIONS

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The original French language version of the registration document (document de référence) for 2017 was filed with the French financial market authority (Autorité des Marchés Financiers or AMF) on June 1, 2018 in compliance with article 212-13 of the AMF General Regulation. The original French language version of this document was prepared by the issuer and is binding on its signatories. This document may be used in support of a financial transaction only if it is supplemented by an offering circular ("note d'opération") approved by the AMF.

AMF AUTORITÉ DES MARCHÉS FINANCIERS

Contents

1 RESPONSIBILITY FOR THE ORIGINAL FRENCH VERSION OF THE REGISTRATION DOCUMENT

1.1 Person responsible for the original French version of the Registration Document

James F. Collins, Chief Executive Officer

1.2 Responsibility statement

"I declare, after having taken all reasonable measures in this regard that to the best of my knowledge the information presented in this 2017 registration document is accurate and there are no omissions likely to alter its import.

I declare that to the best of my knowledge, the financial statements were prepared in accordance with generally accepted accounting principles and give a true and fair view of the assets, liabilities, financial position, and earnings of the company and all entities included in the company's scope of consolidation. I also declare that to the best of my knowledge, the management report included in this document gives a true and fair view of the businesses, earnings, financial position and all entities included in the company's scope of consolidation and describes the main risks and uncertainties faced by the company.

I have obtained a completion of work letter from the statutory auditors in which they indicate that they have verified the information concerning the financial situation and accounts presented in this registration document and read this entire registration document."

Trappes, June 1, 2018

James F. Collins
Chair-Chief Executive Officer

2 STATUTORY AUDITORS

2.1 Statutory Auditors

RSM PARIS (formally SYC SAS)
Régine Stéphan
26 rue Cambacérès - 75008 Paris
Member of the Paris Regional Association of Statutory Auditors

First appointment: general meeting of June 19, 2009, replacing the firm JWA, having resigned.

Renewal: combined ordinary and extraordinary general meeting of June 16, 2016.

Term expiration date: ordinary general meeting called to approve the financial statements for the period ending December 31, 2021.

PricewaterhouseCoopers Audit
Matthieu Moussy
63 rue de Villiers - 92208 Neuilly sur Seine
Member of the Versailles Regional Association of Statutory Auditors

Date of first appointment: June 29, 2001

Renewal: combined ordinary and extraordinary general meeting of June 26, 2013.

Term expiration date: ordinary general meeting called to approve the financial statements for the period ending December 31, 2018.

2.2 Deputy statutory auditors

FIDINTER (formally MBV & Associés)
39 avenue de Friedland - 75008 Paris

First appointment: general meeting of June 19, 2009, replacing Jean-Marc Le Mer, having resigned. For information, on November 22, 2010, SYC Audit was merged into MBV & Associés, its sole partner, through a simplified merger procedure *(Transmission Universelle de Patrimoine)*.

Renewal: annual general meeting of June 16, 2016.

Term expiration date: ordinary general meeting called to approve the financial statements for the period ending December 31, 2021.

Anik Chaumartin
63 rue de Villiers - 92208 Neuilly sur Seine

Date of first appointment: June 26, 2013, replacing Etienne Boris who did not request the renewal of his engagement.

Term expiration date: ordinary general meeting called to approve the financial statements for the period ending December 31, 2018.

It is noted for the record that even though obligation to appoint an alternate auditors has been eliminated by new French legislation, it remains required under the company's bylaws. In consequence, except subject to the bylaws' modification, alternate auditors will be maintained.

2.3 Auditors' fees

Auditor's fees excluding tax paid by Egide Group for fiscal 2016 and 2017 disclosed in the notes to the consolidated financial statements are presented below:

	RSM Paris				PWC Audit			
	2016		2017		2016		2017	
	€	%	€	%	€	%	€	%
Certification of the accounts	71,300	100%	94,500	100%	90,026	100%	147,557	100%
Other services	-	-	-	-	-	-	-	-
TOTAL	**71,300**	**100%**	**94,500**	**100%**	**90,026**	**100%**	**147,557**	**100%**

3 SELECTED FINANCIAL INFORMATION

3.1 Consolidated financials for FY 2015, 2016 and 2017

In compliance with EC regulation No. 1606/2002 of July 19, 2002, Egide Group presents its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Standards applied include IFRS and IAS (International Accounting Standards), and their interpretations applicable at December 31, 2017.

For the purpose of simplification, these standards and their interpretations are jointly referred to as "IFRS standards" or "IFRS". The financial statements for the period ended December 31, 2017 are the thirteenth published by the Group according to IFRS.

For information, selected consolidated financial highlights for the 2015, 2016 and 2017 fiscal years are presented below:

(in thousands of euros)	2015 IFRS	2016 IFRS	2017 IFRS
Revenue	20,591	22,171	30,892
Gross operating profit	(1,102)	118	436
Operating profit / (loss)	(1,483)	(592)*	(823)
Net financial income (expense)	105	(132)	(751)
Income tax expense (income)	0	0	1,208
Net income/(loss)	**(1,378)**	**(724)***	**(366)**
Non-current assets	5,487	5,719	9,124
Cash and cash equivalents	2,773	1,075	2,994
Borrowings and financial liabilities	4,724	5,377	6,984
Shareholders' equity	6,989	6,070*	12,724
Total assets	**15,762**	**16,018**	**25,727**

In 2015, the Group launched operations for manufacturing HTCC ceramic packages at the Egide USA site that did not generate revenue in the period. The deterioration in 2015 results reflects the startup costs (€0.67 million) despite growth in consolidated revenue in relation to the prior period.

In 2016, growth in Group revenue made it possible to generate a marginally positive gross operating profit and significantly reduce the net loss of the period. HTCC ceramic sales in the United States got off to a slower-than-expected start, reflecting mainly an uncertain environment ahead of the US presidential elections. Following a post-closing adjustment to employee benefits, an adjustment was recorded in the opening 2017 financial statements. Items impacted are indicated by an asterisk (*) (impact €30,000 on the statement of profit or loss and €120,000 on equity).

Santier Inc. was consolidated for the first time in 2017. This new subsidiary, based in California (US) was created to operate the business assets and liabilities of Thermal Management Solutions LLC on February 28, 2017. This acquisition was financed by a capital increase of €8.2 million in February 2017. Santier's earnings significantly contributed to an improvement in Egide Group results notably by enabling it to recognize Egide USA Inc's. loss carryforwards, resulting in a €1.2 million tax gain.

The gross operating profit corresponds to operating profit before amortization, depreciation and impairment and reversals:

(in thousands of euros)	2015 IFRS	2016 IFRS	2017 IFRS
Gross operating profit	(1,102)	118	436
Amortization, depreciation and impairment of fixed assets	(398)	(611)	(922)
Allowances and reversals of impairment and provisions	17	(99)*	(337)
Operating profit / (loss)	**(1,483)**	**(592)***	**(823)**

** See above*

See section 20.3.1 (consolidated financial statements) of this document.

3.2 Statutory financial information (separate annual financial statements) for FY 2015, 2016 and 2017

For information, selected statutory financial highlights for Egide SA for the 2015, 2016 and 2017 fiscal years are presented below:

(in thousands of euros)	2015	2016	2017
Revenue	12,342	14,268	15,725
Operating profit/(loss)	(1,487)	(961)	(1,666)
Net income/(loss)	**(1,052)**	**(684)**	**(1,546)**
Net fixed assets	4,642	5,554	11,459
- of which financial assets	*3,518*	*4,214*	*9,803*
Cash and cash equivalents	2,589	1,050	1,183
Borrowings and financial liabilities	814	913	1,672
Shareholders' equity	7,255	6,571	12,728
Total assets	**11,383**	**11,523**	**18,618**

In 2015, Egide SA experienced a loss in revenue which had an adverse impact on operating results. Funds raised in 2014 were partially used by Egide USA in connection with the installation of a manufacturing line for HTCC ceramic products, increasing in due proportion the value of the subsidiary's shares (and consequently capitalized). The increase in borrowings reflects the €600,000 loan granted by Bpifrance.

In 2016, robust sales growth (exceeding 15%) made it possible to approach breakeven and significantly reduce the net loss of the period.

In 2017, the creation of a new subsidiary, Santier Inc., increased the value of financial assets. This was financed by an €8.22 million capital increase in February which strengthened the company's equity. Despite the growth in sales in relation to the prior year, losses increased notably due to costs linked to developing product sales for data centers (fixed-term contracts and specific installations not capitalized).

See section 20.3.2 (separate parent company financial statements) of this document.

4 RISK FACTORS

After performing a review of risks that could potentially have a material adverse effect on its business, financial position or results (or its ability to meet its targets), the Company considers that there do not exist other risks than those presented below.

4.1 Market risks (foreign exchange, interest rate, equity, credit)

4.1.1 Liquidity risk

After performing a specific review of its liquidity risks, the company considers that it is able to honor its future payment obligations.

See also Section10.3 - Borrowing requirements and funding structure

4.1.2 Foreign exchange risk

In 2017, exports accounted for 73 % of Egide's revenue, including 51 % to North America where sales are invoiced in US dollars. Concerning the 13 % of sales to non-European countries, amounts are invoiced in either euros or US dollars. In the period, Egide SA invoiced sales of US$1.4 million (exchange value in euros of €1.2 million), Egide USA Inc. US$8.2 million (€7.2 million) and Santier Inc. US$9.2 million(€8.1 million). In 2017, the US dollar/euro exchange rate (averaging 1.1293 for the year compared to 1.1066 in 2016) had a negative impact on Group sales of 2.0% like-for-like (i.e. excluding Santier).

Inflows from sales in US dollars received directly by Egide SA (US$1.0 million in 2017) were used in payment of purchases for components from US suppliers for the same amount (US$2.2 million in 2017). US dollars are purchased according to need at the prevailing exchange rate using account balances in euros. Inflows from US dollar-denominated sales received by factoring companies are converted into euros at the prevailing rate of the day while financing for invoices issued in US dollars are also obtained in euros. In consequence, the corresponding risk is therefore at the level of the exchange rate on the translation date. No specific hedging arrangement have been put into place as the cost of such arrangements remain too high.

For the US subsidiaries, all purchases and sales are in US dollars. At the end of the reporting period, the Group's foreign exchange risk is accordingly limited to the result for the period of Egide USA LLC, Egide USA Inc. and Santier Inc. converted into euros for consolidation as well as their US dollar denominated cash balances.

The following table provides a summary of the net position of the Group for the main transaction currencies:

(€ thousands at December 31, 2017)	USD
Foreign currency denominated assets	10,060
Foreign currency denominated liabilities	2,338
Net position before hedging (+ short, - long)	+ 7,722
Off-balance sheet position	0
Net position after hedging	+ 7,722
Impact of an adverse 1 centime change in the euro (- loss, + gain)	- 77
Exchange rate at December 31, 2017 (1 euro =)	1.1993
Impact in thousands of euros	- 64

Also see section 20.3.1.5.2.4 of this registration document (management of financial risks in the notes to the consolidated financial statements).

4.1.3 Interest rate risk

In 2006, Egide SA set up two factoring agreements factoring agreements for its domestic and export trade receivable accounts. The corresponding monthly financing commission applied by the factors to amounts financed is based on the Euribor average 3-month rate at the end of the prior month subject to a 0.60 % minimum. These contracts are not derecognized.

A €0.6 million "Sofired – PME" loan was obtained in December 2015 from Bpifrance, from which €0.03 million was retained as cash collateral until full repayment of this loan. As a fixed rate loan for an annual rate of 3.85 %, it is not exposed to any interest rate risk. Furthermore, with a seven-year term, it benefits from a two-year grace period for the repayment of capital.

Financing to Egide SA from Bpifrance in exchange for the collateralization of its CICE wage tax credit is subject to interest calculated daily at the average 1 month Euribor rate of the previous month plus 3% per annum.

In November 2017, Egide SA issued a €0.98 million 4-year bond with fixed coupon rate of 7% and repayable in monthly installments.

In the 2017 first-half, financing granted by the Bank of America to Egide USA (a credit line and a long-term loan) were repaid in full and replaced by a revolving credit line provided by Midcap Business Credit LLC. The maximum amount of this line is US$3,250,000, based on the value of trade receivables and inventories of which €1,250,000 is linked to the market value of the property and movable assets. This outstanding revolving credit facility balance of €1,250,000 declines annually 10% as of March 1, 2017. The WSJ Prime Rate rose 2.50 points. This financing is subject to a covenant based on the fixed charge coverage ratio (EBITDA on interest + the current portion of long-term debt), calculated monthly on a three-month rolling basis. As this covenant was not respected at December 31, 2017, all debt was recorded under current liabilities though has not been subject to request for repayment by Midcap Business Credit. The loan agreement was signed for a term of three years and the outstanding amount falling due in January 2020 will be repaid in full on this date. In the amount of US$0.14 million, the debt issuance costs for the revolving credit facility are recorded under "Other financial expenses" in the 2017 statement of profit or loss.

In addition, in 2017 Santier Inc. was granted a credit line by Pacific Mercantile Bank. An amount totaling US$4 million, including a maximum of US$2.5 million based on the value of accounts receivable and inventories (revolving credit), US$1 million received in the form of a loan repayable over a period of 60 months starting on June 1, 2017 and a maximum of US$500,000 to finance industrial equipment (loan repayable over a period of 60 months from as from the date of the fund's release). This line of credit is subject to interest at the WSJ Prime Rate, +1.50% for the revolving credit, 1.75% for the term loan and 2% for the equipment financing loan. The term loan financing the equipment financing are subject to two covenants, and namely, the Fixed Charges Coverage Ratio (EBITDA on interest + the current portion of long-term debt greater than 1.25) and the requirement of minimum net assets excluding intangibles of €3 million. In addition, for the period from March 1 to December 31, 2017, net income before tax must be not less than US$1 million. These covenants were respected at December 31, 2017. This loan agreement was signed for a term of 2 years (until May 5, 2019). At December 31, 2017, only the repayable loan has been paid and the capital remaining due in May 2019 of approximately US$0.6 million will be payable on this date. The Pacific Mercantile Bank financing are at present available solely for Santier Inc's operations.

Given the marginal potential impact of interest rate fluctuations on the statement of comprehensive income linked to the nature of interest rates, the Group has not adopted specific measures for monitoring and managing interest rate risks.

A breakdown is provided below of financial debt at December 31, 2017 by company, maturity and type of rate (fixed or floating rate): fonction du taux de financement (fixe ou variable) :

(€ thousands)	Total	Fixed rate	%	Floating rate	%
Research Tax Credit Pre-financing Sofired PME Défense loan Finance lease liabilities Bond debt Factoring debt	123 606 167 943 2,448	 606 167 943 	 100% 100% 100% 	123 2,448	100% 100%
Egide SA subtotal	***4,287***	***1,716***	***40 %***	***2,571***	***60 %***
Revolving credit	1,960			1,960	100 %
Egide USA subtotal	***1,960***	***0***		***1,960***	***100 %***
Pacific Mercantile Bank loan	737			737	100 %
Subtotal - Santier	***737***	***0***		***737***	***100 %***
Total	**6,984**	**1,716**	**25 %**	**5,268**	**75 %**

(€ thousands)	Total	Fixed rate	%	Floating rate	%
Bond debt Bank loan Sofired PME Défense loan Finance lease liabilities	721 570 480 78	721 480 78	100 % 100 % 100 %	 570 	 100%
Non-current debt subtotal	***1,849***	***1,279***	***69 %***	***570***	***31 %***
Bond debt Bank loan Research Tax Credit Pre-financing Finance lease liabilities Sofired PME Défense loan Factoring and revolving credit debt	222 167 123 89 126 4,408	222 89 126 	100 % 100 % 100 % 	 167 123 4,408	 100 % 100 % 100 %
Current debt subtotal	***5,135***	***437***	***9 %***	***4,698***	***91 %***
Total	**6,984**	**1,716**	**25 %**	**5,268**	**75 %**

Also see section 10.7 - Commitments and other contractual obligations

4.1.4 Equity risks

As the company does not directly hold shares or treasury shares (other than those of its subsidiary Egide USA LLC), it is not subject to equity risks.

4.2 Legal risks

See also section 20.8 - Legal and arbitration proceedings

4.2.1 Intellectual property

The trademarks used by Egide are registered in France and internationally. As applicable, the company uses the patents to which it has title and files patents when necessary. Licenses used by the company and subsidiaries are considered as assets and as such are not subject to fees.

4.2.2 Specific regulations

Egide's activities depend on legal, regulatory, or administrative authorizations, as well as approval procedures. All measures are taken to update work authorizations for all production sites, including those of the subsidiaries, in concert with the relevant organizations.

4.2.3 Insurance

Egide SA and its subsidiaries Egide USA and Santier possess all necessary insurance coverage for risks related to their manufacturing activities, in compliance with local requirements applicable in their countries. Cover exists for the following risks:

In millions	Maximum cover		
	Egide SA	Egide USA	Santier
Industrial risks	€18.4 million - Deductible: €0.01 million	US$14.5 million	US$10,325,000
Machinery breakdown	€0.12 million	N/A	N/A
Business interruption	Annual gross margin - Deductible 3 d	US$2.4m	US$6.5 million
Civil liability	€10 million	US$10m	US$7 million
Business travel	€5 million	N/A	N/A
Personal vehicle coverage for business use	Unlimited	N/A	N/A
Auto	Unlimited	US$1 million	US$1 million
Goods in transit	€0.15 million	N/A	N/A
D&O liability	€4.5 million	€4.5 million	€4.5 million
Environmental civil liability	€5 million	N/A	US$1 million/claim
Employer's liability	€0.15 million	N/A	N/A
Sick leave and occupational illnesses	N/A	US$0.5 million	US$1 million

Total premium for 2017 amounted to €378,000 (€221,000 for Egide SA and €105,000 for Egide USA and €52,000 for Santier). Furthermore, policies are regularly updated by the coordinating insurance brokers.

4.2.4 Employment-related disputes

There was no employee-related litigation at year-end.

4.2.5 Risks related to dependence on third parties

In the niche sector in which Egide operates, there inevitably exist customers and suppliers that are more important than others which, without imposing a condition of dependency on the company, put it at risk by ups and downs associated with their respective activities.

in 2017, the largest customer accounted for 16 % and the second largest 8 % of consolidated sales compared to respectively 19 % and 9 % in 2016. The ten largest customers of the Group accounted for slightly more than one half of the sales in 2017 compared to 63% in 2016. This gives rise to risk of a significant impact on the entity concerned when one of them reduces its activity (for example as with Textron for Egide USA in 2016).

In 2017, 42 suppliers, of which 17 for Santier (out of a total of 212, of which 59 for Santier) accounted for 80% of the Group's technical purchases (mainly components). The Group's top supplier represented 8 % of purchases, the top 5, 30 % and the top 10, 45 %. In 2016 (excluding Santier), 21 suppliers (out of a total of 141) accounted for 80% of technical purchases. The Group's top supplier represented 13% of purchases, the top 5, 43 % and the top 10, 63 %.

4.2.6 Political, economic, and tax risks associated with exports sales

Egide SA's sales China, South Korea, Thailand and India (approximately 9 % of sales of the French entity in 2017 compared to 15 % in 2016 and 14 % in 2015) are with either subsidiary of European or US customers or with world-renowned subcontractors with local operations (such as Sanmina-SCI or Fabrinet for example). This limits the company's exposure to the inherent risks of the relevant countries. For sales with local Chinese customers, the risk of customer default is limited by long-standing relationships with these customers. In the event of uncertainties about a new customer, a down payment or advance is requested. Neither Egide USA nor Santier have sales in these countries.

ITAR (International Trade in Arms Regulations) provisions apply to any company working with US customers on certain specific products destined for military use. If a product is classified ITAR Restricted, the intellectual property of said product (design, manufacturing process or usage) is prohibited from leaving the US territory under any circumstances, including electronically (through email) without the owner's authorization. In practical terms, this means that the product must be manufactured in the US by a local company. This company may be owned by a foreign company (as in the case Egide USA or Santier, whose sole shareholder is indirectly Egide SA in France). What is important is that no employee of Egide SA has access to the characteristics of the ITAR product and that this product is manufactured entirely in the United States. If this rule is infringed, the US site may lose is ITAR license which would prevent it from having access to the US military market. Since the beginning of 2018, the US State Department has nevertheless granted a right within the framework of a Technical Assistance Agreement to all Egide SA employees possessing a European passport to circulate freely at Egide USA and Santier production sites, and possibly to work on ITAR products with local teams. The restrictions governing the exporting of technical data and/or products outside of the Unites States territory however remain in force.

4.3 Industrial and environmental risks

4.3.1 Industrial risks

The company's operations are not exposed to exceptional risks. Nevertheless, use of hazardous products (hydrogen, chemicals) in connection with operations increases the potential consequences of an explosion or fire if not rapidly brought under control.

With respect to industrial accidents, no serious incidents have been recorded to date in France or the United States. The only incidents recorded to date have concerned limited and superficial burns. Use of nickel, widely employed in the company, sometimes causes allergic skin reactions which may require an occupational illness-related dismissal.

4.3.2 Raw material risks

Materials used by Egide Group are mainly ASTM F15 (or Kovar™), alumina, precious metals or not as raw materials. ASTM F15 is an iron, nickel and cobalt alloy entering into the composition of metal products purchased by the Group from machinists, molders or powder suppliers. While Kovar is sometimes sourced by Egide from specialized French or American companies, it is generally supplied directly by its component suppliers. The Group does not have difficulties in procuring these materials, none of which are available in limited supply.

The value of inventories is inevitably impacted by trends for raw materials prices. However, this remains limited as the percentage of pure material represents approximately 10% of the cost of a package. In effect, the largest share originates from the cost of metalwork subcontracting (machining, drawing, casting) unrelated to the price of material worked.

The components purchased by Egide are specific to each client and to each product. Such components are purchased only when the order has been received. As mentioned below (section 4.3.3), production yields of 100% are not achievable in our business. In consequence, components may remain in inventory which explains our sourcing policy (explained in section 20.3.1.5.3.2).

The specific treatment of Kovar is related to the fact that it represents a raw material that is in turn used by Egide's suppliers (machining or metal injection molding (MIM)) to manufacture our basic components (bases, basins, frames, pins, etc.). This material is an alloy of iron, nickel and cobalt generally stored as planks of 1828 x 382 mm of different thicknesses (from 7 to 16 mm) or pipes of different diameters, and does not deteriorate over time. During the market boom for telecommunications companies from 1998 to 2000, Egide used up to 3 tons of Kovar per month. After the burst of the dot-com bubble, the need for machined Kovar structures has significantly decreased and the consumption dropped to about 1 ton per year. To take into account this turnover rate which has become very slow, the company decided to maintain an inventory rate of 75% and keep this rate over a period of several years independently of the level of activity. Indeed, because Kovar has a minimum resale value as a basic raw material, inventory is measured at fair value (market value). For information, at December 31, 2017, the inventory of Kovar amounted to 5.7 tons (6.8 tons at the end of 2016).

4.3.3 Business risks

Egide is specialized in the manufacture of hermetic packages for the protection and interconnection of components. By combining several technology building blocks and requiring a high level of expertise, our industry is not able to ensure a production yield of 100%. In contrast, it is at times possible to rework subpar components to bring them in line with quality standards.

When a product is declared non-hermetic by the customer, i.e. rejected through its incoming acceptance procedures, it is rapidly returned for reparation or replacement. This in turn generates the issuance of a credit when this return is accepted by Egide. In connection with half yearly and annual closings, provisions are recorded if quality-related returns have been recorded after the corresponding reporting period (through credit notes to be issued). With the exception of these credit notes to be issued, no provisions are recorded for customer returns. As returns are relatively infrequent for Egide, it is not possible to set a fixed provision amount and the company prefers amounts to be determined according to actual returns that in general occur very quickly after delivery, allowing them to be booked in the accounts.

Once the products are accepted by the clients (i.e. after sign-off of incoming inventory), Egide is no longer responsible for any subsequent problems that may arise (no after-sales warranty). In consequence, the company does not carry any specific insurance cover for physical injury, consequential material and financial loss after delivery (excluding space and aeronautics applications).

Production yields not reaching 100% are inherent to the industry and concern both Egide and its competitors. This situation is known and factored into the calculation of quotations for its packages.

Concerning Santier's operations, focused on the manufacture of metallic components, its production yields are much closer to 100% than the Group's other units and reflecting the distinct nature of its business.

4.3.4 Environmental risks

With the exception of those governing anti-pollution measures, Egide is not subject to any specific regulations. The manufacturing process entails use hazardous products such as hydrogen and aurocyanide (a solution of gold and cyanide). These products are stored and used according to the standards in force and are under constant surveillance. The sites are also regularly inspected.

Prior to the acquisition of Electronic Packaging Products (renamed Egide USA Inc.) in 2000, Egide performed an environmental audit that did not identify any risk. This was also the case when performing the due diligence for the acquisition of the operating assets and liabilities which led to the creation of the subsidiary Santier Inc. in California in February 2017.

All production equipment used within the Egide Group comply with applicable safety and environmental standards. The Group regularly conducts regulatory verifications using certified entities (verification of fire protection equipment, electrical installations, wastewater disposal systems, etc.).

The Group is also in compliance with European Community Regulation on chemicals and their safe use concerning the Registration, Evaluation, Authorization and Restriction of Chemical substances (EC Directive 1907/2006 of December 18, 2006) or REACH. It also encourages the use of alternative methods in valuating dangers related to substances in order to reduce the number of tests on animals.

4.4 Technological risks

4.4.1 Launch of substitution products

Requirements in terms of hermeticity and heat dissipation are inherent to the very existence of integrated electronic systems or complex chips extremely sensitive to the thermal or atmospheric environment. Hybrid circuits used in the defense and space industries as well as lasers for broadband telecommunications need to be hermetically sealed so that they will work reliably without risk of breakdown. The same applies to immersed or buried optoelectronic circuits since the cost of changing a defective component is prohibitive when compared with the price of the equipment. The demand for high quality also applies to products sought after by civilian sector industries such as aeronautics or, more generally, safety.

However, in the event hermeticity is no longer required, other solutions may be used.

With the integration of Santier Inc. since February 28, 2017, a company specialized in the manufacture of dissipative materials, the Group can now address the needs of the electronics industry in the area of components with heat dissipation capacity that do not require hermeticity.

4.4.2 Price declines

Certain Egide products address applications positioned in "top-of-the-line" segments (long-distance optical telecommunications, aeronautics and space industries, defense and security). While this significantly reduces the impact of price declines, it does not eliminate the risk in the case of high production volumes. When reducing production costs is not enough to reach the target price while maintaining a satisfactory margin, there is a risk of not being able to process the customer order. Concerning other products involving simpler technologies, with companies in Asia often better positioned in terms of price, Egide has decided not to compete with them indiscriminately.

In addition, whenever possible, it seeks suppliers combining low-cost and reliability for selected components used in the manufacture of its packages, which limits the effects of price declines on margins, and to propose satisfactory prices to the customer in relation to the competition and the market price.

4.5 Other risks

4.5.1 New market entrants

The know-how needed to develop and produce hermetic packages or specific dissipative components remains difficult to acquire and must be preceded by a long and costly qualification process. It is then necessary to be able to achieve constant production performances in terms of output and quality in order to meet both technical but also commercial and economic requirements. These constraints constitute barriers to entry for new competitors seeking to develop into Egide's markets. Nevertheless, the phenomenon of declining prices mentioned above facilitates the market penetration of second-tier competitors for high-volume products using a technology not necessarily requiring the same high level of expertise comparable to that of Egide.

4.5.2 Risks associated with the volatility of high-tech markets

The company is positioned in high-tech market segments in all the sectors it addresses. None of these markets are exempt from risks of a sudden upward or downward cyclical swing as in 2001 in the telecommunications sector, 2009 for aeronautics and 2010 for space. Through its strategy of diversification in several sectors with several customers in each sector, Egide seeks to reduce the effects of this volatility on sales and earnings, even if recently, cycles have been shorter, more intense and linked to a global economic and financial environment with increasingly pronounced impacts and not necessarily directly linked to our commercial activities (2008 subprime crisis, decline in oil prices in 2015 or the US presidential elections in 2016, for example).

4.5.3 Risks associated with geographical locations

The Group's operating units located in France or the United States are not subject to any specific risk associated with their geographic location. The French production site's location a few kilometers from a nuclear power plant does not pose any particular problems.

4.5.4 Risks associated with share price volatility

Any event concerning the company, its competitors, the market in general and one or all of the sectors in which it operates may have a positive or negative effect on the company's share price. Similarly, the company's share may be subject to a degree of liquidity risk, with average trading volume in 2017 of only 24, 577 shares per day (or 0.31 % of the capital) compared to 12,173 in 2016 or 64,352 in 2015.

4.5.5 Risks related to adverse weather conditions

The French and US production sites are not located in regions subject to the occurrence of extreme weather phenomena, with the exception of Santier Inc., located in San Diego, California, in a region of seismic activity.

The impact of particularly sudden and dangerous climactic events (floods in Thailand in 2011 or Sandy hurricane on the East Coast of the United States in 2012, for example) may however be significant if Group customers are located in the regions affected. Fortunately, such occurrences are rare though remain fully outside the company's control.

4.5.6 Risks associated with the external growth strategy

The company remains attentive to potential external growth opportunities while fully understanding that securing financing in advance is a prerequisite for successful completion. Should this condition be met or should the group have the resources to meet these conditions, and if the conclusions of the acquisition audits are positive, the Group must integrate the risk associated with the integration of the target company within the group both in terms of management and financing of the future activity. This was the case with the acquisition of the assets and liabilities of TMS LLC in February 2017 resulting in the creation of the subsidiary Santier Inc. The evaluation of this risk is one of the factors taken into account by the board of directors to validate any acquisition opportunity that might be presented to it in the future.

4.5.7 Risks related to climate change

To date, the Group has not identified any financial manifest risks related to climate change

4.6 Information on internal control and risk management procedures

4.6.1 General principles of risk management system

Risk management aims to provide comprehensive system that covers all activities, processes and assets of the company. It is organized as a dynamic system, defined and implemented on this basis under the company's responsibility. It includes a set of tools, practices, procedures and actions that enables executives to keep the risks to an acceptable level for the company.

Risk represents the possibility of an event occurring that could affect the company's personnel, assets, environment, objectives or reputation. The objectives of risk management are as follows:

- Create and preserve the company's value, assets and reputation
- Secure decision-making and the company's processes to attain its objectives
- Promote the consistency of the company's actions with its values (credibility)
- Bring the company's employees together behind a shared vision of the main risks

Within Egide, the risk management system is based on:

- An organizational framework: the executive committee formed by the Chief Executive Officer and line managers (technical, research and development, commercial, industrial, purchasing, ceramics production, quality and environment, administration and finance, marketing).
- A management process: risk mapping, with one or more risks (along with its causes and consequences) identified in each sector. Each risk is then assessed according to its impact on objectives and on the value of the Group and according to the monitoring, in light of measures already adopted.
- Ongoing controls: with the executive committee having direct responsibility for risk management, the different meetings in which it regularly participates provide opportunities for evaluating, anticipating and drawing appropriate conclusions about the possible effects of risks having occurred.

Specific attention is devoted to the issue of financial risk management. Points to be watched cover mainly accounting and management systems, IT services, legal issues and in particular the communication of accounting and financial information.

The first priorities seek to ensure the accuracy of the accounts, the absence of fraud or misappropriation and also the correct measurement of production costs to prevent the risk of negative sales margins. With all of the above managed through automated means, particular attention is paid to the data processing, backup and computer systems. With respect to legal affairs, legislative developments are monitored to ensure that any new legal provisions are applied, namely through legal watch (meetings, publications, etc.); the company consults with its legal counsel when required.

In the area of accounting and financial reporting, particular attention is paid to any items (financial or otherwise) released to the public. Accounting and financial information is first sent to executive management and the Board of Directors as well as to third parties (shareholders, bankers, investors, employees, customers, suppliers, etc.). For each recipient, the frequency and amount of information provided is different.

Egide SA's executive committee and the managers of each subsidiary receive every month a report on sales, order intake, the order book, headcount and the cash position by entity and for the Group.
The managers of the units also receive every month a P&L report enabling them to compare actual performances with the budget. In the event of a significant variances, additional controls are performed to identify either a material error (accounting recognition problem or omission) or a problem related to the company (for example, poor production output may result in higher than planned material usage).

Each month the chief executive officer provides the chairman of the board of directors, through PowerPoint slides, a report on all Group indicators presenting key items relating to order intake, invoicing, short-term cash flow forecasts, headcount, statements of profit or loss, and all comments required to understand these indicators. Information is generally distributed through electronic mail but also may be provided to directors in the form of presentations at working meetings, if necessary.

With respect to communications, the finance Department is responsible for compliance with disclosure obligations as a listed company traded on a regulated market. Only the chief executive officer or the chief financial officer are authorized to proceed with such disclosures. Accordingly, every quarter, the company publishes figures for Group sales for the quarter ended. It also publishes the consolidated interim financial statements for the period ending June 30 as well as the separate annual and consolidated financial statements. These accounts are produced by the finance department and executive management, reviewed by the audit committee and approved by the Board of Directors. Interim financial statements for the six-month period are subject to a limited review and the annual financial statements to an audit. These controls are performed on the separate statutory accounts of the parent company and each subsidiary and, then on the consolidated financial statements of the Group and on that basis, reports are produced by the company's statutory auditors. All information referred to above is included in a registration document also submitted to the statutory auditors and each year filed with the French financial market authority (*Autorité des Marchés Financiers or AMF*).

In compliance with the European Transparency Directive, regulated information is distributed electronically and to that purpose, the company uses a professional service for its dissemination as defined by the AMF. Information is also available from the company' website while hard copy documents may be obtained from the company's registered office.

4.6.2 Coordination of risk management and internal control systems

Risk management and internal control procedures contribute in a complementary manner in the effective management of company operations.

As it has been presented, the risk management system seeks to identify and analyze the main risks to which the company is exposed. Managing this process calls for the implementation of controls which are part of the internal control system.

The internal control system in turn is supported by the risk management system for identifying and handling the main risks.

4.6.3 General principles of internal control

Internal control is a system implemented by the company for the purpose of ensuring:

- Compliance with laws and regulations;
- Implementation of the instructions and directions given by executive management or the executive board;
- Proper functioning of the company's internal processes, especially those relating to the protection of its assets;
- The reliability of financial information.

And, more generally, contributing to the effective management of its activities and operations and the efficient use of resources.

By contributing to preventing and managing risks of not meeting the objectives set by the Company, the internal control system has a key role in running and steering its different activities. However, no system of internal control can provide an absolute guarantee that the Company's objectives will be achieved.

By addressing requirements imposed by standards ISO 9001, Egide Group is equipped with a set of procedures to ensure the effective operation of the quality system in place (contained in its Quality Manual). The system covers all production activities of the company (commercial services, sourcing, production, shipping). Management undertakes to apply the quality policy set forth in this guideline. Quantified objectives are set each year by executive management and communicated to all personnel and action plans are monitored using process indicators and management tools. These actions are coordinated by the quality department, analyzed in executive committee meetings or management reviews.

The main metrics monitored are the rate of customer returns, the rate for late deliveries, yields, productivity, the quantity of supplies used in relation to the estimates, procurement lead time and effective relations between Egide, its suppliers and customers.

Executive management is responsible for all resources made available contributing to the quality of the service.

To ensure compliance with procedures in effect, resources are adopted to monitor and analyze processes (indicators linked to processes) and products (control plans and management tools). An internal audit system is defined and managed by the quality manager with the approval of the quality department and executive management. These audits, performed by different qualified personnel of the company, make it possible to verify the relevance and suitability of the quality management system in relation to the company's objectives. Information on the preparation, conduct of the audit and the results is produced by the audit manager. The quality manager who plans and monitors timetables for execution, verifies the audit report and ensures its distribution.

Once a year, the department reviews the quality management system to ensure it remains relevant, adequate and effective. The management review is prepared by the quality department responsible for establishing an agenda and convening all company managers. This review is based primarily from internal quality reports, client ratings, customer rating results, customer satisfaction surveys, audits by customers or outside entities and prior management reviews.

This review allows the company to measure the efficacy of the quality management system, redefine the corresponding objectives and, if necessary, make adjustments in the quality strategy. A report is produced on each review under the responsibility of the quality management. Decisions made in this context provide the basis for action plans (corrective or preventive) and contribute to the company's continuing improvement.

4.6.4 Scope of risk management and internal control procedures

The accounting and finance Department complies with statute and accounting standards applicable in each country (France and the United States). It also applies its own rules for operations and control, as in contrast to other departments of the company (purchasing, sales, production, etc.), it is not yet fully integrated in the procedures implemented in connection with ISO 9001:2008 and described in the Quality Manual (only an accounting and finance process was created).

Egide SA parent company: management of the finance department is assured by the chief administrative and financial officer who oversees the chief accountant and his deputy. Financial reporting and information systems are also under the finance department's responsibility, which reports directly to executive management. An accounting manual describes accounting procedures for the most important transactions. Resources exist for monitoring regulatory developments (subscription to professional journals), making it possible to identify and anticipate changes in the company's regulatory environment (changes in accounting and tax doctrine). The department's small size imposes a significant degree of self-assessment by staff to facilitate oversight by the accounting manager. The latter, charged with consolidating data at the group level, also verifies their consistency, and, if necessary, takes the necessary corrective measures.

Egide USA Inc. subsidiary: the company has its own accounting and finance organization. Management is assured by the site manager. In the department, a financial controller and an assistant are in charge of day-to-day accounting, issuance of financial statements, and management control and reporting to their management and to the parent company. Egide SA's finance department provides support and is regularly on-site and ensures the application in the subsidiary of the Group's general policy.

Santier Inc. subsidiary (since February 28, 2017): the company has its own accounting and financial structure managed by a local chief financial officer. Assisted by an employee, the CFO is in charge of day-to-day accounting, issuing financial statements, management control and reporting to the management and the parent company. Egide SA's finance department provides support and is regularly on-site and ensures the application in the subsidiary of the Group's general policy.

Egide USA LLC subsidiary: this structure is the holding company that directly owns the Group's two US subsidiaries (Egide USA Inc. and Santier Inc.). Its sole shareholder is Egide SA. The accounting of this company is directly assured by Egide SA's accounting department, though given the absence of activity, there are very few transactions to record. The company moreover does not have a bank account.

Overall, the subsidiaries apply Group accounting standards which are defined by the parent company, while respecting all obligations of their countries. Information for monthly reporting to the parent company is first checked directly by each subsidiary, with a subsequent review performed, as required, by Egide SA’s accounting and financial department.

The main controls which are non-exhaustive, are performed by the finance departments using namely the following procedures:

- Procedures for reconciliation between the main accounting system and subledger management systems,
- Procedures for monitoring and managing accounts receivable (receivables aging, reminders, monitoring settlements, monitoring factoring companies, etc.),
- Procedures for the approval of significant purchases and investments as well as the payment of trade payables,
- Procedures for physical inventory monitoring and valuations,
- Procedures for monitoring and managing Group cash (producing cash positions, bank reconciliations, signing authorities, etc.),
- Procedures for the access, backup and security of information systems, managed internally or through IT services companies.

Information systems managers (IT manager or the unit manager in the absence of a dedicated person) furthermore ensure that the company is able to fulfill its record keeping obligations for information, data and processing routines used directly or indirectly to prepare accounting records and financial statements.

4.6.5 Parties involved in risk management and internal control procedures

Risk management and internal control procedures concern both corporate governance bodies (executive management, Board of Directors, audit committee) and the company's staff (risk manager, internal audit, human resources).

4.6.5.1 Executive management

Executive management ensures that accounting and financial information produced by the finance department is reliable and provides a true and fair view of the company's earnings and financial situation in a timely manner. To this end, executive management ensures that the system addresses the following points:

- The organization structure and scope of responsibility of the accounting and financial reporting functions
- The incentive and compensation agreements within the accounting and financial reporting functions are compatible with internal control objectives
- The formalization and dissemination of accounting rules and procedures
- Record keeping requirements for information, data and processing routines used to prepare accounting records and financial statements
- Periodic review of the suitability of the systems cited above and the resources made available to the accounting and financial reporting functions (human resources, data processing tools,)
- Procedures for monitoring regulatory developments so that the company can adapt to changes in its environment.

In connection with preparing interim and annual financial statements, executive management ensures that all transactions are recorded in accordance with applicable accounting standards. For this purpose, it describes and explains the main options applied to produce the accounts and the estimates requiring management judgments. It notes, as applicable, and informs the audit committee and the board of directors, of changes in key accounting policies. Finally, with the finance department, it establishes the financial statements and the financial communications strategy (indicators presented, financial press release timetable).

4.6.5.2 The Board of Directors

For the preparation and control of accounting and financial information and its communication, the Board is informed of any major aspects that are likely to jeopardize business continuity. It checks with executive management that the monitoring and control systems are capable of ensuring that the financial information published by the company is reliable and provides a fair view of the company's and the group's earnings and financial situations.

In the performance of these controls, the Board is regularly informed through its Chairman, of key events relating to the company' business operations and its cash position. It is also informed of major investment, divestment or financing projects and approves their completion.

The Board of Directors approves the annual financial statements and examines the interim financial statements. For this purpose, it must obtain any information from executive management and audit manager it deems necessary (information about cut-off options, changes in accounting methods and explanations about earnings components) and obtains confirmation from the statutory auditors that they had access to all information needed to perform their duties and assurances that the auditors have made enough progress on their work at the cut-off date to be able to present all their material observations.

4.6.5.3 Audit Committee

In light of the Board's size (five directors) and membership (with the Chairman also serving as CEO and four independent directors), the creation of an independent audit committee was not considered warranted. For that reason, the Board assures the functions and responsibilities of this committee in accordance with the provisions of article L.823-20 of the French commercial code. It is furthermore noted that audit committees' meetings are chaired by an independent director and not the Chairman of the Board or the Chief Executive Officer. A report is drawn up for each meeting which is then presented to the Board of Directors.

4.6.5.4 Risk manager

At Egide, this function is performed by executive management assisted in this role by the executive committee.

4.6.5.5 Internal audit

At Egide, this function is performed by executive management assisted in this role by the executive committee.

4.6.5.6 Human resources

The company relies on its internal organization, management system and quality monitoring required to maintain its ISO 9001 certification, as well as its procedures for preparing accounting and financial information to identify as best as possible the main risks associated with the company's business. These standards and procedures incorporate the breakdown of objectives for company personnel, whereby the latter possesses the information required to establish and operate the internal control system.

4.6.6 Role of the statutory auditors

In the performance of their engagement, the statutory auditors acquire an understanding and rely on internal audit work, to obtain a better understanding and formulate an opinion on the appropriateness of this work in complete independence.

In its role as responsible for producing financial statements and implementing internal controls for accounting and finance, executive management shares information with the auditors, and ensures that the auditors have access to all information needed to produce financial statements and is informed of the auditors' conclusions on their work that are presented to the audit committee. For all Group companies, these same auditing firms have been selected to audit the accounts, using their local offices for the US entities.

4.6.7 Limitations of risk management and internal control

No matter how well-conceived and rigorously applied risk management and internal control systems are, they cannot provide an absolute guarantee that the company’s objectives will be reached. The probability of reaching these goals depends on more than just the company’s will. Every system and process has its limitations. These limitations stem from many factors, such as uncertainty about the outside world, the use of sound judgment or problems that may arise from technical and human failures or from ordinary errors.

Risk management choices are made by weighing the opportunities against the cost of risk management measures, with due consideration of their potential effects on the occurrence and/or consequences of the risk in order to avoid taking needlessly expensive actions.

5 INFORMATION ABOUT THE ISSUER

5.1 History and development of the company

5.1.1 Company name

EGIDE S.A.

5.1.2 Place of registration and registration number

The Company is registered with the Avignon Trade and Companies Register (RCS) under number 338 070 352. It was previously registered under the same number in the Versailles Trade and Companies Register (RCS) prior to the transfer of its registered office pursuant to the decision of May 28, 2010.

5.1.3 Date of incorporation and length of life of the company

The company was created on July 11, 1986 for a term of 99 years (until July 10, 2085), saving early dissolution or extension provided for by law. The Egide SA APE code is 2611Z.

5.1.4 Registered office and legal form

The registered office is located at Site Sactar - 84500 Bollène - France (Tel: +33 4 90 30 97 11) as from May 28, 2010. Prior to this it was located at 2 rue René Descartes, then at 4 rue Edouard Branly - Bât. Hermès I, Parc d'Activités de Pissaloup - 78190 Trappes - France (Tel: +33 1 30 68 81 00) where the administrative offices are still located.

Egide is a French public limited company (*société anonyme*) governed by present and future laws and regulations, and in particular the French commercial code as well as the company's bylaws (*statuts*).

5.1.5 Important events in the development of the business

1986: Created in response to French defense industry needs for hermetic packaging for sensitive components, Egide specializes in glass-to-metal seals.

1992: Egide acquires the "encapsulation" operations of Xéram, at that time a subsidiary of the Pechiney group that developed a ceramic-to-metal sealing activity. Egide becomes the only European High Temperature Cofired Ceramic (HTCC) specialist, enabling it to develop "intelligent" packages.

1994: Egide enters the telecommunications market (optical transmissions), which will provide the impetus for its accelerated expansion in 1998.

1999: Egide is listed on the Paris Stock Exchange.

2000: Egide acquires the American packaging manufacturer, Electronic Packaging Products (EPP), renamed Egide USA, ensuring a market presence in the United States. Egide creates a subsidiary in Morocco.

2001: Burst of the Internet bubble, which will have a direct impact on company sales (with the telecommunications sector at that time accounting for 95% of total revenue).

2002: Acquisition of the principal assets of the British company Europlus through the Egide UK subsidiary created for this purpose. Europlus brings metal injection molding (MIM) technology, involving special alloys, necessary for the competitiveness of components, particularly in telecommunications.

2002: Opening of the subsidiary Egima's factory in Morocco, designed for high-volume, low cost production, targeting new commercial markets.

2005: Pursuit of diversification to balance sales across the company's different markets.

2009: Global economic (subprime) crisis with an impact on all the company's markets and requiring the reorganization of the Group's industrial structure. Egima, the Moroccan subsidiary discontinues operations.

2010: Emergence from crisis in the second half of the year, with strong growth in infrared technology markets and significant recovery of the fiber optics telecommunications market. Legal transfer of the registered office (see section 5.1.4).

2011: A good first half performance for sales followed by a decline in the second half linked to the sovereign debt crisis in the euro zone and the United States, triggering a crisis of confidence, reduced visibility and the postponement of orders in the short-term.

2012: A worldwide economic environment slips into a period of entrenched crisis, significantly impacting Egide SA's markets. Markets of the US and English subsidiaries remain less affected.

2013: The UK subsidiary Egide UK and the Moroccan subsidiary Egima are sold.

2014: The Group rolls out an ambitious strategy centered upon its core businesses of hermetic packages for critical applications. Modification in corporate governance separating the functions of Chairman of the Board of Directors (exercised by Philippe Brégi) and Chief Executive Officer (exercised by Eric Michel, then by James F. Collins).

2015: Implementation of the strategic plan. The duplication of the HTCC ceramic packages production line from Bollène (France) to Cambridge (USA) has commenced. This initiative was financed by the €5 million capital increase and is destined to supply the US military market with locally manufactured ITAR-compliant (International Trade in Arms Regulations) ceramic packages[1]. The first order was delivered to the US customer that is a leader in the thermal imaging market. The deployment of the commercial network that began at the end of 2014 continued in the period and capital investments for equipment for the Bollène site have begun.

2016: The ceramic development plan in the United States has slowed down by the uncertain environment linked to the US presidential elections of November which resulted in the freeze in the launching of new military programs that Egide USA intended to focus on; At the same time, sales have been improving for the French entity since 2010; In June, Mr. Brégi stepped down as chair of the board of directors that will henceforth be assured by Mr. Collins, general manager.

2017: The group announced the creation of a new US subsidiary, Santier Inc., based in San Diego California, a manufacturer of metallic components and thermal management materials. The acquisition of the assets and liabilities operated by Santier Inc. was financed by an €8.2 million capital increase completed in February;

5.2 Investments

5.2.1 Main investments

Group investments concern principally the renewal of manufacturing equipment for the US and French manufacturing sites. In 2015, the major investment concerned the creation of the HTCC ceramic packages production line at the Group's US site. An additional kiln was acquired in 2016. At the French site, various materials to improve productivity were also acquired and the air conditioning installations of the Bollène were changed. In 2017, expenditures concerned mainly Egide SA, with a new clean room and chemical gold plating line for optronics, followed by building improvements at the three sites.

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(1) ITAR (International Trade in Arms Regulations) provisions apply to any company working with US customers on products for military use. If a product is classified ITAR, the industrial property of said product (design, manufacturing process or usage) is prohibited from leaving the US territory under any circumstances, including electronically (through email) without the owner's authorization. In practical terms, this means that the product must be manufactured in the US by a local company. This company may be owned by a foreign company (as in the case Egide USA, whose sole shareholder is indirectly Egide SA in France). What is important is that no employee of Egide SA has access to the characteristics of the ITAR product and that this product is manufactured entirely in the United States. If this rule is infringed, the US site may lose is ITAR license which would prevent it from having access to the US military market.

Acquisitions of intangible assets and property, plant and equipment for 2015 to 2017 were as follows:

(in thousands of euros)	2015	2016	2017
Intangible assets	131	93	1
Land and buildings	0	28	14
Plant, machinery and equipment	1,618	769	438
Other tangible fixed assets	81	94	583
Total	**1,830**	**984**	**1,036**

5.2.2 Main current investments

The Group's 2018 capital budget is approximately €500,000, three quarters of which is earmarked for Santier (new 5-axis machining centers). The balance is allocated equally between Egide SA and Egide USA for installation security and building maintenance expenses. These investments will be financed from equity, credit lines (Santier) or through finance leases for the production equipment.

5.2.3 Principal future investments

At Egide SA, capital expenditures to modernize the ceramics installations and automate controls to lower production costs and improve the company's competitiveness are planned for the medium term. Compliance work for plant buildings will also call for new investments. These commitments are expected to total approximately €2 million.

At Egide USA and Santier, other significant commitments have not been budgeted except those concerning normal equipment renewal expenditures.

5.2.4 Pledging of assets

Information on assets pledged as security as of date of this document:

Asset pledges	Inception date	Maturity date	Amount of the asset pledged in € (a)	Total assets in € (b)	% (a) / (b)
Intangible assets Property, plant and equipment Financial assets			None.		
Total					

The pledge of collateral given to Bank of America expires after repayment in full of the loan granted to Egide USA.

For information, there are no pledges as security on the capital.

5.2.5 Pledges of items acquired through equipment lease agreements

The following table provides information on pledges linked to lease agreements held by Egide SA as of the date of this document.

Pledge registration date	Equipment	Amount excl. tax	Maturity date
March 13, 2015	Rheometer	29,435 €	February 11, 2020
March 13, 2015	Ceramic cutting machine	17,170 €	February 11, 2020
July 17, 2015	Dimensional measuring machine	38,000 €	June 15, 2020
February 15, 2016	Dimensional measuring machine	35,200 €	December 14, 2020
March 26, 2016	Machining lathe	57,000 €	February 15, 2021
June 22, 2016	Tri-cylinder rolling mill	35,061 €	May 1, 2021
Total		**211,866 €**	

No pledges of any nature are registered at Egide USA or Santier.

6 BUSINESS OVERVIEW

6.1 Principal activities

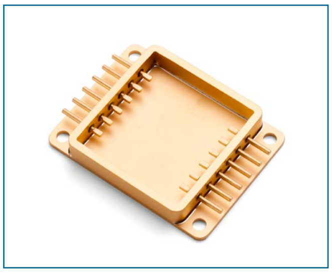
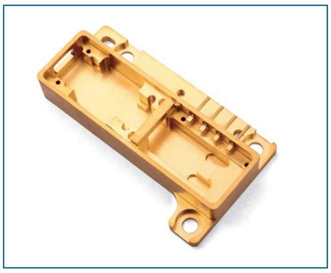
6.1.1 Hermetic packages

Egide designs, manufactures, and sells hermetic packages to protect and interconnect several kinds of electronic or photonic chips[2].

The purpose of these packages is to protect integrated electronic systems or complex, and therefore fragile, chips, which are sensitive to harsh thermal, atmospheric, or magnetic environments.

These components are the product of complex expertise, drawing upon several disciplines: material structure, particularly special alloys; chemistry and surface treatment; mechanics and thermodynamics, electronics; optoelectronics[3], and hyper frequency modeling[4]. Egide is one of the few companies to master all of the technologies surrounding the two types of material used for these packages in the world today; glass-to-metal and ceramics. The company manufactures its own ceramics and glass beads internally.



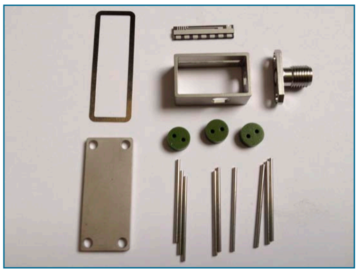
6.1.1.1 Sealing technologies

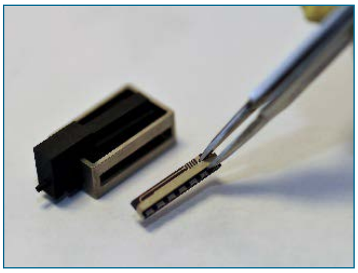
Glass-to-metal

This technology has represented the company's core business since its creation. The body of the component as well as the connection pins are made of metal. These pins are maintained and isolated by glass beads to ensure a perfect hermetic seal in the spot where the pins pierce the metal panels.

The metals used are special alloys, the most common being kovar, an alloy of iron, nickel, and cobalt. Other metals such as molybdenum, copper-tungsten, aluminum silicon carbide, or titanium are also used for applications where heat dissipation is important or weight is critical.

Metallic packages components are joined by brazing (soldering) them in very high temperature kilns. The braziers are themselves made of special alloys, such as gold-tin, gold-germanium, or silver-copper.





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(2) *The science of the study of components allowing for the generation, transmission, processing (modulation, amplification) or conversion of optical signals.*
(3) *Study of electronic components issuing or interacting with light, the foundations of fiber-optic telecommunications.*
(4) *Analysis of a very high radio frequency wave of between 1 GHz and 100 GHz, used in electronics.*

Ceramic-to-metal

In this technology, which is rarer and more difficult to achieve, the packages retain a metallic structure comparable to the glass-to-metal packages materials, using the same alloys and the same soldering, but the glass beads are replaced by ceramic inserts. The packages panels are pierced by a rectangular window in which a ceramic block with screen-printed tracks is hermetically soldered, thus replacing the glass beads.

Other packages require either ceramic components assembled with metal pins, primarily for infrared applications, or complex ceramic bases on which metal frames are inserted for Telecoms applications.

Integration of passive elements

Building on its expertise in complex assembly, Egide has expanded its field of activity by the integration of passive components for some of its clients (dissipative elements, TEC[5], optical). This offer is now part of the Egide range and allows the client to remain focused on its own core business.

6.1.1.2 Surface treatment

Surface treatment is accomplished with electrolytic or chemical deposits (gold, nickel or silver) on a semi-automated, or manual surface treatment production line, depending on the manufacturing site and the applications.

These deposits, at the micron level, are necessary for different package manufacturing:

- nickel plating of ceramic components before assembly
- pre-treatment of metal components
- gold plating of glass-to-metal and ceramic packaging in the final manufacture stage
- silver plating of joints

Egide's great expertise in the area of surface treatment, and the integration of the line into the work flow are major strengths for ensuring optimal quality in the finished product.

6.1.1.3 Ceramics, from powder to component

The ceramic produced by Egide at its Bollene site is known as High Temperature Cofired Ceramic (HTCC). This technology, a source of miniaturization and complex connectivity, results in multiple applications such as making inserts, multi-chip modules substrata (Multi-Chip Modules) or specific components that meet the needs of infrared and high-end telecommunications markets.

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[5] *Thermo Electric Cooler (a cooling technique using thermal electricity). For this, components are used referred to as "Peltier" modules that transform electronic current into a temperature flux).*

Egide's expertise covers the entire manufacturing process, from powder to component:

Ceramic production or "green tape" production

"Raw" ceramic is derived from aluminum powder and organic compounds, which, when mixed, yield a paste-like material known as a slurry or slip. The latter is poured onto plastic bands then made flexible by drying and evaporation of solvents. The bands, which are of varying thicknesses, are then cut into sheets before use.

Inks

Also manufactured at the Bollene site, inks are composed of tungsten powder and solvents. They are used for screen printing the conductive tracks on the various ceramic sheets and for filling the vias (minuscule holes on each of the sheets) to establish conduction from one layer to the other.

The High Temperature Cofired Ceramic (HTCC) process

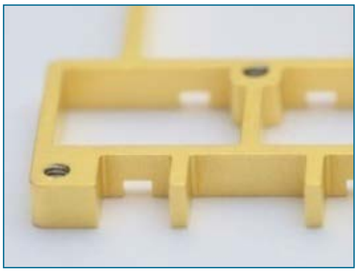
Egide handles all operations in the transformation of the "raw" ceramic in a class 10,000 clean room: via and window piercing, via filling, screen printing the conductive tracks, pressing, and cutting. The combined mastery of ceramic and ink production constitutes a definite advantage in the success of the co-firing (aluminum-tungsten) step of the HTCC process. During this process, very robust ceramic components are obtained through the superimposition of different layers, and the pressing and firing in special high temperature kilns (1,600°).

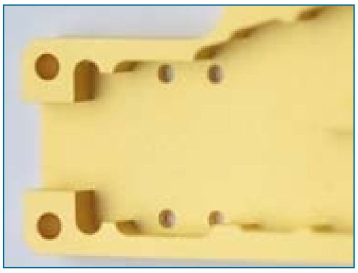
6.1.1.4 Glass beads

Egide manufactures glass beads used for the glass-to-metal packages. The basic material is glass powder that is agglomerated and then heated at a high temperature (at approximately 600°) in a dedicated kiln. This activity completes the system for production integration and independent sourcing for one of the key glass-to-metal technology steps.

6.1.2 Thermal management materials and metallic components

As at February 28, 2017, the date of Santier Inc.'s creation and the acquisition of the operating assets and liabilities of TMS LLC, the Group has the capacity to manufacture metallic components and thermal management materials such as CuMo (molybdenum copper) or CuW (Copper tungsten) at its industrial site in San Diego, California. Its applications include electronics (high-frequency, optronics) for the ITAR-compliant US defense market and the medical and telecommunications sector. The entity is a potential supplier of thermal management materials used in the manufacture of hermetic packages and a potential customer for HTCC ceramic components manufactured in Cambridge, Maryland (United States).





6.1.3 Business sales mix

Consolidated sales by business breaks down as follows:

	2015		2016		2017	
	€000s	%	€000s	%	€000s	%
Glass-to-metal products	13,460	65.4	14,173	63.9	22,341	72.3
Ceramic products	7 020	34.1	7,772	35.1	8,324	27.0
Engineering	100	0.5	219	1.0	226	0.7
Other (of which the sale of gold)	11	0.0	7	0.0	1	0.0
Total	**20,591**	**100.0**	**22,171**	**100.0**	**30,892**	**100.0**

Segment breakdown of consolidated sales by business breaks down as follows:

	2015		2016		2017	
	€000s	%	€000s	%	€000s	%
Glass-to-metal products	5,020	41.3	6,216	44.0	7,254	46.6
Ceramic products	7,020	57.8	7,683	54.4	8,083	51.9
Engineering	100	0.8	219	1.6	226	1.5
Other (of which the sale of gold)	11	0.1	7	0.0	1	0.0
Egide SA subtotal	***12,151***	***100.0***	***14,124***	***100.0***	***15,564***	***100.0***
Glass-to-metal products	8,440	100.0	7,957	98.9	7,005	96.7
Ceramic products	0	0.0	89	1.1	241	3.3
Engineering	0	0.0	0	0.0	0	0.0
Other	0	0.0	0	0.0	0	0.0
Egide USA subtotal	***8,440***	***100.0***	***8,047***	***100.0***	***7,246***	***100.0***
Glass-to-metal products	0	0.0	0	0.0	8,082	100.0
Ceramic products	0	0.0	0	0.0	0	0.0
Engineering	0	0.0	0	0.0	0	0.0
Other	0	0.0	0	0.0	0	0.0
Subtotal - Santier	***0***	***0.0***	***0***	***0.0***	***8,082***	***100.0***
Total	**20,591**	**-**	**22,171**	**-**	**30,892**	**-**

For information, Santier Inc. was consolidated as from February 28, 2017.

6.2 Principal markets

Present from the beginning in the defense and space industries, and then in the telecommunications market by means of fiber optics, Egide has extended the scope of its activities to civil aeronautics, security and industrial applications of infrared technology. Because the same product can have both military and industrial applications, market segmentation is based on the applications, regardless of the end-use sector addressed.

6.2.1 Thermal imaging

This family of components includes products using infrared radiation to form an image. Components for thermal imaging applications concern cryogenically cooled detectors for military or space applications and also uncooled infrared detectors for military, industrial automotive or medical applications.

In the military field, products supplied by Egide are used to manufacture very high definition thermal cameras with a nighttime vision range of several kilometers. The desire to improve safety has been rapidly extended to multiple infrared applications: border surveillance, surveillance for industrial buildings and public places, medical diagnostic tools, blind flying assistance, gas detection. Originating from military applications, they have experienced considerable growth, thanks to products used by fire-fighters (seeing through smoke), security (site surveillance), predictive maintenance (diagnosing a short-circuit before it happens), the medical profession (tumor detection) or by the automotive industry (night vision).

The thermal imaging market is fast growing (Source: Marketandmarkets) with component sales representing US$6.2 billion in 2015. This same study forecasts growth of 6.3% between 2015 and 2020.

Using primarily the ceramic technology, the packages for infrared applications are largely supplied by Egide SA. By installing an HTCC ceramic production line at the Egide USA site that has been in service since the end of 2015, the US military market which requires a local production source is also supplied by the Group's US subsidiary.

6.2.2 Power components

This product family includes packages or components used for power converters. Typical applications include DC-to-DC converters, motor drives, switch mode power supplies, power hybrid circuits and power thrusters for military, aeronautics and space applications (FADEC – Full Authority Digital Engine Control).

Using primarily the glass-to-metal seal (GTMS) technology, components for power converter packages are largely supplied by Egide USA.

6.2.3 Optronics

This family of components includes products submitting detecting or receiving light. The best-known final application in this field concerns fiber optic telecommunications.

Accordingly, Egide's products are found in several types of optoelectronic sub-assemblies since they call for chips made of sensitive complex materials for which hermetic packages and thermal management materials are indispensable:

- Transmitters, that transform an electronic signal into an optical signal transported by fiber,
- Receivers, which do the opposite,
- Modulators, which transform a continuous optical signal into a sequence of 0 and 1,
- Amplifiers, which amplify an optical signal by means of high powered lasers,
- Multiplexers, which bundle, unbundle, and route communications,
- Dispersion compensators that correct certain signal errors,
- Wavelength switches (WSS) that allow the reuse of the same wavelength by several users.

While long-distance and metropolitan fiber optics networks account for the major share of the telecommunications market, needs by data centers are rapidly emerging involving very large volumes and low prices. Until now absent from this market, the Group made an effort to make inroads with a first order recorded in mid 2016. Unfortunately, the client rapidly changed technology and did not proceed with new orders. Despite this, new developments are planned in this sector though focusing on "high-end" products, i.e. higher-capacity.

Packages for optronics use mainly the ceramic technology at present supplied by Egide SA, with the US site currently devoted to ITAR compliant (International Trade in Arms Regulations). The thermal management materials are supplied by Santier.

6.2.4 Microwave components

This product family includes components used by systems operating at frequencies ranging between 3 GHz and 100 GHz. The most frequent applications concern the defense, aerospace and telecommunications markets and in particular wireless base stations (cellular towers), Wi-Fi networks, satellite antennas, radars, air traffic control systems and fiber optic data transport networks.

They are generally manufactured using the HTCC ceramic technology, even though there also exist glass-to-metal connectors (GPO, GPPO, etc.) capable of addressing the customer needs; the microwave components are supplied by the Group's three entities.

6.2.5 Sales mix by application

Consolidated sales by application break down as follows:

	2015		2016		2017	
	€000s	%	€000s	%	€000s	%
Thermal imaging	9,248	44.9	9,973	45.0	10,949	35.4
Power packages	5,863	28.5	5,619	25.3	6,541	21.2
Optronics	2,542	12.4	2,476	11.2	4,162	13.5
Microwave/RF	1,735	8.4	2,551	11.5	5,973	19.3
Other	1,203	5.8	1,552	7.0	3,267	10.6
Total	**20,591**	**100.0**	**22,171**	**100.0**	**30,892**	**100.0**

Consolidated sales by segment break down as follows:

	2015		2016		2017	
	€000s	%	€000s	%	€000s	%
Thermal imaging	7,637	62.9	8,637	61.1	9,924	63.8
Power packages	639	5.3	870	6.2	1,050	6.8
Optronics	2,079	17.1	2,099	14.9	1,539	9.9
Microwave/RF	1,015	8.3	1,376	9.7	1,994	12.8
Other	781	6.4	1,142	8.1	1,057	6.7
Egide SA subtotal	***12,151***	***100.0***	***14,124***	***100.0***	***15,564***	***100.0***
Thermal imaging	1,612	19.1	1,336	16.6	355	4.9
Power packages	5,223	61.9	4,744	59.0	4,622	63.8
Optronics	463	5.5	377	4.7	435	6.0
Microwave/RF	719	8.5	1,175	14.6	1,311	18.1
Other	423	5.0	415	5.1	523	7.2
Egide USA subtotal	***8,440***	***100.0***	***8,047***	***100,0***	***7,246***	***100.0***
Thermal imaging	0	0.0	0	0.0	670	8.2
Power packages	0	0.0	0	0.0	869	10.8
Optronics	0	0.0	0	0.0	2,188	27.1
Microwave/RF	0	0.0	0	0.0	2,669	33.0
Other	0	0.0	0	0.0	1,686	20.9
Subtotal - Santier	***0***	***0.0***	***0***	***0.0***	***8,082***	***100.0***
Total	**20,591**	**-**	**22,171**	**-**	**30,892**	**-**

For information, Santier Inc. was consolidated as from February 28, 2017. Santier's "Other" sector covers mainly the medical sector which is specific to this subsidiary.

6.2.6 Customer base

In 2017, Egide Group's top ten customers for all segments combined accounted for 52 % of consolidated sales, the top five 39 % and the Group 's largest customer 16 %. In 2016 this same breakdown was 63 %, 44 % and 19 % respectively. Santier's addition to the Group has contributed to reducing the dependency on key customers.

In light of the profile of this portfolio, Egide considers that it is protected from commercial risk and, as such, a credit insurance other than the coverage obtained in connection with factoring agreements, is not required. However, advances are sometimes requested from new customers at the time of the first order. Customer invoices are activated by deliveries. The period covered by sales contracts often depends on product order volume. For low volume projects, orders will cover a period of few weeks and will be placed on a regular periodic basis during the course of a year. For programs involving larger volumes, orders will cover a period of several months (up to 18 months) with scheduled deliveries, or several years for master contracts. Major contracts are reported, with applicable, in Chapter 22.

The Group's commercial organization relies on direct employees for each of the operating subsidiaries (5 at Egide SA, 2 at Egide USA and 2 at Santier) as well as a network of specialized but non-exclusive agents for high-tech products covering Italy, the United Kingdom, the United States (East and West Coast, Florida), China, India, Israel, Russia and South Korea. In October 2015, a new vice president for marketing joined the group who is based in France. In March 2017, the business development department, which until then covered the entire group, was divided into two divisions: the chief business development officer of Egide SA took responsibility for sales in Europe and Asia whereas a position of business development manager for North America remains open.

6.2.7 Consolidated sales by region

Consolidated sales by region breaks down as follows:

	2015		2016		2017	
	€000s	%	€000s	%	€000s	%
France	7,100	34.5	7,460	33.6	8,449	27.4
European Union (excl. France)	1,251	6.0	2,052	9.3	2,877	9.3
North America	9,074	44.1	8,588	38.7	15,202	49.2
Rest of the world	3,166	15.4	4,071	18.4	4,364	14.1
Total	**20,591**	**100.0**	**22,171**	**100.0**	**30,892**	**100.0**

Segment breakdown of consolidated sales by region:

	2015		2016		2017	
	€000s	%	€000s	%	€000s	%
France	7,100	58.4	7,460	52.8	8,445	54.3
European Union (excl. France)	1,151	9.5	1,943	13.8	2,711	17.4
North America	784	6.5	706	5.0	497	3.2
Rest of the world	3,116	25.6	4,015	28.4	3,911	25.1
Egide SA subtotal	***12,151***	***100.0***	***14,124***	***100.0***	***15,564***	***100.0***
France	0	0.0	0	0.0	5	0.1
European Union (excl. France)	100	1.2	109	1.4	164	2.2
North America	8,290	98.2	7,876	97.9	7,057	97.4
Rest of the world	50	0.6	62	0.7	20	0.3
Egide USA subtotal	***8,440***	***100.0***	***8,047***	***100.0***	***7,246***	***100.0***
France	0	0.0	0	0.0	0	0.0
European Union (excl. France)	0	0.0	0	0.0	3	0.0
North America	0	0.0	0	0.0	7,648	94.7
Rest of the world	0	0.0	0	0.0	431	5.3
Subtotal - Santier	***0***	***0.0***	***0***	***0.0***	***8,082***	***100.0***
Total	**20,591**	**-**	**22,171**	**-**	**30,892**	**-**

For information, Santier Inc. was consolidated as from February 28, 2017.

6.3 Exceptional events

The telecommunications market (optronics) experienced a crisis of exceptional scope in 2001 and 2002, which persisted until mid-May 2010, despite an upturn in 2008. This crisis resulted in the closing of the Trappes production site.

In 2009, Egide Group companies were severely impacted by the global economic crisis that affected every sector . In response, the company took measures to reorganize industrial operations, including in particular repositioning the subsidiary Egide USA in its domestic military markets (resulting in a 50% reduction in headcount), transferring the production for telecom products to the French site and discontinuing operations of the Moroccan site as from July 1.

In 2011, the euro zone and US debt crises impacted the industry, precipitating a crisis of confidence about the future, low visibility, and the postponing of orders. For Egide, this led first to the rescheduling of deliveries in the third quarter, followed by the deferment of deliveries to the 2012 first quarters whereas demand was concentrated in the last quarter of 2011. All of Egide's customers were to some extent impacted by this trend, regardless of their sector of activity. However, customers of the telecommunication sector were the most affected, requiring Egide to lower sales guidance for the 2011 second half. On that basis, 2011 ended the period with growth in sales from the prior year though at a slower pace (+9%) than expected at the start of the year.

In 2012, the global economic crisis had become entrenched and impacted the development of Egide SA, the only Group entity with significant volume in the telecommunications market, which was severely affected by this crisis. This situation was compounded by a geopolitical development that was responsible for the virtual disappearance of a major Israeli military customer using infrared products. In this bleak context, only the US military, the European space and UK industrial sectors showed growth, even though insufficient to offset the losses incurred in other market segments.

In 2013, for the first time military spending was affected by budget restrictions in the United States, which in turn severely impacted Egide USA sales starting in the second quarter which have remained under budget. For Egide SA, a major customer was required to adapt to an unanticipated shift in demand by its customers to a new range of products not including packages supplied by Egide, significantly impacting the company's sales.

In 2014, Group sales in the telecommunications sector registered a further decline. The primary causes were the loss of a customer (bankruptcy filing), reduced demand by another customer and the lower-than-expected start in the Chinese market for the 100 Gb/s products for which Egide has been qualified.

In 2016, political uncertainties in the United States linked to the presidential elections in November stalled major military programs, leading to delays in the commencement of the HTCC ceramic activity launched in Cambridge, Maryland (USA). This led to considerably lower revenue than expected that was not sufficient to offset the business's operating expenses. With the results of the elections more favorable to the support of military spending, the viability of the ceramic project in the US is however in no way called into question.

In 2017, Egide USA was impacted by the demise of a customer for which it supplied only one product reference. The US administration discontinued the military program for which this customer supplied one of the components as a consequence of political pressure. This represented approximately US$1.3 million that was not able to be offset by other customers. In addition, the political context in the United States remained heated which prevented the deployment of the policy decided by the US President notably in the area of military spending, an area which remains an important growth driver for Egide USA.

Events of the kind described above remain by definition unforeseeable. To minimize potential impacts of such events (on sales and earnings) Egide seeks to achieve maximum diversification in business sectors and customer base and to maintain the highest level of state-of-the-art expertise, with very high-tech products providing greater resilience to adverse economic trends.

6.4 Competitive position

Egide has a limited number of competitors at the international level. These consist of either major international groups with divisions manufacturing electronics components, subsidiaries of large groups, or small family-owned type operations. In this universe, Egide is the only independent pure player specialized in manufacturing hermetic packages.

Generally, US competitors operate in the glass-to-metal segment whereas the Japanese are specialized in ceramics. The other Asian competitors are more active in the segment for standard low-cost products, whether glass-to-metal or ceramics, and generally address their local markets.

Main competitors:

Name	Country	Business application [1]	Revenue	Share listing	Market capitalization
Ametek	United States	TI, P, O, M	€ 1.33 bn [2]	New York	€ 13.4 bn [3]
Kyocéra	Japan	TI, O, M	€ 1.97 bn [4]	Tokyo	€ 20.0 bn [5]
Electrovac	Austria	P, M	Unavailable	Privately held	-
Schott	Germany	O	Unavailable	Privately held	-
Sinclair	United States	P, O	Unavailable	Privately held	-
NTK	Japan	O, M	€0.43 bn [6]	Tokyo	€ 4.5 bn [5]
Hirai	Japan	O	Unavailable	Privately held	-
Metallife	South Korea	O	Unavailable	Privately held	-

(1) TI : Thermal imaging - P : Power packages - O : Optronics - M: Microwave
(2) source: Annual report. Revenue at December 31, 2017 for the electromechanical business unit - US$ 1.61 billion compared to US$ 1.48 billion in 2016
(3) source: New York Stock Exchange. Stock price at April 30, 2018
(4) source: Press release of April 26, 2018. Revenue at December 31, 2017 for the semiconductors business (calendar year) - ¥ 260.6 billion compared to ¥ 237.5 billion in 2016
(5) source: Tokyo Stock Exchange. Stock price at April 27, 2018
(6) source: Press release of January 31, 2018. Revenue at December 31, 2017 for the ceramic components business (calendar year) - ¥ 56.6 billion compared to ¥ 51.0 billion in 2016 (calendar year).

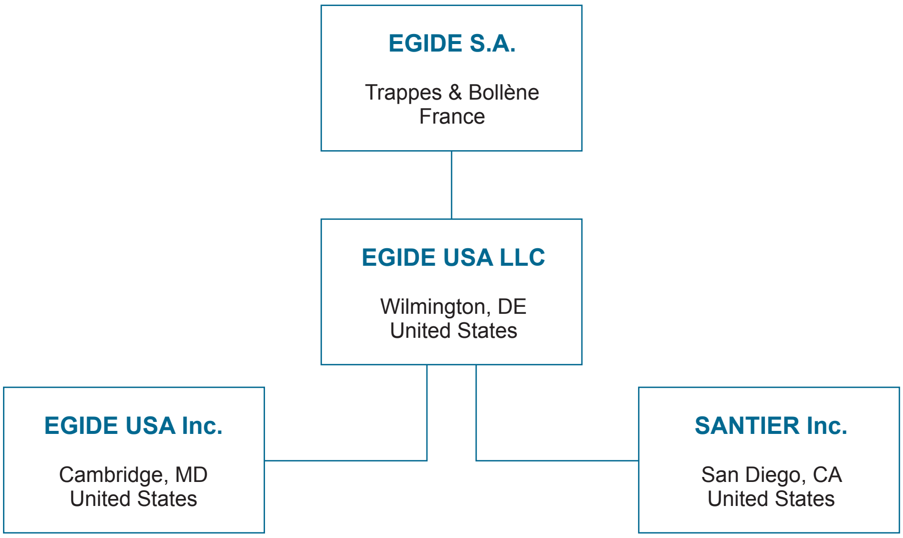
The main competitors operate in sectors covering all applications provided by the Egide group. In contrast, competitors that Egide encounters less frequently are more focused in Optronics applications, and in certain cases, the power or microwave fields. From its US-based manufacturing site, Kyocera can offer its ceramic products to American defense customers which can henceforth be assured by Egide USA. However, it must now focus on developing a pipeline of new contracts, with the situation of legacy products under existing contracts no longer economically attractive for potential customers. Egide USA is subject to longer qualification periods inherent to products destined for the military sector.

In this context, Egide is not dependent on any patents or licenses as its manufacturing processes, like those of its competitors, are generally based on the know-how and experience of its teams.

Egide has a worldwide reputation for quality and high tech expertise based on its experience in electronics for the defense and space industries that is distinguished by extremely demanding standards (qualification processes, regular audits …), and it occupies a top-tier position.

7 ORGANIZATIONAL STRUCTURE

7.1 Group organization



7.2 Group subsidiaries and structure

Egide SA is the parent company. Egide USA LLC is a directly wholly-owned subsidiary in the United States that in turn wholly-owns two subsidiaries also based in the United States, Egide USA Inc. and Santier Inc.

Egide USA LLC is a holding company held by the parent company exclusively for holding the capital of Egide USA Inc. and Santier Inc.

Egide SA, Egide USA Inc. and Santier Inc. are companies with their own economic activity in the area of hermetically sealed interconnection devices (for the first to mention) and thermal management materials (for the latter which recently joined the Group consolidation scope). On this basis, they possess their own assets which enable them to produce and sell their products independently of each other. These companies furthermore possess their own liquid assets and debts without centralized cash pooling system at the group level.

Egide SA, Egide USA and Santier share the same chair and chief executive officer. They are each managed by a General Manager and have their own administrative and accounting, sales, engineering, quality assurance and production departments. The Group's finance department oversees the Finance Department of Egide as well as that of the US subsidiaries managed by Santier's chief financial officer (also in charge of finance for Egide USA since March 2017). The business development department is divided into two regions: North America (recruitment in progress) and Europe and Asia (managed by Egide SA's chief business development officer).

Flows between different Group companies result in intercompany billings. Pursuant to the modification of the provisions of Order No. 2014-863 of July 31, 2014, amending article L225-39 of the French commercial code, these chargebacks no longer comply with the rules governing regulated agreements.

See section 20.3.1.5.2.2 - Information on Santier Inc.'s addition to the Group

8 PROPERTY, PLANT AND EQUIPMENT

8.1 Significant tangible fixed assets

8.1.1 Manufacturing sites

Egide Group's manufacturing assets are concentrated at three sites: Bollène (France), Cambridge (Maryland, USA) et San Diego (California, USA):

The Bollène site (Egide SA)

A center of excellence for the two sealing technologies, it also has expertise in high temperature cofired ceramic (HTCC). In a building of approximately 5,700 m2, equipped with a 500 m² 10,000 class clean room for the treatment of raw ceramic, would be Bollène assuring the full production cycle for ceramic components from start to finish. The site also provides the assembly, surface treatment and control of metallic glass packages - metal and ceramic - as well as the manufacturing of glass beads. It is equipped with an engineering department for ceramics and for glass-to-metal, as well as R&D resources. This site was rented from a property investor under a 12-year commercial lease commencing in 2010 and extended for three years in May 2015. Previously the site was held as a fully-owned property.

The Cambridge site, MD (Egide USA subsidiary)

In a building of 5,000 m^2, the site is responsible for the assembly, control, and surface treatment of glass-to-metal or ceramic-to-metal packages. Since mid-2015, the site has been equipped with a 300 m^2 clean room (class 10,000) and production equipment for treatment of raw ceramics supplied by Egide SA. It also produces glass beads. It has a glass-to-metal and ceramic-to-metal engineering department. The building is fully-owned.

The site of San Diego, CA (Santier subsidiary)

In a building of 25,833 sq.ft. (2,400 sqm.), this site is primarily devoted to metallic components and thermal management materials for the US market. It also provides selected assemblies incorporating HTCC ceramic components purchased from outside sources or supplied by Egide USA. The site is equipped with a workshop for the manufacture of metallic components and an assembly area (similar to though smaller than that of Egide SA or Egide USA) as well as a service treatment facility, in addition to having its own engineering department. The building is rented from a real estate investor under a 10-year commercial lease that began on 1 January 2018. Until then, the finance lease concluded with the former operator from which the operating assets and liabilities were acquired remained in force (with the transfer completed on February 28, 2017).

Other sites

The administrative, sales, purchasing and graphite machining departments of Egide SA are located in the Paris region (Trappes in the Yvelines department), in a building of approximately 800 sqm (8,611 sq.ft.) leased from a real estate investor under a 12-year lease that commenced in 2016.

8.1.2 Machinery and equipment

In the Group's four production sites, Egide is the owner of its equipment and machinery, including:

- Two ceramic casting rooms (at Egide SA) with atmospheric control equipment,
- Two white rooms containing numerous equipment for transforming raw ceramic (one at Egide SA and one at Egide USA): machines to punch out vias[6] and windows, machines for filling the vias, machines for screen printing conductors and open-vias, presses, and an automatic cutter,
- a clean room for the assembly of sensitive components such as glass beads (at Egide SA),
- Glass beads manufacturing equipment,

- Debind ovens[7],
- Ovens for high temperature (1,600°) sintering of ceramics and molded components[8],
- Cutting machines (diamond slitting wheel),
- Machines for screen printing of tips,
- Ovens for vacuum soldering[9],
- Conveyor kilns for atmosphere-controlled soldering (medium and high temperature),
- Conveyor kilns for hermetic sealing with glass beads,
- Manually-operated or computer controlled electroplating installations[10],
- Machines for verifying hermetic sealing,
- Several graphite machining centers,
- Several metal machining centers, including a numerical controlled lathe,
- Wire Electrical Discharge Machining (WEDM) equipment,
- Tri-planetary polishing equipment,
- Several instruments for verifying visual and dimensional characteristics (including 3D gauges),
- Thermal cycling machines.

The equipment for ceramic production at the Bollène site was acquired in large part in 2000. These were installed at the Cambridge site in the summer of 2015. This includes used equipment transferred from the Bollène site. The equipment for the manufacture of metallic components and thermal management materials was acquired in 2017 (and recognized in the accounts of Santier Inc., created for that purpose).

8.2 Environmental issues that may affect the issuer's utilization of tangible fixed assets

See section 4.3 - Industrial and environmental risks

8.3 Environmental impact of Group operations

See section 26.2 - Environmental impact

8.4 Information relating to societal commitments in favor of sustainable development

See section 26.3 - Societal commitments in favor of sustainable development

(6) Holes drilled in ceramic sheets
(7) Elimination of binders having a virtually zero impact on the parts
(8) Sintering is a manufacturing process consisting in forming material by heat without melting. Through heat, the fine material particles are welded together forming the cohesion of the part.
(9) Metal soldering is a process for permanent assembly creating metallic continuity for joined parts
(10) Electroplating is an industrial process for applying coatings to fabricated materials using electrical current.

9 OPERATING AND FINANCIAL REVIEW

9.1 Financial position

9.1.1 FY 2016

Growth in sales and good cost controls contributed to a positive gross operating profit in 2016 and a significant reduction in the Group's operating and net losses in relation to the previous period. The internal financing capacity is now close to breakeven.

The French entity remains largely under breakeven (with an operating loss of €0.32 million at Egide SA) whereas the US entity has incurred the costs of operating the HTCC ceramic manufacturing line that generated limited sales in 2016 (operating loss of €0.28 million).

At December 31, 2016, all Group companies had positive cash balances. Cash and cash equivalents at year end amounted to €1.08 million with €1.05 million for Egide SA and €0.03 million for Egide USA. The refunds of Egide SA research tax credits (RTC 2012 and 2015) and the wage tax credit (CICE 2015) bolstered the cash position by €0.68 million in 2016. For 2017, Egide SA and Egide USA will continue to make use of factoring arrangements to finance their working capital requirements. Expected refunds for research tax credits and the CICE wage tax credit amount to €0.37 million.

At the end of 2016, Group debt (excluding factoring entities) amounted to €2.57 million (€1.41 million for Egide SA and €1.16 million for Egide USA) compared to €2.38 million at December 31, 2015. For information, Egide USA's loan is subject to two covenants, both of which were in compliance at the end of 2015 and 2016.

In 2017, Egide USA's financing provided mainly by the Bank of America (a real estate loan and a factoring credit line) will be replaced by a US$3.25 million credit facility from Midcap Business Credit. This facility with a maturity of three years will be used to pay back in full the Bank of America debt. It will be guaranteed by Egide USA's building, inventory and trade receivables and accompanied by a covenant (EBITDA ratio on interest + current portion of long-term debt > 1) calculated on a three month rolling basis The portion based on the real estate (US$1.25 million will be repaid in monthly installments of €10,417 starting from the loan agreement's execution date. The residual balance owed at the end of three years will be refinanced.

9.1.2 FY 2017

Egide SA's results deteriorated in the period despite growth in revenue, with expenses incurred to address datacenter volume market (optronics) adversely impacted profitability, particularly in terms of staff costs. Egide USA's results were impacted by the loss of the costumer, Textron, whose program was discontinued by the US administration and delays in HTCC ceramic product sales. In contrast, Santier's addition to the Group scope at the beginning of the year improved consolidated results both at the level of sales and operating performances. While this acquisition of course generated expenses, excluding non-recurring items, the operating loss remained largely stable en relation to 2016, while EBITDA remained positive with growth. The positive outlook for the US division made it possible to recognize Egide USA's loss carryforwards and also very significant tax income in the 2017 financial statements.

At December 31, 2017, cash and cash equivalents amounted to €2.99 million: Egide SA (€1.18 million), Egide USA (€0.03 million) and Santier (€1.78 million). Egide SA and Egide USA will continue to make use of factoring arrangements to finance their working capital requirements. Santier's activities were financed by positive operating cash flows while capital expenditures will be covered by a US$500,000 loan from Pacific Mercantile Bank. Expected refunds for research tax credits and the 2017 CICE wage tax credit amount to €500,000.

At the end of 2017, Group debt (excluding factoring entities) amounted to €4.53 million (€1.83 million for Egide SA, €1.96 million for Egide USA and €0.74 million for Santier) compared to €2.57 million at December 31, 2016. For information, Santier's loan is subject to a covenant that was respected at year-end. Egide USA's credit line is subject to two covenants. While one of these was not respected at year-end 2017, the lender has not requested its immediate repayment.

9.2 Operating results

9.2.1 Historic factors impacting revenue

The telecommunications crisis of 2001 resulted in a sharp drop in Group sales. The global economic crisis of 2009 weighed heavily on the company's development while the crisis that began in mid-2011 also impacted annual sales growth for 2012. In addition, the absence of orders from an Egide SA military export client (infrared products) in 2012 for political and economic reasons, showed that although Egide is not particularly dependent on one or more clients (see § 6.2.5), the company nonetheless remains very sensitive to such events when total sales are low.

In 2013, US defense budgets were for the first time subject to restrictions which had a significant impact on sales for the subsidiary Egide USA. In 2014, Group sales in the telecommunications sector registered a further decline. The primary causes were the loss of a customer (bankruptcy filing), reduced demand by another customer and the lower-than-expected start in the Chinese market for the 100 Gb/s products for which Egide has been qualified. In 2016, US military budgets were once again impacted, this time as a consequence of the presidential elections and the resulting uncertainties. This in turn impacted Egide USA, the lower-than-expected growth from HTCC ceramic products destined for the local US defense market. In 2017, profitability for Egide USA was adversely impacted by the loss of an important customer (following the discontinuation of a defense program by the US administration) and for Egide SA by the datacenter market entry costs.

In response to these events, the Group structure was constantly adjusted to the level of actual sales. However, despite such measures, in light of minimum fixed costs required to operate all production sites, the level of sales remains decisive for ensuring the company's profitability.

9.2.2 Significant factors likely to have a material effect on operating income

- Market trends (see section 6.2.3)
- Foreign exchange risks (see section 4.1.2)
- Price reductions (see section 4.4.2)
- Exceptional events (see section 6.3)
- Risks related to adverse weather conditions (see section 4.5.5.)

9.2.3 Consolidated balance sheet, income statement and cash flow highlights

Statement of comprehensive income at December 31, 2016 and 2017

€ millions	2016		2017	
REVENUE	**22.17**	**100 %**	**30.89**	**100 %**
Raw materials and consumables Change in finished goods and work in progress	- 9.13 0.00	41 %	- 12.44 + 0.45	39 %
Staff costs External charges Taxes other than on income Other operating income and expenses [1]	- 9.16 - 3.75 - 0.35 + 0.33	41 % 17 % 1 % 1 %	- 13.14 - 5.01 - 0.42 + 0.11	43 % 16 % 1 % 0 %
GROSS OPERATING PROFIT (EBITDA) [2]	**+ 0.11**	**0 %**	**+ 0.44**	**1 %**
Depreciation, amortization and impairment of fixed assets Allowances to and reversals of provisions for impairment [3]	- 0.61 - 0.10	3 % 0 %	- 0.92 - 0.34	3 % 1 %
NET OPERATING INCOME (LOSS)	**- 0.59**	**- 3 %**	**- 0.82**	**- 3 %**
Net financial expense	- 0.13	0 %	- 0.75	- 2 %
PROFIT/(LOSS) BEFORE TAX	**- 0.72**	**- 3 %**	**- 1.57**	**- 5 %**
Income tax	0.00	0 %	+ 1.21	4 %
NET INCOME/(LOSS) [2]	**- 0.72**	**- 3 %**	**- 0.37**	**- 1 %**
Other comprehensive income	- 0.03	0 %	- 0.76	- 2 %
COMPREHENSIVE INCOME	**- 0.75**	**- 3 %**	**- 1.12**	**- 4 %**

[1] Of which €0.3 million in research tax credits in 2017.
[2] Discrepancies in reported amounts reflect the rounding of figures
[3] Restated in 2016 to reflect the impact of an adjustment on employee benefits

Consolidated statement of financial position at December 31, 2017 (€ millions)

ASSETS		EQUITY AND LIABILITIES	
Fixed assets Other financial assets Deferred tax assets Inventory and work in progress Trade and other receivables Cash and cash equivalents Other current assets	7.52 0.47 1.14 6.32 6.99 2.99 0.30	Shareholders' equity Non-current provisions Non-current financial debt Other non-current liabilities Current financial debt Trade and other payables Other non-current liabilities	12.73 0.69 1.85 0.03 5.14 5.29 0.00
Total	**25.73**	**Total**	**25.73**

Consolidated statement of cash flows at December 31, 2016 and 2017

€ millions	2016	2017
Opening cash and cash equivalents	2.77	1.08
Operating cash flows	- 0.06	- 0.53
Change in working capital requirements	- 1.19	- 0.89
Change in fixed assets	- 1.02	- 1.12
Impact of changes in Group structure (creation of Santier Inc.)	0.00	- 5.05
Change in financial debt (excluding factoring)	+ 0.16	+ 0.13
Change in factoring and revolving credit debt	+ 0.42	+ 1.78
Capital increase	0.00	+ 7.70
Effect of changes in exchange rates	0.00	- 0.11
Closing cash and cash equivalents	1.08	2.99

Net cash flows in 2016 amounted to an outflow of €1.69 million compared to an inflow of €1.91 million in 2017 and breaking down as follows:

€ millions	2016		2017	
	Uses of funds	Sources of funds	Uses of funds	Sources of funds
Operating cash flows	0.06		0.53	
Working capital requirements	1.19		0.89	
Acquisition of non-current assets	1.02		1.12	
Change in consolidation scope (Santier Inc.)			5.05	
Borrowings and financial liabilities		0.58	1.63	3.54
Capital increase				7.70
Exchange rate movements			0.11	
Total	**2.27**	**0.58**	**9.33**	**11.24**

Refer to the management report in section 20.5.2 of this registration document

10 CAPITAL RESOURCES

10.1 Shareholders’ equity

See section 20.3.1.5.4 - Shareholders equity and earnings per share

10.2 Cash flow

See section 9.2.3 - Consolidated cash flow highlights and section 20.3.1.4 - Consolidated cash flow statement

10.3 Borrowing requirements and funding structure

Financial debt at December 31, 2017 breaks down as follows:

Egide SA:

- A factoring agreement for France concluded in 2006 and financed at a floating rate (Euribor + 1.20 points) with a floor of 0.6%,
- An Export factoring agreement concluded in 2006 and financed at a floating rate (Euribor + 1.20 points) with a floor of 0.6%,
- A €123,000 advance from Bpifrance in 2014, renewed until October 31, 2017, financed at a floating rate based on the average Euribor one-month rate plus 3 points, in exchange for the 2013 wage tax credit (Crédit d’Impôt Compétitivité ’Emploi or CICE) receivable assigned as collateral in connection with the "Dailly" law,
- A €600,000 7-year 3.85% fixed rate "Sofired-PME Défense" loan (with a 2-year grace period) obtained from Bpifrance in 2015,
- Finance lease agreements (production equipment) with a total gross amount of €211,866 excluding tax obtained in 2015 and 2016, at fixed rates between 1.22% and 1.32% (see section 5.2.5),
- A €978,974 4-year bond loan arranged in November 2017 with Vatel Capital, with fixed coupon rate of 7% and repayable in fixed monthly installments.

Egide USA:

- A credit line provided by Midcap Business Credit LLC. The maximum amount of financing available is US$3,250,000, based on the value of trade receivables and inventories of which €1,250,000 is linked to the market value of the property and movable assets. This amount of €1,225,000 is repayable in monthly installments over a period of 10 years as from 1 March 2017. The WSJ Prime Rate rose 2.50 points. This financing is subject to a covenant based on the fixed charge coverage ratio (EBITDA on interest + the current portion of long-term debt), calculated monthly on a three-month rolling basis. The contract was signed before a term of three years, at the end of which the balance will be refinanced.

Santier:

- A line of credit arranged with Pacific Mercantile Bank (California) for an amount totaling US$4.5 million, with a maximum of US$2.5 million based on the value of accounts receivable and inventories (revolving credit); US$1 million paid in the form of a loan repayable over a period of 60 months starting on June 1, 2017 and a maximum of US$750,000 paid in one or more installments to finance the purchase of industrial equipment (loan repayable over a period of 60 months as from the date of the fund's release). This line of credit is subject to interest at the WSJ Prime Rate, +1.50% for the revolving credit, 1.75% for the term loan and 1% for the equipment financing loan. The term loan financing the equipment financing are subject to two covenants, and namely, the Fixed Charges Coverage Ratio (EBITDA on interest + the current portion of long-term debt greater than 1.25) and the requirement of minimum net assets excluding intangibles of €3 million. In addition, for the period from March 1 to December 31, 2017, net income before tax should not be less than US$1,000. The contract was signed for a term of two years (until May 5, 2019), at the end of which the balance will be refinanced.

At the end of 2017, total consolidated financial debt amounted to €6,984,000, with the current portion amounting to €5,135,000 (including €515,000 in borrowings and loans, €89,000 in lease financing, €4,408,000 in factoring and revolving credit and €123,000 in research tax credit and CICE wage tax credit prefinancing) and €1,849,000 in non-current debt (€1,771,000 in borrowings and loans and €78,000 in lease financing). At December 31, 2015 covenants associated with the Egide USA loan were respected.
Other than those mentioned above, there are no other credit lines opened for the company or its subsidiaries.

See section 20.3.1.5.3.5 - Statement of payables

10.4 Information regarding any restrictions on the use of capital resources

The financing granted by par Pacific Mercantile Bank (PMB) may be used only by Santier Inc. or, subject to the bank's written authorization to Egide USA in the form of a loan granted by Santier. Under no conditions shall Egide SA benefit from the financing provided by PMB.

See section 20.3.1.5.7.1.1 - Accounting methods and explanatory notes to the consolidated financial statements / Commitments given

10.5 Anticipated sources of funds

Egide SA regained the status of SME on January 1, 2015 which it will retain until December 31, 2018. With the threshold of 250 employees having been crossed with the subsidiary Santier joining the Group in February 2017, it will have the status of a mid-sized sized company (*Entreprise de Taille Intermédiaire or ETI*).

Based on the status as an SME, Egide SA will qualify for the immediate refund of the French research tax credit and CICE wage tax credit if they are not applied to corporate income tax.

To acquire the production equipment included in the investment budget, to the extent possible, this will be achieved by recourse to lease with a purchase option or lease financing. The Group will nevertheless carefully consider any appropriate solution to limit the use of capital resources, such as by recourse to a stand-alone bond issue along the lines of the financing solution proposed by Vatel Capital at the end of 2017.

10.6 Off-balance sheet commitments

See section 20.3.1.5.7

10.7 Commitments and other contractual obligations

Information at December 31, 2017 on commitments and obligations of the company and its subsidiaries to make future payments pursuant to major contracts or contingent commitments are summarized below:

Contractual obligations	Total (€ thousands)	Payables by maturity (€ thousands)		
		< 1 year	1 to 5 years	> 5 years
Financial debt				
- *Egide SA (loans)*	606	126	480	0
- *Egide USA (bond loan)*	943	222	721	0
- *Egide SA (Bpifrance advance)*	123	123	0	0
- *Egide SA (finance lease)*	167	89	78	0
- *Santier (loan)*	737	167	570	0
Operating leases				
- *Egide SA (Trappes real estate)* [(1)]	793	72	295	426
- *Egide SA (Bollène real estate)* [(2)]	1,529	210	864	455
- *Egide SA (company cars)* [(3)]	14	14	0	0
- *Egide USA (company car)* [(4)]	6	5	1	0
- *Santier (San Diego real estate)* [(5)]	2,895	264	1,112	1,519
Total	**7,813**	**1,292**	**4,121**	**2,400**

(1) A firm 12-year lease commencing on June 1, 2016 - annual rent indexed to the INSEE cost of construction index as from June 1, 2017.
(2) A firm 15-year lease commencing on March 3, 2010 and extended for three years in May 2015 - annual rent indexed to the INSEE cost of construction index as from March 1, 2011.
(3) Company car leasing agreements for 36 or 48 months for three vehicles, subject to fixed lease payments.
(4) A 36 month lease for one vehicle, subject to fixed lease payments.
(5) A 10-year lease commencing on January 1, 2018 - Annual lease payment indexed on the Los Angeles-Riverside-Orange County CPI-U (Consumer Price Index for All Urban Consumers).

Other commitments given	Total (€ thousands)	Payables by maturity (€ thousands)		
		< 1 year	1 to 5 years	> 5 years
- *Egide SA (factoring)*	2,448	2,448	0	0
- *Egide USA (revolving credit)*	1,960	1,960	0	0
Total	**4,408**	**4,408**	**0**	**0**

11 RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

Egide SA counts ten dedicated engineers and technicians in the Research and Development department, to which are sometimes added, for specific jobs such as microwave simulations, engineers and technicians coming from customer technical support departments. They are tasked with the development of new technological building blocks (materials, procedures …) and their implementation, while ensuring adequate technical support (assisting product startups, online problem resolution, and successfully executing work required by Egide's study and engineering design contracts.

Programs undertaken or pursued in the period:

- Developments focusing on ceramic processes (slip, ceramic raw materials, screen printing, inks, vias, sintering, ….)
- Developments focusing on assembling processes (cleaning techniques, low-temperature sealing, dissipative materials, electrolytic or chemical gold plating)
- Developments focusing on microwave simulations
- Engineering study services:
    - . Development of a package for a Semiconductor Optical Amplifier (SOA) with polarization diversity optical assembly
    - . Development of a package for dynamic control of heat removal for embedded electronics
    - . Development of new technological building blocks to produce packages for aerospace applications
    - . Development of a new technology for millimeter wave applications for satellite telecommunications
    - . Development of high frequency ceramic packaging solutions

Selected projects fall within the scope of competitiveness clusters or European clusters and on that basis are generally provided with up to 25% and 30%, independently or jointly in financing, either from regional authorities, Bpifrance or the French Defense Procurement Agency (DGA) as part of the RAPID project. Projects that do not receive financing are paid for in full by Egide. R&D expenditures are not capitalized by the company and recorded as assets.

Expenses incurred that are taken into account to calculate the research tax credit are presented below:

Egide SA	2015	2016	2017
R&D expenditures	€1,062,000	€1,062,000	€1,101,000
% of consolidated sales	5.16 %	4.63 %	3.56 %
Headcount (person equivalents)	12.5	11.1	11.4

Santier's addition to the Group mechanically reduced the percentage of R&D. As Egide USA, the new subsidiary does not have a dedicated business development team.

There are no significant intangible items controlled by the Group, including those not recorded under assets. The company does not capitalize research and development expenditures as such expenses do not meet the accounting criteria for recognition as assets.

The trademarks used by Egide have been registered in France and internationally. The company uses the patents to which it has title and files patents when necessary. Licenses that may be used by the company and subsidiaries are considered as assets and as such are not subject to fees.

Recognized in its business sector, Egide SA is certified ISO 9001:2015 and ISO 14001:2015. It is furthermore certified by ASD-EASE (AeroSpace and Defence - European Aerospace Supplier Evaluation). Egide USA and Santier are also certified ISO 9001:2008 and ITAR compliant (International Trade in Arms Regulations). Both of them are engaged in a process for obtaining AS9100 certification by the end of 2018.

12 INFORMATION ON TRENDS

12.1 Annual operating highlights

On February 28, 2017, Egide completed the acquisition of the operating assets and liabilities of TMS LLC financed by a capital increase for a gross amount of €8.2 million. This was followed by the creation of Santier Inc., based in San Diego, California, a wholly-owned subsidiary of Egide USA LLC. Santier Inc. manufactures components for electronics applications and thermal management materials. With the addition of this new subsidiary, the Group decided to create two distinct regions for sales: North America and Europe-Asia, each with their own sales management.

Financing granted by the Bank of America to Egide USA (a credit line and a long-term loan) was repaid in full and replaced early in the year by a credit line from Midcap Business Credit LLC. The total maximum amount of financing able to be obtained is US$3,250,000, based on the value of trade receivables and inventories of which €1,250,000 is linked to the market value of the property and movable assets. This amount of €1,250,000 is repayable in monthly installments over a period of 10 years as from 1 March 2017. The WSJ Prime Rate rose 2.50 points. The contract was signed before a term of three years, at the end of which the balance will be refinanced.

In addition, a line of credit was negotiated in May 2017 between Santier and Pacific Mercantile Bank (California) for an amount totaling US$4 million, with a maximum of US$2.5 million based on the value of accounts receivable and inventories (revolving credit); US$1 million will be paid in the form of a loan repayable over a period of 60 months starting on June 1, 2017 and a maximum of US$500,000 will be paid in one or more installments to finance the purchase of industrial equipment (loan repayable over a period of 60 months from as from the date of the fund's release). The contract was signed for a term of two years, at the end of which the balance will be refinanced.

Finally, in November, Egide SA issued a stand-alone bond following the proposition received from Vatel Capital. Through Vatel Direct's crowdfunding platform Egide was able to obtain €980,000 in financing in the form of a 4-year bond with fixed coupon rate of 7% and repayable in monthly installments. This transaction did not result in the issuance of a prospectus subject to clearance(visa) by the French financial market authority (Autorité des Marché Financier or AMF) and, in compliance with applicable laws, the documentation issued by Vatel Direct for its customers indicated that the funds managed by Vatel Capital were Egide shareholders (potential conflicts of interest).

At Egide USA, a capital increase of US$3.45 million was recognized in November by converting the current account debt with Egide SA. For the latter, this resulted in an increase by the same amount in Egide USA LLC shares, Egide USA Inc.'s parent.

In the area of governance, the shareholders' general meeting of June 16, 2017 renewed Mr. James F. Collins' term of office as director for four years. Mr. Collins' appointment as Chairman and Chief Executive Officer of Egide Group was also confirmed by the Board of Directors meeting at the end of this shareholders meeting.

12.2 Post-closing events

The research tax credit and wage tax credit (CICE) refunds of 2013 of Egide SA that should have been received in 2017, were ultimately obtained in early 2018 in the amount of €0.27 million. 2017 research tax credit and wage tax credit (CICE) refunds in the amount of €0.50 million are expected in mid-2018.

Egide Group had consolidated revenue (unaudited) for the 2018 first quarter of €8.03 million, up 24.5 % year-over-year, despite an adverse effect from euro/dollar exchange rate trends. Like-for-like and at constant exchange rates, first quarter revenue rose by 8.5%. Excluding exchange rates changes (1.22934 vs. 1.06473) revenue for the 2018 first quarter would have reached €8.7 million.

Santier's integration continued to have a positive impact on Group revenues along with growth in the HTCC products at Egide USA. The US subsidiaries contributed 52% of total consolidated revenue in the first quarter 2018, up from 42% in 2017.

Breakdown by unit

(€m)	Q1-2017	Q1-2018*	Change (%)	Like-for-like change **
Egide SA	3.85	3.82	- 0.8 %	- 0.8 %
Egide USA	1.85	1.89	+ 2.2 %	+ 17.8 %
Santier Inc.	0.75	2.32	+ 209.3 %	+ 31.3 %
Groupe	**6.45**	**8.03**	**+ 24.5 %**	**+ 8.5 %**

** Unaudited*
*** at constant structure and exchange rates*

For the record, Santier Inc. joined the Egide Group on February 28, 2017. In the 2018 first quarter, only March was used to calculate Santier's like-for-like change in sales.

In this first quarter, the growth of Egide USA, driven in particular by HTCC ceramic products, rose significantly (+17.8% like-for-like) versus the same period in 2017, offsetting the slower growth at Egide SA for the beginning of the year.

Breakdown by application

(€m)	Q1-2017	Q1-2018*	Change (%)	Like-for-like change **
Power packages	1.43	1.44	+0.7%	+7.4%
Microwave/RF	1.07	1.29	+20.6%	-11.5%
Optronics	0.78	1.21	+55.1%	+7.1%
Thermal imaging	2.66	2.80	+5.3%	+6.0%
Other	0.51	1.27	+149.0%	+68.5%
Groupe	**6.45**	**8.03**	**+24.5%**	**+8.5%**

** Unaudited*
*** at constant structure and exchange rates*

12.3 Outlook

Based on the solid order backlog for 2018, Egide confirms guidance for continuing organic growth for the year at the Group level, despite a slower growth in Europe since the beginning of the year and negative currency effects.

In particular, the HTCC products at Egide USA have a very satisfactory backlog to date of $800,000. The business climate in North America notably for the market segments addressed by Egide, is improving compared to last year, most likely due to the new Federal spending budget and the new tax law.

12.4 Events likely to have an effect on trends

See section 4.5.2 on risks associated with the volatility of high-tech markets and section 6.3 on exceptional events.

13 PROFIT FORECASTS OR ESTIMATES

The company does not release forecasts.

14 ADMINISTRATIVE AND EXECUTIVE BODIES AND EXECUTIVE MANAGEMENT

14.1 Board of Directors

On the date of this document, the makeup of the Board of Directors of Egide was as follows:

Name	Office	Beginning of term	End of term
James F. Collins	Director Chairman of the Board Chief Executive Officer	09/11/2014 06/16/2016 09/11/2014	06/30/2021 06/30/2021 06/30/2020
Colette Lucas	Director	07/07/2014	06/30/2020
Jean-Louis Malinge	Director	07/07/2014	06/30/2020
Ms. Véronique Laurent-Lasson	Director	06/16/2016	06/30/2020
Mr. Michel Faure	Director	06/16/2016	06/30/2020

There is no Board member elected by employees or a non-voting observer (censeur) serving on the Board No family relations exist between members of the Board of Directors.

Colette Lucas, Véronique Laurent-Lasson, Jean-Louis Malinge and Michel Faure are considered to be independent directors as defined by the Middlenext corporate governance code, as they meet the criteria summarized in the following table:

Independence criteria	C. Lucas	V. Laurent-Lasson	J-L. Malinge	J. F. Collins	M. Faure
Existence of a financial, contractual or family relationship?	No	No	No	No	No
Employee or corporate executive officer?	No	No	No	Yes	No
Customer, supplier or banker of the company?	No	No	No	No	No
Reference shareholder?	No	No	No	No	No
Auditor of the company?	No	No	No	No	No
Independent director?	**Yes**	**Yes**	**Yes**	**No**	**Yes**

Each director has a status of shareholder, holding at least one share of the Company in accordance article 14 of its bylaws.

14.2 Executive management

On the date of this report, the executive management of Egide SA was as follows:

Name	Office	Beginning of term	End of term
James F. Collins Philippe Lussiez	Chief Executive Officer Deputy Chief Executive Officer	09/11/2014 09/11/2014	06/30/2020 06/30/2020

Mr. Philippe Lussiez has been a salaried employee of the company with an employment contract since June 9, 1992 and exercises on this basis the function of chief administrative and financial officer reporting to the chief executive officer.

14.3 Group executive committee

On the date of this document, the Group's executive committee included eight members and Egide SA's executive committee had five members:

Name	Current function within the Group	Joined the Group on
James F. Collins Philippe Lussiez Eric Delmas Chris Kvitek John Trader Didier Martin Kevin Cotner Ignace Dupon	Chief Executive Officer Chief administrative and financial officer / Deputy chief executive officer General Manager of Egide SA (Bollène) General Manager of Santier (San Diego) General Manager of Egide USA (Cambridge) Vice President, Purchasing Vice President for Sales, North America/ Business development. Vice President for sales, Europe and Asia	12/29/2000 06/09/1992 01/29/2018 03/12/2018 11/27/2006 08/03/1992 02/28/2017 12/01/2006

14.4 Executive committee of Egide SA

Name	Current function within Egide SA	Joined the Group on
Eric Delmas Fatiha Benkoussa Frédéric Disperati Gérard Guiloineau Wladimir Muffato Gérald Chrétien	General Manager of Egide SA (Bollène) Vice President, Quality, Environment and Customer Satisfaction Chief Technical Officer Vice President, Purchasing Vice President, Ceramic Components Vice President, Marketing	01/29/2018 09/08/2008 10/01/1990 03/15/1993 12/19/1994 10/01/2015

14.5 Conflicts of interest

There are no loan agreements or guarantees in force between Egide, directors and members of the company's executive committee. No arrangements or agreements have been concluded with the main shareholders, customers or suppliers whereby an individual was selected to serve as a director. To the best of the company's knowledge, no conflict of interest exists between directors' duties and their private interests.

Furthermore, there exist no commitments by members of the Board and executive management relating to the disposal of their equity interests in the company's capital, after a certain period.

In compliance with regulations governing regulated agreements, the board of directors has a key role in handling conflicts of interests at every level of the Group. Each year, the board invites the directors to discuss the regulated agreements and to justify, as applicable, their existence and continuation, in compliance with the provisions of the French commercial code and recommendation R2 of the Middlenext code.

14.6 List of directorships and offices

Information on directorships and offices currently held or exercised in the last five years by executive officers of the company is disclosed below.

Abbreviations and definitions:

- Board = Board of Directors
- SB = Supervisory Board
- PR = permanent representative
- Yes = office still exercised at December 31, 2017
- No = office no longer exercised at December 31, 2017

Mr. James F. Collins

Company	Address	Office	2017
Egide SA	Bollène (84)	Director and Chair-CEO	Yes
Egide USA LLC	Wilmington, DE (USA)	Director and Chair	Yes
Egide USA Inc.	Cambridge, MD (USA)	Director and Chair	Yes
Santier Inc.	San Diego, CA (USA)	Director and Chair	Yes

Ms. Colette Lucas

Company	Address	Office	2017
Egide	Bollène (84)	Director	Yes
Asymptotes SAS	Orsay (91)	Chair	Yes

Mr. Jean-Louis Malinge

Company	Address	Office	2017
Egide	Bollène (84)	Director	Yes
ARCH Ventures Partners	Chicago, IL (USA)	Venture Partner	Yes
Auxora Inc.	Baldwin Park, CA (USA)	Director	No
Kotura Inc.	Monterey Park, CA (USA)	Chair and Chief Executive Officer	No
Yadais SARL	Paris (75)	Managing Partner	Yes
POET Technologies	San Jose, CA (USA)	Director	Yes
CaiLabs	Rennes (35)	Director	Yes

Mr. Michel Faure

Company	Address	Office	2017
Egide	Bollène (84)	Director	Yes
Sogefip	Paris (75)	Managing Partner	Yes
SCI Ambercelles	Paris (75)	Co-Manager	Yes
SCI Anne-Cecile	Paris (75)	Co-Manager	Yes
ACCO Semi Conductors Inc.	Sunnyvale, CA (USA)	Board Observer	Yes
Siparex Proximité Innov.	Paris (75)	Co-chair of the management board	No
Ucopia	Montrouge (92)	PR of Siparex Proximité Innov.	No
Securactive	Paris (75)	PR of Siparex Proximité Innov. on the BD	No
Roctool	Le Bourget du Lac (73)	PR of Siparex Proximité Innov. on the BD	No
Impika	Aubagne (13)	PR of Siparex Proximité Innov. on the BD	No
DSO Interactive	Paris (75)	PR of Siparex Proximité Innov. on the BD	No
Citilog	Arcueil (94)	PR of Siparex Proximité Innov. Non-voting Observer	No
X-Création	Palaiseau (91)	Chair	Yes

Ms. Véronique Laurent-Lasson

Company	Address	Office	2017
Egide Sponsor Finance	Bollène (84) Paris (75)	Director Chair	Yes Yes

Mr. Philippe Lussiez

Company	Address	Office	2017
Egide Egide USA LLC Egide USA Inc. Santier Inc.	Bollène (84) Wilmington, DE (USA) Cambridge, MD (USA) San Diego, CA (USA)	Deputy CEO & Chief Financial Officer Secretary Secretary Secretary	Yes Yes Yes Yes

No director has been convicted for fraud within the last five years or been subject to restrictions prohibiting him or her from managing a company.

To the best of the company's knowledge, no official public indictment or sanction has been issued against any director of the company. Similarly, no directors have been legally disqualified from serving as members of a Board of Directors, the executive management of a company or a Supervisory Board or from participating in the management of the operations of an issuer in the last five years. Finally, no directors of the company have been a party to any bankruptcy, receivership or liquidation.

14.7 Information on Board members

- Mr. James F. Collins has a Bachelor's of Science (ceramic engineering) from Rutgers University, New Jersey (United States). He began his career as a Process Engineer at General Refractories in the Chicago, Illinois area, serving the steel industry. In 1983 he left this position to join Coors Ceramics Company in Golden, Colorado, where over 14 years, he held various engineering and management positions, primarily in the Electronic Ceramics industry. In 1996, he joined a division of Phillips Electronics (Cambridge, MD) where he would occupy different management positions. This division was subsequently sold to create Electronic Packaging Products which in December 2000, would become Egide USA Inc. He took charge of the operational division and was appointed vice president. In September 2014, he was appointed chief executive officer of Egide SA and in June 2016 chair and chief executive officer.

- Ms. Colette Lucas holds a degree from ISEP, the graduate engineering school in information and communication technologies. Founding Chair of Asymptotes Conseil, she is also responsible for relations and synergies with business for the Pierre et Marie Curie University (Paris VI). She has extensive technical and commercial experience in the international and French semiconductor market (having worked successively for Texas Instrument, ST and Atmel) along with wide-ranging expertise in human sciences (recruitment, managerial support and team performance). She is a member of the French Institute of Independent Directors (*Institut Français des Administrateurs* or IFA).

- Mr. Jean-Louis Malinge is a graduate of the INSA Rennes engineering school as well as a holder of an Executive MBA from MIT Sloan School of Boston. He has occupied successively different technical management responsibilities, first in France (Thomson CSF - Socapex, Amphénol and Corning) and subsequently in the United States where in 1995 he became Vice President for R&D of the photonic division of Corning and from 1998 to 2002 served as Vice President & General Manager for this division. In 2004 he became CEO of Kotura, a Californian startup operating in the field of silicon photonics, subsequently acquired in August 2013 by Mellanox Group.

- Ms. Véronique Laurent-Lasson began her career with Euronext in charge of international trading activities (admission of foreign securities, fixed income and derivative products). In 2000, she founded the Equity Capital Market Department with the brokerage firm Crédit Mutuel CIC "CM-CIC Securities" comprised of a team of 24 professionals (more than €1 billion in funds raised with more than 40 IPOs, 25 capital increases and more than 40 liquidity agreements under management). In 2006, she joined Kepler as head of the Equity Capital Market team, and then Aelios Finance in November 2010 where she created Aelios Bourse and handled the private placement of Antenne Réunion and the IPO of EOS Imaging. At the present time she is the manager of Sponsor Finance and assists SMEs and medium-size companies in their search to find financing solutions adapted to their needs (private placement, IPOs, capital increases, etc.). A graduate of University of Paris Dauphine, she is also a director of the French Society of Financial Analysts (SFAF), Chair of the IT Group and also the Mid-Group.

- Mr. Michel Faure has engineering degrees from the Ecole Polytechnique Paris and Mines Paristech. He began his career as a senior civil servant in the public service (industrial development and assistance to private companies) before joining the private sector, first as a marketing manager in an electronics company and then as a manager of an industrial group in the aerospace and defense sector. He then entered the world of finance by joining the Siparex group, taking charge of an investment portfolio in the security and telecommunication sector.

14.8 Information on executive committee members

Members of the executive management team are either engineers or established academics, combining technical expertise with management skills:

- Ms. Fatiha Benkoussa has a Master's degree in mechanical engineering and a DESS (*"Diplôme d'études supérieures spécialisées"*) graduate degree in business management. After working as a production quality engineer in the medical sector, and a purchasing quality engineer for a major automotive parts manufacturer, in September 2008 she joined Egide as the manager in charge of supplier quality and in 2014, product quality. In June 2015, she was appointed to head up the quality, environment and customer satisfaction department, replacing Frédéric Dispérati, called upon to exercise other functions within the company.

- Mr. Gérald Chrétien is a graduate from the engineering school, ISEP (*Institut Supérieur d'Electronique de Paris*). He began his career as a hardware engineer, first at CEA, then for Philips TRT and Thomson LTT. In 1984, he joined FORT Fibres Optiques where he created the Transmission department. In 1986, he first joined Alcatel as Manager of the optoelectronic laboratory before contributing to the creation of Alcatel Optronics as Product Manager and then its Director of Marketing in 2000. He joined Avanex France in 2002 as Director of Marketing & Products Strategy before being appointed in 2004 industrial and plant manager for HighWave. In 2006, he co-founded Vectrawave and occupied the function of manager for operations and quality management. Since October 2015, he has served as the head of the marketing department of Egide Group.

- Mr. Kevin COTNER obtained his Bachelors of Science from the University of Purdue, Indiana (United States) in 1980. He began his career at Hughes Aircraft as a process engineer that same year. He subsequently occupied various engineering and management functions for Teledyne, Toshiba America and then Kyocera America, where he was ultimately appointed General Manager North America. The then joined Santier (TMS LLC) in April 2013 as COO. He became the chair-chief executive officer of the company in August 2013, a function he would occupy until March 2017, the date of its acquisition by Egide. On this date he was appointed Vice President of Egide for the North American region Kevin has more than 30 years of experience in the electronics industry and in an active member of several industry associations.

- Mr. Frédéric Disperati is a materials science engineer. On joining Egide in 1990, he was responsible for the development of aluminum products, then served as product manager in the engineering department before spending a year and a half in the technical support division at the Egide USA subsidiary. On his return in March 2003, he was appointed as the chief quality officer of Egide SA. His responsibilities were subsequently expanded to cover the environment and customer satisfaction. Following the internal reorganization in June 2015, he became head of the technical department of the Bollène site, replacing Didier Martin called upon to assume other functions within the company.

- Mr. Ignace Dupon graduated is a Civil engineer in electronics from the Catholic University of Leuven, Belgium. He started his career as head of production at Atlas Copco in 1990. The year after, he joined Alcatel Bell Telephone before spending 5 years at Alcatel Optronics as Advanced Procurement and Sourcing Manager. He joined Highwave Optical Technologies in 2000 as head of Business Development and in 2003 he became Director of Sales and Marketing at Keopsys. Since 2006, he has been Sales Director for Intexys Photonics. He joined Egide's sales team in 2006 as business development manager. He was then appointed as head of the Asia-Pacific region. In November 2014, he was appointed to head up the Group's sales department, a position previously occupied by Didier Martin. In early 2017, with the integration of Santier, he was appointed Vice President for the Europe/Asia region.

- Mr. Eric Delmas has an MBA and an engineering degree from INSA/ENSEEIHT/UPS in Robotics, Artificial Intelligence, Image and Voice Recognition). He began his career in 1994 at Motorola Semiconductor in Toulouse (France). In 1999, he joined Texas Instruments for a distinguished career, first in Nice (France) as GSM/GPRS/EDGE Chipset Business Development Manager for cellular phone market. After being appointed Marketing Director for the 3G group in 2005/2006 in Tokyo (Japan), in 2007, he became Business Development Director in Munich (Germany) then Systems & Marketing Director for ASSPs in 2009 (still in Munich) before being appointed in 2011 General Manager - Battery Management division in Dallas (TX - USA). He joined Egide in February 2018 as General Manager for the Bollène Facility, replacing Didier Martin called upon to assume other responsibilities.

- Mr. Gérard Guiloineau has a degree as an advanced engineering department technician. After beginning his career with Dassault Electronique, he joined the purchasing department of Egide SA in 1993, after which he became the Group's chief procurement officer in June 2015, a position previously occupied by Wladimir Muffato.

- Mr. Chris Kvitek has an MBA and an engineering degree from Northern Illinois University. He began his career in 1993 as a Manufacturing Engineer within the automotive industry. He was promoted to various levels of management, finishing as a Plant Manager for a gas and diesel engine manufacturer. In 2010, he moved to San Diego to enter the Aerospace industry as a Director of Operations for Senior Aerospace Products, Inc. In 2016, he joined L-3 Communications, in the Thermal Imagining market segment, as General Manager of their cryogenic cooler operation. This operation provided cryogenic coolers for both Civilian and Military applications. He joined the Egide Group in February 2018 as General Manager of the Santier facility in San Diego (CA), replacing Mansoor Mosallaie who left the Group at the end of 2017 to pursue other opportunities.

- Mr. Philippe Lussiez holds an advanced degree in accounting. After joining Egide group in 1992 as accounting manager for the Bollène site, he was then named group controller responsible for financial reporting when the company was listed on the stock exchange. Since July 1, 2006, he has exercised the functions of chief financial officer, and since October 2013, chief administrative and financial officer of the Group. In September 2014, he was also appointed as deputy chief executive officer of Egide SA.

- Mr. Didier Martin holds an engineering degree from the Ecole Nationale de Physique et de Chimie in Caen. He possesses considerable experience in the field of semiconductor manufacturing. His profile is as a line manager well-accustomed to the constraints imposed by manufacturing requirements. After serving as production manager, first for the Trappes site, and then Egide SA, he then became head of the sales, technical and R&D department. Following an internal reorganization in June 2015, he became head of the industrial department for the Bollène site, replacing Wladimir Muffato, called upon to exercise other functions within the company. In January 2017, he was appointed General Manager of Egide SA, then in January 2018, Director of Procurement for Egide Group.

- Mr. Wladimir Muffato has is a graduate of ENSCI ceramics engineering school (*Ecole Nationale Supérieure de Céramique Industrielle*) of Limoges. Since 1994, Egide has benefited from his experience in the domain of electronic ceramic components. He became the Bollène plant manager in January 2003. Following an internal reorganization, he became head of a new department, "Group ceramic components" in June 2015.

- Mr. John Trader's career began with the US Marine Corps. During his enlistment (1977 to 1981), he was trained as an Electronic Technician completing A & B Schools, specializing in F4/TA4 aircrafts. In 1981, upon honorable discharge, he joined Cambridge Scientific Industries as a repair technician. He was promoted to production supervisor in 1985 and factory manager in 2000. In 2003, he was promoted to operations manager until the factory closed in 2006. He then joined Egide USA as chief industrial officer, a position he has occupied until his appointment as General Manager of the company in 2014.

14.9 Other information

In addition, their executive functions with Egide, the following persons also held offices in other companies:

Name	Office	Since
James F. Collins	Chair, Egide USA LLC Chair, Egide USA Inc. President of Santier Inc.	12/29/2000 12/29/2000 02/28/2017
Philippe Lussiez	Corporate Secretary, Egide USA LLC Corporate Secretary, Egide USA Inc. Secretary of Santier Inc.	04/28/2005 04/28/2005 02/28/2017
Chris Kvitek	Director of Santier Inc.	03/22/2018
John Trader	Director, Egide USA Inc.	07/21/2016

15 REMUNERATION AND BENEFITS

15.1 Compensation of directors and officers

Total compensation and benefits of any nature paid by Egide SA in 2017 to each executive officer is disclosed in the tables below (amounts before tax but net of social charges):

Table 1 - Summary of annual compensation, stock options and stock granted to each executive officer		
	Fiscal 2016	Fiscal 2017
James F. Collins - Chief Executive Officer (since 09/11/14)		
Remuneration payable for the fiscal year (see table 2.1) Value of options granted in the period (see table 4) Value of share grants in the period (see table 6)	102,344.94 € None. None.	108,927.19 € 22,227.15 € None.
Philippe Lussiez - CFO and Deputy Chief Executive Officer (since 09/11/14)		
Remuneration payable for the fiscal year (see table 2.2) Value of options granted in the period (see table 4) Value of share grants in the period (see table 6)	64,737.70 € None. None.	78,570.41 € 4,445.43 € None.
TOTAL	**167,082.64 €**	**214,170.18 €**

Table 2.1 - Summary of annual compensation for each executive officer				
	Fiscal 2016		Fiscal 2017	
	Amounts owed	Amounts paid	Amounts owed	Amounts paid
James F. Collins				
Fixed compensation Variable compensation Exceptional compensation Attendances' fees Benefits in kind: housing	83,458.33 € None. None. None. 18,886.61 €	83,458.33 € 48,664.87 € None. None. None.	84,218.01 € None. None. None. 24,709.18 €	84,218.01 € None. None. None. None.
TOTAL	**102,344.94 €**	**132,123.20 €**	**108,927.19 €**	**84,218.01 €**

Table 2.2 - Summary of annual compensation for each executive officer				
	Fiscal 2016		Fiscal 2017	
	Amounts owed	Amounts paid	Amounts owed	Amounts paid
Philippe Lussiez				
Fixed compensation Variable compensation Exceptional compensation Attendances' fees Benefits in-kind	64,737.70 € None. None. None. None.	64,737.70 € None. None. None. None.	66,994.95 € None. 11,575.46 € None. None.	66,994.95 € None. 11,575.46 € None. None.
TOTAL	**64,737.70 €**	**64,737.70 €**	**78,570.41 €**	**78,570.41 €**

Table 3 - Directors' fees and other remuneration received by non-executive officers		
	Amounts paid in 2016	Amounts paid in 2017
Colette Lucas, director		
- Attendances' fees - Other compensation	7,620.00 € None.	9,525.00 € None.
Jean-Louis Malinge, director		
- Attendances' fees - Other compensation	7,620.00 € None.	9,525.00 € None.
Véronique Laurent-Lasson, Director		
- Attendances' fees - Other compensation	3,810.00 € None.	9,525.00 € None.
Michel Faure, director		
- Attendances' fees - Other compensation	3,810.00 € None.	9,525.00 € None.
TOTAL	**22,860.00 €**	**38,100.00 €**

Table 4 - Stock options granted in the period to each executive corporate officer by the issuer and by any Group company						
	Plan No. and date	Nature of options	Valuation of options	Number of options granted in the period	Exercise price	Exercise period
James F. Collins	No. 8.1 05/19/2017	Stock options	22,227.15 €	100,000	€2.57	05/19/2019 05/18/2024
Philippe Lussiez	No. 8.1 05/19/2017	Stock options	4,445.43 €	20,000	€2.57	05/19/2019 05/18/2024
TOTAL	**-**	**-**	**26,672.58 €**	**120,000**	**-**	**-**

To the best of the company's knowledge, no hedging instruments have been purchased by the corporate executive officers.

Table 5 - Options to subscribe for new shares or purchase existing shares exercised in the period by each executive corporate officer			
	Plan No. and date	Number of options exercised in the period	Exercise price
James F. Collins	-	None.	-
Philippe Lussiez	-	None.	-
TOTAL	**-**	**-**	**-**

Table 6 - Shares granted (without consideration) to each corporate officer						
Options granted in the fiscal year to	Plan No. and date	Number of shares granted in the period	Valuation of shares	Vesting date	Date of availa-bility	Conditions of performance
James F. Collins	None.					
Philippe Lussiez	None.					
TOTAL	-	-	-	-	-	-

Table 7 - Bonus shares becoming available for each corporate officer			
	Plan No. and date	Number of shares becoming available in the period	Vesting conditions
James F. Collins	None.		
Philippe Lussiez	None.		
TOTAL	-	-	-

Table 8 - Summary of stock option grants				
Information on options to subscribe for or purchase shares on December 31, 2017				
Plan No.	6.2	6.3	8.1	9.1
General Meeting date Board of Directors' meeting date Number of shares available for subscription*	05/28/2010 10/06/2011 727	05/28/2010 01/30/2013 740	06/16/2016 05/19/2017 380,000	06/16/2017 09/29/2017 10,000
Of which number of shares able to be subscribed - by James F. Collins - by Philippe Lussiez	 0 0	 0 0	 100,000 20,000	 0 0
Option exercise starting date Expiry date Subscription price*	10/06/2013 10/05/2018 €6.71	01/30/2015 01/29/2020 €3.67	05/19/2019 15/18/24 €2.57	09/29/2019 09/28/2024 €2.55
Minimum number of shares arising from each option exercised	20	20	2,500	2,500
Number of shares subscribed at December 31, 2017	0	0	0	0
Total number of stock options canceled or lapsed	109	122	30,000	0
Options outstanding at December 31, 2017	618	618	350,000	10,000

** adjustments that may be made after a capital transaction*

Table 9 - Options granted to the ten non-officer employee beneficiaries receiving the largest number and exercised by the latter		
	Total number of options granted/ shares subscribed	Weighted average price*
Options granted in 2016 Options exercised in 2016 Options granted in 2017 Options exercised in 2017	- - 265,000 -	- - €2.57 -

** after post-capital transaction adjustments*

Table 10 - Bonus share grant highlights						
Information on bonus shares granted at December 31, 2017						
Plan No.	-	-	-	-	-	-
General Meeting date	-	-	-	-	-	-
Board of Directors' meeting date	-	-	-	-	-	-
Number of shares granted	None.	None.	None.	None.	None.	None.
Of which at the:	-	-	-	-	-	-
Vesting date	-	-	-	-	-	-
End of the holding period	-	-	-	-	-	-
Number of shares subscribed at December 31, 2017	-	-	-	-	-	-
Total number of shares canceled or lapsed	-	-	-	-	-	-
Bonus shares granted remaining at year-end	-	-	-	-	-	-

Table 11 - Executive officers								
	Employment contract		Supplemental retirement plan		Compensation or benefits owed on termination or a change in function		Payments relating to non-compete clauses	
	Yes	No	Yes	No	Yes	No	Yes	No
James F. Collins		**XX**		**XX**		**XX**		**XX**
Philippe Lussiez	**XX** *			**XX**		**XX**		**XX**

** Philippe Lussiez, deputy chief executive officer is also the chief administrative and financial officer, and in that capacity only has benefited from an employment contract since 1992.*

15.2 Principles of executive compensation

The board of directors sets and modifies annual compensation paid to the Chair of the board of directors and the Chief Executive Officer (corporate officers without employment contracts with Egide SA). Until December 31, 2013, the chief executive officer received only fixed compensation. Since January 1, 2014, compensation of the Chief Executive Officer includes variable compensation for up to 40% of the fixed salary, subject to achieving performance indicators (annually set revenue and EBIT targets). As these performance indicators were not achieved in 2016 and 2017 at the Group level, no variable compensation was paid on this basis.

Given his US nationality, the chairman-chief executive officer does not benefit from French social security coverage though does receive benefits in the form of company housing in France, (and related expenses) four round-trip plane tickets from the US to France per year for the benefit of his spouse and a company car in the United States (his country of residence).

It is specified that James F. Collins' total compensation is paid exclusively by Egide USA with a portion re-invoiced to Egide SA (amount disclosed in the above table, not paid by Egide SA) for his position as chief executive officer of the Group. For information, annual gross compensation paid to Mr. Collins by Egide USA in 2017 amounted to US$254,180. An exceptional bonus of US$50,000 was also paid in 2017, following the success of the Santier Inc. deal.

The deputy chief executive officer, also holder of an employment contract associated with his role as chief administrative and financial officer predating his appointment as officer, is not paid compensation for his function as deputy chief executive officer. His compensation under his employment contract is set by the chief executive officer. He does not receive any benefits in-kind and, in the same manner as certain managers of the company, he benefits from a bonus which may vary from 15% to 22.5% of his annual salary subject to meeting the EBITDA target calculated at the group level. An exceptional bonus of €15,000 euros was in addition granted to the deputy chief executive officer linked to the success of the Santier Inc. operation.

No specific supplemental retirement plan has been implemented nor have any provisions whatsoever been adopted for severance benefits for the benefit of executive officers. The chairman-chief executive officer does not receive attendance fees for his position as an officer of Egide SA nor for any offices held in any other Group companies. These provisions also apply to the deputy chief executive officer.

With regard to stock options, given that the exercise and definitive grant of stock options to the senior executives are carried out under the same conditions as for the other employees, the exercise and allotment of share options are not contingent on criteria linked to future performances. However, in accordance with the provisions of Law No. 2006-1770 of December 30, 2006, the board of directors decided on March 5, 2009 that, in the case of grant of stock options to the CEO, a minimum of 20% of shares resulting from the exercise of options is to be retained in registered form until the CEO ceases to hold office. By extension, these provisions will also apply to the deputy chief executive officer. On the date of this document, the chair-chief executive officer held 100,000 stock options (awarded May 19, 2017) or 1.27 % of the share capital and the deputy chief executive officer 20,000 stock options (awarded in May 19, 2017), or 0.25 % of the share capital.

The total allocation for attendance fees granted by the annual general meeting of the shareholders is allocated among independent directors in proportion to their attendance at Board meetings.

No compensation or benefits of any kind other than those mentioned above have been paid to corporate officers of Egide SA for fiscal 2017 by controlled companies within the meaning of article L.225-102-1 of the French commercial code.

Company officers are covered for liability by a D&O policy underwritten by AIG Europe Limited. This policy provides maximum coverage of €4.5 million, with a US$25,000 deductible in the United States per claim and an annual net premium (unchanged in relation to the prior year) of €11,856 excluding tax.

In accordance with the provisions of article L225-37-2 of the French commercial code, the principles and criteria applied to determine the compensation of the chairman-chief executive officer and the deputy chief executive officer will be presented to the annual general meeting for your approval:

Compensation	Chair-Chief Executive Officer	Deputy Chief Executive Officer
Fixed portion	Defined by the board of directors according to the structure of the company (size, international dimension, market capitalization), comparables of the sector and equivalent companies in the United States.	Defined by the chairman-chief executive officer according to the structure of the company (size, international dimension, market capitalization), comparables of the sector.
Variable compensation	Defined annually and corresponding to a percentage of the fixed salary according to two criteria linked to the Group's sales and operating result (cumulative maximum: 40%)	Defined annually and corresponding to a percentage of the fixed salary according to the criteria of the Group's gross operating profit (maximum: 22.50 %)
Exceptional compensation	Decided by the board of directors annually according to qualitative(s) criteria(s), and not automatic in nature	Decided by the chairman-chief executive officer
Benefits in-kind	Defined by the board of directors, considering that the chairman-chief executive officer is a US citizen and tax resident for six months of the year;	Decided by the chairman-chief executive officer
Stocks options	Granted without conditions of performance according to the same procedures for all employees of the company and its subsidiaries, subject to requirement to hold at least 20% of the shares for the duration of the term of office.	
Duties	No specific missions as they fall within the scope of the functions exercised	
Other	No benefits such as Golden Hellos, Golden Parachutes or retirement severance payments (excluding those required by law)	

15.3 Amounts paid by the company and its subsidiaries to the chief executive officer, and deputy chief executive

In accordance with provisions of articles L. 225-186-1 and L. 225-197-6 of the French commercial code, total compensation paid by the company and its subsidiaries to the chief executive officer as a corporate officer for fiscal 2017 and whose principles and criteria had been approved by the general meeting of June 16, 2017, is presented to the general meeting for approval. It is noted for the record that the deputy chief executive who receives compensation solely on the basis of his employment contract, and not for his functions as corporate officer, is not included in the following table.

Compensation of Jim Collins	Amount paid/granted	Amount submitted for approval
Fixed portion	US$254,180	US$254,180
Variable compensation	$0	$0
Exceptional compensation	$50,000	$50,000
Benefits in-kind*	€24,709	€24,709
Duties	0	0
Other	0	0

** amount paid but not subject to social security contributions in France*

It is noted for the record that 100,000 stock options were granted to the CEO at an exercise price of €2.57 per option. To be exercised, the shares must reach a market price of at least €5.50 on the exercise date. The fair value of these options in the consolidated financial statements at 31 December 2017 was €22,227.

The deputy chief executive officer who did not receive compensation for his functions as officer was awarded 20,000 stock options for 2017 at a price of €2.57. To be exercised, the shares must reach a market price of at least €5.50 on the exercise date. The fair value of these options in the consolidated financial statements at 31 December 2017 was €4,445.

15.4 Accrued retirement and related post-employment benefits

No specific supplementary retirement scheme has been set up for executives. Similarly, no provision exists providing for payment of severance or similar benefits payable in the event of termination or non-renewal of their functions.

In contrast, at Egide SA non-specific retirement severance benefits for which all employees qualify are accrued for in the annual and consolidated financial statements in the form of a provision calculated in accordance with IAS 19 as are long-service and special seniority benefits. These commitments result from the collective bargaining agreement that apply to each establishment and calculated using the projected benefit method prorated on seniority. (see section 20.3.1.5.3.4).

These provisions apply to foreign subsidiaries which are not subject to requirements to pay additional employment severance benefits or benefits based on seniority in the company.

16 PRACTICES OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

16.1 Corporate governance code

In accordance with the provisions of article L225-37 of the French commercial code, on April 9, 2010, the Board of Directors adopted the MiddleNext Corporate Governance Code for mid- and small caps as a guideline for the preparation of this report. A new version of this code renamed the "Corporate Governance Code" was published in September 2016. In compliance with recommendation R19 of this code, the board reviews on a regular basis the 18 points to be watched defined therein. The 19 recommendations this new version of the code are followed by the company.

The Middlenext corporate governance code is available for consultation from the following link:
http://www.middlenext.com/IMG/pdf/2016_CodeMiddlenext-PDF_Version_Finale.pdf

16.2 Board of Directors

See section 14 of this document for the list of Board members and their offices.

16.3 Service contracts between the company and members of its administrative and management bodies

No service contracts exist between directors and the company or one of its subsidiaries.

16.4 Information about the issuer’s audit committee and compensation committee

As provided in provisions of Article L823-20 paragraph 4 of the French commercial code and recommendation R6 of the Middlenext code, it was decided that the Board of Directors would serve as the audit committee to allow all independent directors contribute to monitoring the preparation of financial information and the efficacy of internal control procedures, and taking into account the responsibility of Board members. In exercising his executive functions, when the audit committee is convened, the chief executive officer, a non-independent director, abstains from participating. In such cases, the meeting is chaired by an independent director possessing financial and accounting expertise in view of his or her previous work experience. However, the chief executive officer may be invited to attend part of the meeting depending on the nature of the subject and details, and information he or she may be able to provide to enhance the discussions.

The company also believes that its structure and size associated with the reduced size of the Board of Directors do not require the adoption of a Compensation Committee and a Nominating Committee, as all Board members contribute collectively for all important points pertaining to the management of the company.

16.5 Board powers and practices (articles 16 and 17 of the bylaws)

The Board of Directors shall determine the business strategy of the company and ensure its implementation. To this purpose, it appoints the Chief Executive Officer who is tasked with managing the company in line with these strategic priorities. Since March 25, 2014 and effective from April 2, 2014, the functions of the chairman of the Board of Directors and the chief executive officer within the company were separated. On June 16, 2016, it was decided by the board of directors to combine again these two functions. Subject to the powers expressly granted to shareholders' meetings and within the limits of the company's corporate purpose, the board of directors may address any matter relating to the efficient operation of the company and settles through its proceedings all items of business relating thereto. It ensures the quality of the information provided to shareholders and the market through financial statements, reports or publications of the company.

The Board rules of procedure and directors' charter were drawn up for the first time on April 9, 2010 to define the Board's operating procedures and can be consulted at the company's website. These provisions comply with recommendation R7 of the Middlenext code. Board of Directors' meetings, called by its Chairman, are held as often as required. The latter ensures that documents, technical files and information relating to agenda items are made available to the Board Members by email, within a reasonable time, and in compliance with recommendation R4 of the Middlenext code. Moreover, each Board Member may obtain from executive management any document he or she considers useful. The Board of Directors examines and makes decisions regarding important items of business, particularly those relating to strategic interests.

If it considers necessary, the Board of Directors may task one of its members with special ad hoc missions for which compensation is provided on a case-by-case basis falling under the scope of regulated agreements.

In general, the board of directors meets in the premises of the company or those of the corporate counsels, and in compliance with recommendation R5 of the Middlenext code, at least four times per year and whenever circumstances so require. Works Committee's members systematically attend Board meetings (physical presence or through videoconferencing) as do statutory auditors when their presence is required by law. Meeting agendas are set by the chair. Decisions are generally made on a unanimous basis, except for those cases provided for by statute that require the chair or chief executive officer to abstain. Meeting minutes are taken and provided to the Board Members, upon approval, at the following meeting. The record of attendance meeting as well as all meeting reports are available at the registered office. In fiscal 2017 the Board of Directors met six times compared with seven times in 2016. The attendance rate in 2017 was 100 %, as in 2016.

Between formal board meetings, when the company developments so warrant, directors are also kept informed on a regular basis of any event and information that may have an effect on the company's obligations and its financial and cash positions.

In consideration of their actual participation in the Board of Directors, each member, with the exception of the Chairman and the Chief Executive Officer, receives attendance fees. For fiscal year 2017, a total gross amount of €60,000 was allocated for this purpose. In compliance with recommendation R10 of the Middlenext code, the allocation of attendance fees is based on the physical presence of directors at meetings.

No particular item that might have an impact in the case of a public offer other than those set out in this report is to be mentioned (provisions of Article L225-100-3 of the French commercial code).

Each director is appointed for a four-year term in accordance with statute and MiddleNext code recommendation R9. Directors may also be reappointed (article 13 of the bylaws). it is specified that this term of six years was reduced to four years by approval of the seventeenth resolution submitted to the vote of the annual general meeting of July 16, 2015. With respect to the Company's activity, the duration of this term of office contributes to developing an understanding of the different businesses and monitoring strategies whose implementation often exceeds two years. This provision applies to any new director appointed as from July 16, 2015.

When appointed, all directors are informed of their responsibilities and encouraged to comply with the conduct of business rules relating to the obligations resulting therefrom, statutory rules governing holding multiple offices, their obligation to inform the Board of Directors of conflicts of interest arising following their appointments, show diligence in attending Board and shareholders meetings, ensure that they possess all information necessary about Board meeting agendas prior to rendering decisions and comply with professional secrecy requirements (recommendation R7 of the Middlenext code).

The company also complies with the provisions of articles L225-17 subsection 2 of the French commercial code issued pursuant to Act 2011-103 of January 27, 2011 providing for balanced representation of men and women on Boards of Directors and Supervisory Boards and workplace equality.

16.6 Limitations on powers of the Chief Executive Officer (*Directeur Général*) and Deputy Chief Executive Officer (*Directeur Général Délégué*) (article 18, paragraph 2 of the Company's articles of association)

Egide SA's Board of Directors ruled on the organization of executive management and decided that it would be exercised by a person other than the Chairman of the Board. At the end of the ordinary general meeting held on June 16, 2016, the board decided that these two functions would be once again merged into one function.

No specific limitation was imposed on the powers of the Chief Executive Officer who exercises said powers in compliance with the legal provisions in force (Article L225-56 of the French). On that basis, Egide's Chief Executive Officer is vested with the widest powers to act in all circumstances in the name of the company. He exercises these powers within the limits of the company's corporate purpose, and subject to the powers reserved by law to shareholder's meetings and to the Board of Directors. He is not limited with respect to the amount of commitments that may be incurred in connection with the company's day-to-day management. By way of exception, the amount for sureties, endorsements and guarantees that may be granted without prior authorization by the Board shall be subject to a limit of €200,000 (Board meeting of September 29, 2017), to be renewed yearly by the Board.

On November 5, 2014, it was furthermore decided that the powers of the deputy chief executive officer will be exercised in accordance with applicable legal provisions, whereby it is specified that beyond the following limits, approval must be obtained from the chief executive officer:

- Signatures for any commitments for amounts exceeding €150,000,
- The hiring of any employees reporting directly to the deputy chief executive officer who is also the chief administrative and financial officer of Egide and as such oversees areas that include information systems, accounting and human resources,
- Modifying the salaries of employees reporting directly or indirectly to the chief administrative and financial officer,
- Selecting or changing the company's advisers (auditors, legal, tax, communications advisors, etc.).

16.7 Participation in shareholder's meetings

The procedures for participating in shareholders' general meetings are set forth in article 25 of the articles of association: "Any shareholder may attend meetings in person or by proxy regardless of the number of shares owned, subject to proof of identity and status as a shareholder of record in the register maintained for that purpose by the company no later than the second business day preceding the date of the Shareholders' Meeting at midnight, Paris time."

Any shareholder may vote by mail using a form completed and sent to the Company under the conditions provided for by law and regulations and that must be received by the Company no later than two days before the meeting date to be taken into account. "

The board of directors attaches considerable importance to promoting dialogue between shareholders and managers and ensuring that the general meeting is materially accessible to all. Before the meeting is held, the directors discuss the draft resolutions to be submitted to a vote and establishes, as applicable, a dialogue with major shareholders who so wish. At the end of the meeting, the board considers the results of the votes when preparing the draft resolutions to be submitted to the next meeting, and in this process compiles with recommendation R12 of the Middlenext code.

17 EMPLOYEES

17.1 Breakdown of headcount data

Headcount by function at December 31 for Egide Group:

(Headcount at December 31)	2015	2016	2017
Administration and sales	21	23	30
Production, quality and R&D	204	192	258
Total	**225**	**215**	**288**

Headcount by Group site:

(Headcount at December 31)	2015	2016	2017
Egide Trappes and Bollène	148	148	155
Egide USA	77	67	69
Santier	-	-	64
Total	**225**	**215**	**288**

Headcount by type of contract:

(Headcount at December 31)	2015	2016	2017
Fixed-term contracts	3	7	18
Permanent contracts	220	206	267
Apprenticeship contracts	2	2	3
Total	**225**	**215**	**288**

17.2 Statutory profit-sharing, incentive plan, variable compensation agreements

All salaried employees in Egide SA receive fixed compensation. In addition, variable compensation is paid:

- To all staff, incentive compensation linked to the company results. This compensation results from the terms of a voluntary profit-sharing agreement executed (*accord d'intéressement*) by the company and personnel, represented by the union delegates of the company. This agreement was concluded for a three-year period running from January 1, 2016 to December 31, 2018. This incentive compensation is calculated annually from current operating income before tax. This amount is allocated equally to all employees of the company with at least three months of seniority and prorated according to the number of hours worked during the year concerned.

- To all employees, since January 1, 2016, incentive compensation linked to company results based on four criteria relating to production (the rate of hourly deliveries, the product return rates, ceramic components yields and package manufacturing yields) This incentive compensation is paid on a quarterly basis in the form of a bonus earned corresponding to 25% per criteria achieved; The thresholds to be reached for each of these criterion is set by the chief executive officer at the start of the year whereas the quarterly bonus used as the basis for the calculation is set during the mandatory annual negotiations on wages and working conditions.

- To selected employees (executive committee members and key managers), as from January 1, 2016, incentive compensation linked to the production indicators referred to above, sales order intake, the consumption rate for supplies or EBIDTA., This incentive compensation, paid annually, implies above all that the annual budget for EBIDTA has been exceeded which then triggers the payment linked to indicators that are specific to each beneficiary or group beneficiary. The bonus is a percentage of the beneficiary's annual salary with a multiplying factor for executive committee members based on the overperformance rate of the annual EBIDTA target. It is duly noted that the beneficiaries of this incentive compensation will not accumulate the compensation that might be payable quarterly, whereby the latter is included within the total annual amount.

Furthermore, all employees in France are eligible to statutory profit-sharing calculated according to the provisions provided for by law. No statutory profit-sharing or incentive compensation payments have been made over the last five years.

At Egide USA, an incentive plan has been in place for key executives. As from January 1, 2016, the calculation of this incentive compensation is the same as that used for Egide SA employees, i.e. based on production (the rate of hourly deliveries, the product returns rates, ceramic components yield and package manufacturing yields), revenue, order intake or EBITDA. This incentive compensation, paid annually, implies above all that the annual budget for EBIDTA has been exceeded which then triggers the payment linked to indicators that are specific to each beneficiary or group beneficiary. The bonus is a percentage of the beneficiary's annual salary with a multiplying factor for executive committee members based on the over performance rate of the annual EBIDTA target. For fiscal 2017, no bonus was paid. With the exception of direct manufacturing stuff paid based on the number of hours worked, all employees of the US subsidiary receive fixed compensation.

At Santier, only two key managers were concerned by the bonus system in 2017. With the objectives for profitability set by Group management having been met, bonuses totaling US$125,000 were accordingly paid.

17.3 Stock option plans

17.3.1 Situation at December 31, 2017

Since its initial public offering, the company's successive shareholders' general meetings authorized the board of directors to grant to members of the executive management and selected personnel of the company or subsidiaries held directly or indirectly, options conferring a right to subscribe for shares to be issued through a capital increase or to purchase existing shares of the company originating from shares bought back under the conditions provided by law. The total number of options granted and not yet exercised, authorized by the general meeting on 16 June 2017, will not confer a right to subscribe to more than 10 % of the shares making up the share capital. The price to subscribe for shares may not be less than 95% than the average trading price during the twenty (20) trading sessions preceding the grant date of the option. The board of directors set the terms and conditions according to which the options may be exercised and/or conditions of performance and/or presence of the beneficiary in the company or one of its subsidiaries; providing for an initial period during which the Options may not be exercised, as well as clauses prohibiting the immediate resale of all or part of said shares, with the holding period thus defined not to exceed three (3) years from the option exercise date;

At December 31, 2017, the number of options granted to Egide SA employees and not yet exercised amounted to 121,236 and the number of options granted to Egide USA employees not yet exercised amounted to 190 000 and those granted and not yet exercised by the employees of Santier amounted to 50,000 (or a total of 361,236 options).

With the exception of the Chief Executive Officer, no members of the Board of Directors were granted stock options. As an executive officer of the company and at December 31, 2017, the chief executive officer held 100,000 options granted on May 19, 2017 (plan No. 8.1). On this same date, the deputy chief executive officer held 20,000 options also awarded on May 19, 2017 (plan 8.1). In compliance with the provisions of Act 2006-1770 of December 30, 2006, at least 20% of shares issued from the exercise of options must be maintained in registered form until the chair and/or the chief executive officer or deputy chief executive officer ceases to exercise their function.

Highlights for stock option plans in force at December 31, 2017 are presented below:

Plan No.	Plan 6.2	Plan 6.3	Plan 8.1	Plan 9.1	Total
AGM date Board meeting date	05/28/2010 10/06/2011	05/28/2010 01/30/2013	06/16/2016 05/19/2017	06/16/2017 09/29/2017	
Initial number of shares *- of which to corporate officers* *- of which to the top 10 employee beneficiaries* Number of shares after adjustments *	600 0 600 727	651 0 651 740	380,000 120,000 255,000 380,000	10,000 0 10,000 10,000	391,251 120,000 266,251 391,467
Starting date for the exercise of options End date for the exercise of options	10/06/2013 10/05/2018	01/30/2015 01/29/2020	05/19/2019 05/18/2024	09/29/2019 09/28/2024	
Minimum exercisable number of shares	20	20	2,500	2,500	
Minimum vesting period Minimum holding period	2 years 2 years	2 years 2 years	2 years None	2 years None	
Subscription price *	€6.71	€3.67	€2.57	€2.55	
Number of options exercised Number of options forfeited Number of options remaining to be exercised	0 109 618	0 122 618	0 30,000 350,000	0 0 10,000	0 30,231 361,236

** Adjustments that may be made after the capital transaction*

No stock options were exercised in fiscal 2017.

To exercise stock options, the beneficiary must either be an executive officer, or hold an employment contract with the company that has not been terminated by either party. In addition, fulfillment of several conditions set forth at the time of the grant may also be required.

On that basis, for fiscal 2017, 30,000 options were forfeited by two beneficiaries of plan 8.1 following their departure from the Group.

In addition, Jim Collins, a beneficiary of 12,298 options under plan No. 7.1, waived his exercise rights thereunder as this plan did not meet the US tax criteria for stock options. The board of directors canceled this plan in consequence, without awarding new compensation.

In light of the above, and the maximum number of stock options set at 10 % of the shares making up the share capital (or 790,036 options available to be granted at December 31, 2017), there remains a balance of 428,800 options or 5.43 % of the share capital. On this date, the 361,236 unexercised stock options represent a potential dilution of 4.57 %.

In compliance with the provisions of Act 2006-1770 of December 30, 2006, in the case of sock option awards to the Chair, Chief Executive Officer or Deputy Chief Executive Officer, at least 20% of shares issued from the exercise of options must be maintained in registered form until the Chairman and/or the Chief Executive Officer or Deputy Chief Executive Officer ceases to exercise their function.

In accordance with applicable laws, pursuant to the capital increase of February 2017, the exercise conditions of stock option plans in force on the transaction date were adjusted by the company as follows:

Price adjustments (art. R.228-91, subsection 1°)

Plan No.	Plan 6.2	Plan 6.3	Plan 7.1
Initial subscription price Adjusted subscription price	€6.71 €6.55	€3.67 €3.58	€2.56 €2.50

Quantity adjustment (art. R.225-140 and R.225-142, subsection 2)

Plan No.	Plan 6.2	Plan 6.3	Plan 7.1
The quantity thus becoming 603 The quantity thus becoming 12,000	618 -	618 -	- 12,298

At the end of each reporting period, the fair value measurement of stock options in the consolidated financial statements is determined using the Black & Scholes measurement model (see section 20.3.1.5.4.1.1). Options have an average life of 4 1/2 years with a volatility rate of 30%.

17.3.2 Situation at April 30, 2018

The following events have occurred since December 31, 2017:

- After the beneficiary of plan 9.1 left the group: the plan was accordingly canceled in full (10,000 options)
- On January 25, 2018, the board of directors granted 30,000 stock options effective January 29, 2018 under plan 9.2. The exercise price is €2.52. The vesting period is 2 years and the shares must reach a market price of at least €5.50 on the exercise date for the options to be exercised.
- On January 25, 2018, the board of directors granted 20,000 stock options effective February 19, 2018 under plan 9.3. The exercise price is €2.50. The vesting period is 2 years and the shares must reach a market price of at least €5.50 on the exercise date for the options to be exercised.

Plan No.	Plan 6.2	Plan 6.3	Plan 8.1	Plan 9.2	Plan 9.3	Total
AGM date Board meeting date	05/28/2010 10/06/2011	05/28/2010 01/30/2013	06/16/2016 05/19/2017	06/16/2017 01/25/2018	06/16/2017 01/25/2018	
Initial number of shares *- of which to corporate officers* *- of which to the top 10 employee beneficiaries* Number of shares after adjustments *	600 0 600 727	651 0 651 740	380,000 120,000 255,000 380,000	30,000 0 30,000 30,000	20,000 0 20,000 20,000	431,251 120,000 306,251 431,467
Starting date for the exercise of options End date for the exercise of options	10/06/2013 10/05/2018	01/30/2015 01/29/2020	05/19/2019 05/18/2024	01/29/2020 01/28/2025	02/19/2020 02/18/2025	
Minimum exercisable number of shares	20	20	2,500	2,500	2,500	
Minimum vesting period Minimum holding period	2 years 2 years	2 years 2 years	2 years None	2 years None	2 years None	
Subscription price *	€6.71	€3.67	€2.57	€2.52	€2.50	
Number of options exercised Number of options forfeited Number of options remaining to be exercised	0 109 618	0 122 618	0 30,000 350,000	0 0 30,000	0 0 20,000	0 30,231 401,236

** Adjustments that may be made after the capital transaction*

On that basis, on April 30, 2018, there were a total of 401,236 unexercised stock options representing a potential dilution of 5.08 %.

17.4 Social impact of Group operations

See section 26.1 - Information on the social impact of Group operations

17.5 Information on measures to combat discrimination and promote diversity

In accordance with the provisions of Article L225-102-1 subsection 5 of the French commercial code as amended by Article 9 of Law No. 2011-672 of June 16, 2011, every year Egide SA submits to the Works Committee and employee representatives a single report providing information on measures to combat discrimination and promote diversity (see indicators in section 26.1 of this document). Moreover, no discrimination exists with training, professional promotion, working conditions and actual remuneration levels.

18 PRINCIPAL SHAREHOLDERS

18.1 Analysis of share capital and voting rights

Balance at April 30, 2018	Number of shares	Percentage of Capital	Number of voting rights	Percentage of voting rights
James F. Collins, Chair-CEO	69,375	0.88 %	103,989	1.30 %
Free float (registered securities)	59,380	0.75 %	109,230	1.37 %
Free float (bearer securities)	7,771,611	98.37 %	7,771,611	97.33 %
Total	**7,900,366**	**100.00 %**	**7,984,830**	**100.00 %**

This table has been produced based on information provided by CM-CIC Securities, charged with ensuring the security management services for standard registered Egide shares maintained in a custody-only account and recorded directly in the company's share register (*nominatif pur*). The registered shareholder was not recharged any management fees by the company.

On April 30, 2018, shares held by other directors of the company were as follows: Ms. Colette Lucas 700 actions, Mr. Jean-Louis Malinge 168 actions, Ms. Véronique Laurent-Lasson 100 actions and Mr. Michel Faure 1,668 actions. Mr. Philippe Lussiez has 4,400 shares.

No share is jointly held by employees within the meaning of article L225-102 of the French commercial code.

Also see section 21.1.5 - Changes in share capital within the last three years

18.2 Ownership thresholds subject to disclosure requirements

The identity of shareholders owning more than 5 %, 10 %, 15 %, 20 %, 25 %, 30 %, 33.33 %, 50 %, 66.66 %, 90 % and 95 % of the share capital or voting rights at April 30, 2018:

	More than 5 %		More than 10 %		More than 15 %		More than 25 %	
	of the capital	of voting rights	of the capital	of voting rights	of the capital	of voting rights	of the capital	of voting rights
Sigma Gestion [1]	X	X	X	X				
Natixis Asset Management [2]	X	X						

[1] AMF notice of February 28, 2017 (crossing below the 15% threshold)
[2] AMF notice of February 21, 2017 (crossing above the 5 % threshold)

As far as the company is aware, there are no public shareholders holding more than 5% of the capital other than those disclosed in the table above.

No shareholder holds more than 20%, no more than 30% of the capital or voting rights. On that basis, it is not possible to exercise undue control over the company. Furthermore, as far as the Company is aware, there are no agreements the performance of which could, at some future date, lead to a change in its control.

18.3 Existence of different voting rights

In compliance with article 27 of the company's articles of association, double voting rights are granted to fully paid-up shares registered in the same name for at least two years (annual general meeting of January 29, 1999). This right is conferred upon all bonus shares granted to a shareholder in respect of previously existing shares.

On April 30, 2018, there were 128,755 shares in registered form of which 84,464 carried double voting rights.

19 RELATED PARTY TRANSACTIONS

19.1 Regulated agreements

It is noted that the legal provisions governing regulated agreements as defined by article L225-38 of the French commercial code were modified as from August 3, 2014 (Order No. 2014-863 of July 31, 2014) and that henceforth agreements entered into between the company and wholly-owned subsidiaries are no longer included under this category. On that basis, agreements between Egide SA and its subsidiaries Egide USA LLC and Egide USA Inc. are no longer considered as regulated agreements.

Regulated agreements in force at December 31, 2017 are presented below:

Agreements entered into in the fiscal 2017 and previously authorized

- None.

Agreements entered into in 2017 and previously approved whose execution was terminated in the period under review

- None.

Agreements entered into in prior periods with continuing effect during the year

- None.

Agreements entered into in prior periods whose execution was terminated in the period under review

- None.

19.2 Auditors' report on regulated agreements

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments with third parties that is issued in the French language and provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French commercial code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

"To the shareholders:

As the Statutory Auditors of your Company, we hereby present you with our report on related-party agreements and commitments

The terms of our engagement do not require us to identify such agreements and commitments, if any, but to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention, without expressing an opinion on their utility and merits. It is your responsibility, pursuant to article R.225-31 of the French commercial code to determine the interest of these agreements and commitments with a view to their approval.

In addition, we are required, where applicable, to inform you in accordance with Article R225-31 of the French commercial code concerning the implementation, during the year, of the agreements and commitments already approved by the General Meeting of Shareholders.

We performed procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie nationale des Commissaires aux Comptes*) relating to this engagement.

AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL TO THE GENERAL MEETING

We hereby inform you that we have not been advised of any agreements or commitments authorized during the past year to be submitted to the general meeting for approval in accordance with Article L. 225-38 of the French commercial code.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING

Agreements and commitments approved in prior years

We inform you that we have not been advised of any agreement or commitment already approved by the General Meeting remaining in force in the period under review.

Neuilly-sur-Seine and Paris, April 30, 2018

Statutory Auditors
French original signed by:

PricewaterhouseCoopers Audit,
Matthieu Moussy

RSM Paris,
Régine Stéphan »

20 FINANCIAL INFORMATION ON THE ASSETS, FINANCIAL POSITION AND EARNINGS OF THE ISSUER

20.1 Consolidated financial highlights (2015 and 2016)

The consolidated and annual financial statements for the fiscal years ended December 31, 2015 and December 31, 2016 as well as the corresponding Auditors' reports, reproduced in the documents mentioned in the following table are incorporated by reference in this registration document.

Printed version of the registration document	2015	2016
AMF registration no:	No. D16-0569 of June 03, 2016	No. D17-0674 of June 23, 2017
Consolidated financial statements and notes	Pages 77 to 92 (Section 20.3.1)	Pages 81 to 100 (Section 20.3.1)
Statutory Auditors' report on the consolidated financial statements	Page 113 (Section 20.4.1)	Page 120 (Section 20.4.1)
Annual financial statements and notes	Pages 93 to 112 (Section 20.3.2)	Pages 101 to 119 (Section 20.3.2)
Auditors' report on the annual financial statements	Page 114 (Section 20.4.2)	Page 121 (Section 20.4.2)

20.2 Pro forma financial information

None.

20.3 Financial statements

20.3.1 2017 consolidated financial statements

20.3.1.1 Consolidated statement of financial position

ASSETS (€ thousands - IFRS)	Notes 20.3.1.5.	Net value at 12/31/2017	Net value at 12/31/2016
Intangible assets	3.1	1,289	127
Property, plant and equipment	3.1	6,227	5,104
Other financial assets		470	488
Deferred tax assets	3.6	1,138	0
Non-current assets		**9,124**	**5,719**
Inventories	3.2	6,321	3,843
Trade and other receivables	3.3	6,986	5,152
Cash and cash equivalents		2,994	1,075
Other current assets		302	229
Others current assets		**16,603**	**10,299**
TOTAL ASSETS		**25,727**	**16,018**

EQUITY AND LIABILITIES (€ thousands – IFRS)	Notes 20.3.1.5.	Values at 12/31/2017	Values at 12/31/2016
Paid-in capital	4.1	15,801	8,944
Additional paid-in capital	4.1	2,904	2,058
Legal reserve		356	356
Consolidated reserves		- 2,476	- 1,826
Net income/(loss)		- 366	- 724
Other equity		- 3,494	- 2,738
Shareholders' equity		**12,724**	**6,070**
Non-current provisions	3.4	692	670
Non-current financial debt	3.5	1,849	1,845
Other non-current liabilities		32	36
Non-current liabilities		**2,573**	**2,551**
Current financial debt	3.5	5,135	3,532
Trade and other payables	3.5	5,292	3,861
Other non-current liabilities		3	4
Current liabilities		**10,430**	**7,397**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**25,727**	**16,018**

20.3.1.2 Statement of comprehensive income

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (€ thousands - IFRS)	Notes 20.3.1.5.	12/31/2017	12/31/2016
Revenue		30,892	22,171
Raw materials and consumables		- 12,604	- 9,126
Change in finished goods and work in progress		317	- 4
Staff costs		- 13,139	- 9,157
External charges		- 5,013	- 3,748
Taxes other than on income		- 415	- 346
Amortization, depreciation and impairment of fixed assets	3.1	- 922	- 611
Allowances and reversals of impairment & provisions	3.4	- 47	- 99 *
Other operating income	3.8	259	401
Other operating expenses	3.8	- 151	- 73
Operating profit / (loss)		**- 823**	**- 592**
Income from cash and cash equivalents	3.9	0	9
Gross borrowing costs	3.9	- 442	- 216
Net interest expense		- 442	- 206
Other financial income	3.9	42	255
Other financial expenses	3.9	- 351	- 181
Net financial income (expense)		- 751	- 132
Income before tax		- 1,574	- 724
Income tax	3.6	1,208	0
Net income/(loss)		**- 366**	**- 724**
Attributable to the Group		- 366	- 724
Earnings per share (in €)	4.2	- 0.05	- 0.16
Diluted earnings per share (in €)	4.2	- 0.05	- 0.16

** Restated to reflect the impact of an adjustment on employee benefits (see section 20.3.1.5.3.4)*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (€ thousands - IFRS)	Notes 20.3.1.5.	12/31/2017	12/31/2016
Net income/(loss)		**- 366**	**- 724**
Items able to be recycled in profit or loss: - translation losses and gains from financial statements of subsidiaries presented in foreign currencies		- 782	10
Items unable to be recycled in profit or loss: - rrevaluation of defined benefit obligations		25	- 39
Other comprehensive income		**- 757**	**- 29**
Comprehensive income		**- 1,123**	**- 753**
Attributable to the Group		- 1,123	- 753

20.3.1.3 Consolidated statement of changes in shareholders' equity

(in € thousands, except for shares)	Number of shares	Capital	Additional paid-in capital	Legal and consolidated reserves	Net income/ (loss)	Other equity	Share-holders' equity
Balance at 12/31/2015	**4,471,906**	**8,944**	**2,058**	**73**	**- 1,378**	**- 2,709**	**6,989**
Adjustment (see section 20.3.1.5.3.4)				- 120			- 120
Situation at 12/31/2015 restated	**4,471,906**	**8,944**	**2,058**	**- 47**	**- 1,378**	**- 2,709**	**6,869**
Comprehensive income 2016					**- 694**	**- 29**	**- 723**
Adjustment to 2016 comprehensive income (see 20.3.1.5.3.4)					- 30		- 30
2016 comprehensive income, restated					**- 724**	**- 29**	**- 753**
Earnings appropriation for fiscal 2015 Stock options				- 1,378 - 45	1,378		0 - 45
Situation at 12/31/2016 restated	**4,471,906**	**8,944**	**2,058**	**- 1,470**	**- 724**	**- 2,738**	**6,070**

(in € thousands, except for shares)	Number of shares	Capital	Additional paid-in capital	Legal and consolidated reserves	Net income/ (loss)	Other equity	Share-holders' equity
Situation at 12/31/2016 restated	**4,471,906**	**8,944**	**2,058**	**- 1,470**	**- 724**	**- 2,738**	**6,070**
Comprehensive income 2017					**- 366**	**- 757**	**- 1,123**
Changes in parent company equity Earnings appropriation for fiscal 2016 Stock options	3,428,460	6,857	846	- 724 74	724		7,703 0 74
Balance at 12/31/2017	**7,900,366**	**15,801**	**2,904**	**- 2,120**	**- 366**	**- 3,494**	**12,724**

There is no non-controlling interest in Egide Group.

Notes in section 20.3.1.5 are an integral part of the consolidated financial statements.

20.3.1.4 Consolidated cash flow statement

CONSOLIDATED STATEMENT OF CASH FLOWS (in € thousands - IFRS)	Notes 20.3.1.5.	12/31/2017	12/31/2016
Cash flow		***- 529***	***- 59***
- Net income of consolidated operations		- 366	- 724*
- Adjustments to non-cash income and expenses to net			
- cash provided by operating activities			
- Amortization, depreciation and provisions (1)	3.1, 3.4	944	710*
- Capital gains from the sale of intangible assets		3	
- Recognition of Egide USA deferred tax assets	3.6	- 1,209	
- Other		99	- 45
Change in operating working capital requirements (2)		**- 890**	**- 1,195**
- (increase) / decrease in inventories	3.2	- 873	- 390
- (increase) / decrease in trade receivables	3.3	- 1,002	- 954
- (increase) / decrease in other receivables	3.3	- 67	90
- (increase) / decrease in trade payables	3.5	512	230
- (increase) / decrease in tax and employee-related liabilities	3.5	282	- 181
- (increase) / decrease in other payables	3.5	258	10
Net cash from (used in) operating activities		**- 1,419**	**- 1,254**
Acquisitions of non-current assets	3.1	- 1,125	- 1,022
Impact of changes in Group structure (creation of Santier Inc.)	2.2	- 5,047	
Net cash provided by (used in) investing activities		**- 6,172**	**- 1,022**
Capital increase	4.1	7,703	
Bond issue	3.5	979	
Repayment of bond loans	3.5	- 36	
New bank borrowings	3.5	782	155
Repayment of bank borrowings	3.5	- 1,359	- 75
Other borrowings	3.5	0	243
Repayment of other borrowings	3.5	- 238	- 167
Financial debt relating to factoring and revolving credit	3.5	1,791	425
Net cash flows provided by (used in) financing activities		**9,623**	**581**
Change in cash and cash equivalents		**2,033**	**- 1,696**
Closing cash and cash equivalents*		2,994	1,075
Opening cash and cash equivalents*		1,075	2,773
Effect of changes in exchange rates		114	2
Change in cash and cash equivalents		**2,033**	**- 1,696**

(1) Excl. impairment of current assets
(2) In net values
** Restated to reflect the impact of an adjustment on employee benefits (see note 20.3.1.5.3.4)*

Cash consists exclusively of bank account balances.

20.3.1.5 Accounting methods and explanatory notes to the consolidated financial statements

20.3.1.5.1 Preliminary remarks

Egide designs, manufactures, and sells hermetic packages (passive electronic components) for the protection and interconnection of electronic systems as well as metallic components and thermal management materials.

These notes are an integral part of the consolidated financial statements established on December 31, 2017 with a statement of financial position showing total assets of €25,727,000, and a statement of comprehensive income presented in the form of a list showing a net loss of €366,000, adopted by the Board of Directors on April 26, 2018.

The information given below is expressed in thousands of euros, unless stated otherwise.

The financial period ends on December 31 and covers a twelve-month period from January 1, 2017 to December 31, 2017.

20.3.1.5.2 Significant accounting policies and basis of consolidation

20.3.1.5.2.1 Compliance statement

In compliance with EC regulation No. 1606/2002 of July 19, 2002, Egide Group (see section 1.5) presents its consolidated financial statements for the period ended December 31, 2017 in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB and adopted by the European Union at December 31, 2017. Standards applied include IFRS and IAS (International Accounting Standards), and their interpretations applicable at December 31, 2017. For the purpose of simplification, these standards and their interpretations are jointly referred to as "IFRS standards" or "IFRS . These standards may be consulted at the European Commission's website at the following address:
https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en

The standards, interpretations and accounting methods applied by the Group in the consolidated financial statements of December 2017 are identical to those used at December 31, 2016.

Application of certain standards, interpretation or amendments to existing standards is mandatory according to IFRS for periods commencing on or after January 1, 2017 though do not have a material impact on the Group consolidated financial statements:

Standard, interpretation	Subject	IASB issue date	EU adoption date
Amendment to IAS 12	Recognition of deferred tax assets for unrealized losses	01/19/2016	11/06/2017
Amendment to IAS 7	Disclosure initiative	01/29/2016	11/06/2017

The Group's consolidated financial statements at December 31, 2017 have not early-adopted standards, interpretations and amendments adopted by the European Union at December 31, 2017 but not mandatory for periods commencing on January 1, 2018or 2019:

Standard, interpretation	Subject	IASB issue date	EU adoption date
IFRS 9	Financial instruments (to replace IAS 39)	11/12/2009	11/22/2016
IFRS 15	Revenue from contracts with customers	05/01/2014	09/22/2016
Amendments to IFRS 15	Clarifications to IFRS 15	04/12/2016	10/31/2017
IFRS 16	Leases	01/16/2016	10/31/2017
Amendments to IFRS 4	Applying IFRS 9 with IFRS 4	09/12/2016	11/06/2017

No impact is expected by the Group from IFRS 15 as its sales do not include multiple deliverables to be allocated to revenue and from IFRS 9, since losses from receivables are historically nonexistent.

For IFRS 16 "Leases", the Group has not planned to early adopt this standard. Its impact is currently being analyzed and it likely to have a significant effect on the Group's assets and financial liabilities.

Texts published by IASB at December 31, 2013 but not in effect or applicable in the European Union are as follows:

Standard, interpretation	Subject	IASB issue date
Amendments to IFRS 10 and IAS 28	Sales or contributions of assets between the group and its associates	09/11/2014
Amendments to IFRS 2	Classification and measurement of share-based payment transactions	06/20/2016
Annual improvements (2014-2016)	Annual improvements cycle	12/08/2016
IFRIC 22	Foreign currency transactions and advance consideration	12/08/2016
Amendments to IAS 40	Transfers of investment property	12/08/2016
IFRS 17	Insurance contracts	05/18/2017
IFRIC 23	Uncertainty over income tax treatments	06/07/2017
Amendments to IFRS 9	Prepayment features with negative compensation	10/12/2017
Amendments to IAS 28	Long-term Interests in associates and joint ventures	10/12/2017
Annual improvements (2015-2017)	Annual improvements cycle	12/12/2017

Group operations are not affected by seasonality factors.

20.3.1.5.2.2 Information on Santier Inc.'s addition to the Group

Pursuing its strategy to establish positions in strong growth markets, on February 28, 2017 Egide completed the acquisition of the operating assets and liabilities of TMS LLC (or Thermal Management Solutions, operating its business under the name of Santier) according to terms and conditions set by the parties.

These operating assets and liabilities were acquired by the new company incorporated under and governed by US law, created for that purpose and named Santier Inc.

On that basis, Egide's structure is as follows: Egide SA (France), wholly owns Egide USA LLC, itself wholly owning Egide USA Inc. and Santier Inc. Egide SA, Egide USA Inc. and Santier Inc. conduct their operations at respectively Bollène (France), Cambridge, Maryland (USA) and San Diego, California (USA). Egide USA LLC has no activity other than as a holding company of Egide SA's US subsidiaries.

Santier Inc. designs and manufactures metallic components (thermal management materials, metal wire cutting, machining) and hermetic and non-hermetic microelectronic housings for electronics applications; the company also has expertise in surface treatment and metal machining. For information, TMS LLC (operating under the name Santier) had approximately US$10 million in sales in 2016.

This acquisition was financed by a capital increase of Egide SA on Euronext Paris for €8.2 million and oversubscribed at 117.3%.

Santier Inc.'s technology, customer portfolio and organization should generate significant synergies at the level of Egide Group and already has provided an immediate improvement in profitability. This acquisition also contributed to giving Egide a new dimension by strengthening its presence in the thermal imaging and worldwide defense markets, with a focus on the United States. Santier Inc. will also contribute to developing and expanding Egide Group's offering in all its markets and fully in line with the Group's diversification strategy over several years.

The acquisition of these assets meets the definition of a business combination within the meaning of IFRS 3 and the application of this standard resulted in the fair value measurement of the following:

- Intangible assets were measured by means of a report of an independent expert which separated the following components:
  . A trademark: US$250,000, amortized over 15 years
  . Customer relationships: US$500,000, amortized over 10 years
  . Technologies: US$500,000, amortized over 10 years

- Tangible assets were recognized at their market value, also determined by an independent expert, representing US$1,597,000.

- Inventories are measured at their cost price for finished products, their sales price minus completion costs for production in progress, and their average price for raw materials. Finished products not covered by an order and non-moving stock of raw materials of more than one year were not recognized under assets.

- Other line items were recognized at their net carrying value.

The fair value of net identifiable assets and liabilities of Santier Inc. on February 28, 2017 breaks down in consequence as follows:

(US$ thousands)	02/28/2017
Identified intangible assets	1,250
Tangible and financial assets	1,640
Inventories	2,136
Trade receivables and other current assets	1,204
Trade payables	- 547
Other current financial liabilities	- 323
TOTAL NET ASSETS	**5,359**
Ownership interest (%)	100 %
TOTAL NET ASSETS ACQUIRED	**5,359**
Cost of the business combination	5,700
Goodwill, amortized over 10 years, tax deductible	341

Acquisition-related costs for TMS LLC assets and liabilities and costs of the creation of Santier Inc. in the amount of US$188,000 k$ are recorded as "external charges" under operating results for fiscal 2017 in accordance with IFRS 3.

No contingent liabilities are associated with the acquisition of these assets asset and deferred tax liabilities arising from the difference between amortization periods of intangible assets and goodwill are not significant.

Increases in the balance sheet items linked to the first-time consolidation of Santier Inc. on February 28, 2017 are presented separately under "Changes in consolidation scope" in the notes for the corresponding items.0

For the period from the date of its creation on February 28, 2017 to December 31, 2017, Santier Inc. had revenue of €8,154,000 and net profit of €1,215,000. The extrapolation of these figures for ten months over a twelve-month period in 2017 would be respectively €9,785,000 and €9,785,000.

20.3.1.5.2.3 Critical accounting estimates and judgments

The Group makes estimates and applies assumptions with regard to future activity. The resulting accounting estimates will by definition, rarely be identical to actual results.

The critical accounting estimates and assumptions that could result in a material adjustment to the carrying amount of assets and liabilities during subsequent periods concerned mainly impairment tests the Group may perform on intangible and intangible assets. Specifically, recoverable amounts of cash generating units are determined from calculations for value in use which call for use of estimates.

20.3.1.5.2.4 Financial risk management

20.3.1.5.2.4.1 Exchange rate risk

In 2017, exports accounted for 73 % of Egide's revenue, including 51 % to North America where sales are invoiced in US dollars. Concerning the 13 % of sales to non-European countries, amounts are invoiced in either euros or US dollars. In the period, Egide SA invoiced sales of US$1.4 million (exchange value in euros of €1.2 million), Egide USA Inc. US$8.2 million (€7.2 million) and Santier Inc. US$9.2 million (€8.1 million). In 2017, the US dollar/euro exchange rate (averaging 1.1293 for the year compared to 1.1066 in 2016) had a negative impact on Group sales of 2.0% like-for-like (i.e. excluding Santier Inc.).

Inflows from sales in US dollars received directly by Egide SA (€1.0 million dollars in 2017) were used in payment of purchases for components from US suppliers (US$2.2 million in 2017). US dollars are purchased according to need at the prevailing exchange rate using account balances in euros. Inflows from US dollar-denominated sales received by factoring companies are converted into euros at the prevailing rate of the day while financing for invoices issued in US dollars are also obtained in euros. In consequence, the corresponding risk is therefore at the level of the exchange rate on the translation date. No specific hedging arrangement have been put into place as the cost of such arrangements remain too high.

For the US subsidiaries, all purchases and sales are in US dollars. At the end of the reporting period, the Group's foreign exchange risk is accordingly limited to the result for the period of Egide USA LLC, Egide USA Inc. and Santier Inc. converted into euros for consolidation as well as their US dollar denominated cash balances.

20.3.1.5.2.4.2 Interest rate risk

Given the marginal potential impact of interest rate fluctuations on the statement of comprehensive income linked to the nature of interest rates, the Group has not adopted specific measures for monitoring and managing interest rate risks. These rates according to the type of financing and described in note 20.3.1.5.3.5 are as follows:

- Egide SA:
  - . Two factoring agreements for which the corresponding monthly financing commission applied by the factors to amounts financed is based on the Euribor average 3-month rate at the end of the prior month subject to a 0.60 % minimum.
  - . As a fixed rate "Sofired-PME Défense" loan for an annual rate of 3.85 %, it is not exposed to any interest rate risk.
  - . Financing from Bpifrance in exchange for the collateralization of CICE wage tax credit receivables is subject to interest calculated daily at the average 1 month Euribor rate of the previous month plus 3% per annum.
  - . A standalone bond with fixed coupon rate of 7%.

- At Egide USA Inc.: a line of revolving credit subject to interest at the WSJ Prime Rate plus 2.50 points.

- At Santier Inc.: a line of credit subject to interest at the WSJ Prime Rate, +1.50% for the revolving credit, 1.75% for the term loan and 2% for the equipment financing loan.

20.3.1.5.2.5 Consolidated companies and basis of consolidation

The following companies were consolidated by Egide Group at December 31, 2017:

Company	Place of registration or incorporation	Ownership interest (%)	Consolidation method	Date of first consolidation
Egide SA	Bollène (Vaucluse) (France)	100%	Parent company	NA
Egide USA LLC	Wilmington - Delaware (USA)	100%	Full consolidation	11/08/2000
Egide USA Inc.	Cambridge - Maryland (USA)	100%	Full consolidation	12/29/2000
Santier Inc.	San Diego - California (USA)	100%	Full consolidation	02/28/2017

Subsidiaries over which exclusive control is exercised are fully consolidated. The notion of control is taken to mean the power to define and manage the financial and operational strategies of a company so as to benefit from its activities. Control is presumed to exist in those companies in which the Group directly or indirectly holds majority voting rights in the company.

All consolidated subsidiaries have financial years of 12 months ending on December 31, with the exception of Santier Inc with a first year in 2017 of 10 months.

Financial statements are presented in euros, the functional currency of Egide SA and the currency for the presentation of the Group accounts.

The financial statements of Egide USA Inc. and Santier Inc. are translated according to the closing rate method, whereby the statement of financial position (balance sheet) is converted into euros based on the exchange rate prevailing at the end of the reporting period. The comprehensive income statement and the cash flow statement are translated at the average exchange rate for the period. Translation differences are recorded directly in equity under the heading "other equity".

The financial statements of Egide USA LLC are translated according to the historical rate method whereby the statement of financial position is translated according to historical rates, except for monetary items which are translated at the closing exchange rate. The comprehensive income statement and the cash flow statement are translated at the average exchange rate for the period. Translation differences are recorded directly in equity under the heading "other equity".

Income and expenses from intercompany transactions are eliminated in the balance sheet when preparing the consolidated financial statements.

20.3.1.5.3 Notes on operating items

20.3.1.5.3.1 Fixed assets

Assets owned by the Group

In light of the "customized" nature of products marketed by Egide, research and development expenditures concern mainly products developed in partnership with customers. These costs recognized under expenses are then incorporated into the costs of prototypes which are invoiced to customers. In consequence, no research and development expenditures are capitalized and accounted for as assets.
Intangible assets are presented in the Group's statement of financial position of December 31, 2017 as acquired. These are a trademark, customer relationships, technologies, patents, licenses and software.

Finite life assets are amortized on a straight-line basis over the expected useful life for generating economic benefits for the Group. Amortization periods applied are as follows:

	Straight-line
Santier Inc. trademark	15 years
Santier Inc. customer relationships and technologies	10 years
Licenses	5 to 10 yrs.
Software	3 to 5 yrs.
Patents	12 years
Buildings	25 years
Buildings fixtures and fittings	10 years
Plant, machinery and equipment	3 to 10 yrs.
Office equipment and furniture, other fixtures and fittings	3 to 10 yrs.

As no residual values are retained at the end of these useful lives, a corresponding deduction is not made from the depreciation base.

Leased assets

Leases that effectively transfer substantially all risks and rewards inherent in the ownership of an asset to the Group are classified as finance leases. The original value of the property is recognized under the corresponding asset and a miscellaneous financial liability is recorded under liabilities. The depreciation period applied to this property is consistent with the normal depreciation periods applied by the Group.

All other leases represent operating leases. Leased assets in this case are not recognized in the Group's balance sheet.

Impairment of intangible and tangible assets

An impairment test is performed whenever there exists an internal or external indicator of a loss in value. An impairment loss is recognized if the recoverable value of the asset concerned is lower than the net carrying value. This impairment loss is deducted from depreciable accounting base over the asset's remaining useful life

Before impairment tests, cash generating units (CGU) are first of the five. A CGU is a group of homogeneous assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

For Egide Group, the following CGU have been defined:

- Egide SA
- Egide USA Inc.
- Santier Inc.

In effect, these profit centers reflect the smallest identifiable groups of assets generating cash flows able to be defined by the Group. The Group accordingly measures discounted future cash flow that will be generated by each CGU. Value in use is determined by comparing the present value of cash flows (cash flow, capital expenditures, WCR level and financing) to the net carrying value of the corresponding intangible and tangible assets of the corresponding CGU. An impairment loss is recognized if value in use falls below the net carrying value, except if this asset or group of assets have a specific market value which is higher than the carrying value.

Intangible and tangible assets break down as follows:

Gross amounts	Intangible assets	Land and buildings	Plant and machinery	Other tangible fixed assets	Work in progress, prepayments	Total
At 12/31/2015	**467**	**1,910**	**15,298**	**1,462**	**178**	**19,315**
Increase	93	28	769	94	300	1,284
Decrease	- 2		- 49	- 77	- 171	- 298
Translation adjustments		63	199	20	5	287
At 12/31/2016	**558**	**2,000**	**16,217**	**1,500**	**312**	**20,587**
Increase	1	14	438	583	106	1,142
Changes in Group structure	1,327		1,332		19	2,677
Decrease			-78	- 66	- 279	- 423
Translation adjustments		- 242	- 817	- 78	- 5	- 1,143
At 12/31/2017	**1,885**	**1,773**	**17,091**	**1,939**	**152**	**22,840**

Amortization, depreciation and impairment	Intangible assets	Land and buildings	Plant and machinery	Other tangible fixed assets	Work in progress, prepayments	Total
At 12/31/2015	**348**	**205**	**12,956**	**1,176**	**0**	**14,685**
Increase Decrease Translation adjustments	85 - 2	63 7	405 - 49 149	72 - 77 20		624 - 128 175
At 12/31/2016	**431**	**274**	**13,461**	**1,191**	**0**	**15,356**
Increase Decrease Translation adjustments	165	56 - 33	577 - 184 - 590	118 - 66 - 76		916 - 250 - 699
Au 31/12/2017	**596**	**297**	**13,264**	**1,166**	**0**	**15,323**

In net values	Intangible assets	Land and buildings	Plant and machinery	Other tangible fixed assets	Work in progress, prepayments	Total
At 12/31/2015	**119**	**1,705**	**2,342**	**286**	**178**	**4,630**
Increase Decrease Translation adjustments	8	 - 35 56	364 50	22 1	300 - 171 5	694 - 206 112
At 12/31/2016	**127**	**1,726**	**2,756**	**309**	**312**	**5,231**
Increase Changes in Group structure Decrease Translation adjustments	- 164 1,327	- 42 - 209	- 139 1,332 106 - 227	465 - 2	106 19 - 279 - 5	226 2,677 - 173 - 444
At 12/31/2017	**1,289**	**1,476**	**3,827**	**773**	**152**	**7,517**

The conclusion of lease agreements by Egide SA, in accordance with IAS 17, resulted in the capitalization of the corresponding assets. This included €219,000 for intangible assets (software), €212,000 for plant and machinery and €44,000 for computer equipment.

Capital expenditures for the Group in 2017 amounted to €1,142,000, of which €839,000 used by Egide SA (a clean room and chemical gold plating line for optronics, equipment to improve productivity, building instillations), €177,00 for Egide USA Inc. (production equipment) and 109,000 for Santier Inc. (cutting machine). These investments were financed from equity, and in particular from the surplus funds raised from the capital increase of February 2017.

Cash Generating Units (CGUs) are tested for impairment when there is an indication of a loss in value. Their recoverable value is determined by calculating their value in use using the discounted cash flow method. These calculations use cash flow projections based on financial business plans and budgets approved by management covering a five-year period and in reference to the residual amount for the assets in question. Cash flow projections beyond this period were extrapolated conservatively without growth in revenue in relation to the last budgeted year. Based on notably risk factors specific to the Group's business sector and operations, the discount rate is 7%. A sensitivity analysis of the calculation was performed according to the growth assumptions used. According to this analysis, only an unrealistic deterioration in sales would result in an impairment, and in consequence it was not retained.

As the present value of assets recorded in the statement of financial position at December 31, 2017 covers their net carrying value, no additional amounts were recorded for impairment.

20.3.1.5.3.2 Inventories and work-in-progress

Inventories materials, consumables and trade goods are recognized at their acquisition cost (plus shipping costs) according to the weighted average cost method. Work in progress, finished goods and semi-finished goods are measured at production cost which includes direct manufacturing costs and factory overheads relating to references recognized as correct at the end of the manufacturing process. The costs of manufacturing scrap are expensed in the period. When costs are higher than the selling price, after deducting selling costs for products, a charge for impairment is recorded for the difference.

Depreciation charges are recognized for raw materials and semi-finished goods based on their age and expectations for their use. For the first year, an impairment charge of 5% is recorded which is increased to 50% to 100% in the second year according to the inventory and 100% the third year based on the actual depreciation schedule. For information, inventories for raw material include components and basic raw materials (minerals). Items in this latter category by nature are subject to different depreciation rules based on factors relating to stock use, transformation into components or resale of an existing market. Finished products without prospects for sale, are written down in full starting in the first year.

Changes in inventory and work in progress and allowances and reversals thereof relating to this inventory are presented in the Group statement of comprehensive income, according to their nature, under "Raw materials and supplies" or "Changes in finished goods and work in progress".

Changes in the inventories and work in progress break down as follows:

Gross value	Raw materials & other supplies	Goods and services in progress	Finished goods	Trade goods	Total
At 12/31/2016	**5,244**	**1,110**	**941**	**8**	**7,304**
Increase	687		498	5	1,190
Changes in Group structure	510	1,045	225		1,781
Decrease		- 65			- 65
Translation adjustments	- 228	- 50	- 30		- 308
At 12/31/2017	**6,212**	**2,041**	**1,634**	**13**	**9,900**

Impairment	Raw materials & other supplies	Goods and services in progress	Finished goods	Trade goods	Total
At 12/31/2016	**3,026**	**0**	**429**	**5**	**3,461**
Increase	161	158	66	1	387
Decrease	- 11	- 21	- 81		- 113
Translation adjustments	- 152		- 3		- 155
At 12/31/2017	**3,024**	**138**	**411**	**6**	**3,579**

20.3.1.5.3.3 Trade and other receivables

On initial recognition, receivables are recognized at fair value, and those having maturities of less than one year are discounted as applicable. For subsequent recognition, they are measured at amortized cost using the effective interest method. Impairment charges are recorded for receivables are subject, as applicable, to collection risks, amounting to the estimated value of the risk.

Receivables in foreign currency are measured at the closing exchange rate on this date. The corresponding translation differences result in the recognition of unrealized foreign exchange losses or gains under profit or loss.

The following line items are included under "Trade and other receivables":

Line items	Balance at 12/31/2017	Balance at 12/31/2016
Advances and prepayments on orders	13	23
Accounts receivable	5,917	4,067
Employee and related receivables	2	25
VAT receivables	89	104
Sundry tax receivables (RTC and CICE wage tax credits)	893	858
Sundry debtors	71	75
Total	**6,986**	**5,152**

The change in consolidation scope concerns only "Trade receivables and related accounts" in the amount of €977,000.

The research tax credit and CICE wage tax credit for fiscal 2013 continued to be recognized under assets at December 31, 2017 after the French tax authorities failed to meet the payment dates in that year. These amounts were finally received in February 2018. The research tax credit and CICE wage tax credit for fiscal 2017, both representing €251,000, will also be paid in 2018.

The net inflow in favor of Egide SA in 2018 concerning the 2013 CICE wage tax credit will be €6,000 since the receivable had already been partially financed by Bpifrance. The corresponding financial liability is recognized under current financial liabilities. The 2017 research tax credit is included in the statement of comprehensive income under "Other operating income" whereas the CICE 2017 wage tax credit is deducted from "Staff expenses".

All R&D expenditures were fully expensed in the income statement (valued at €1,101,000 in 2017and €1,026,000 in 2016).

The aged trial balance for accounts receivables and payable is presented below:

	Total	Not due	Past due 0 to 30 days	Past due 31 to 60 days	Past due 61 to 90 days	Past due more than 91 days
Balance at 12/31/2017	**5,917**	5,036	660	160	37	24
Balance at 12/31/2016	**4,067**	3,259	713	10	- 13	98

The balance at 12/31/2017 includes receivables denominated in US dollars amounting to US$2,287,000 or €1,907,000 compared to US$1,202,000 and €1,140,000 one year earlier.

20.3.1.5.3.4 Provisions

At Egide SA retirement severance benefits are accrued for in the consolidated financial statements in the form of a provision calculated in accordance with IAS 19 as are long-service and special seniority benefits. These commitments result from the collective bargaining agreement that apply to each establishment and calculated using the projected benefit method prorated on seniority.

These provisions apply to foreign subsidiaries which are not subject to requirements to pay additional employment severance benefits or benefits based on seniority in the company.

The impact of recurrent discounting and normal changes in variables for calculating the provision (seniority, personnel changes, discount rate, etc.) is fully recognized in the statement of comprehensive income and presented in the statement of financial position under "other equity".

For these calculations, the following assumptions are used:

- Retirement age: 65 for managers and 62 for non-managers
- Average salary escalation rate: 2 %
- Life expectancy: based on the INSEE 2012-2014 actuarial table
- Probability of presence determined according to internal statistics specific to each establishment,
- The long-term discount rate: 1.30 % (Markit Iboxx Eur corporates AA 10+)

The recognition of social security contributions linked to indemnities payable was adjusted in 2017 to correct the calculation of the provision of prior years excluding social charges. In compliance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", this rule was applied retrospectively and the consolidated financial statements of prior years were restated (see the Statement of changes in equity, section 20.3.1.3), including the notes: "An entity shall correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

An entity shall also disclose:

- the nature of the prior period error;
- for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected;
- the amount of the correction at the beginning of the earliest prior period presented."

These represent non-current provisions, breaking down as follows:

	Employee benefits
At 12/31/2015	**413**
Adjustment at 01/01/2016 Increase Reversal of provisions used in the period Reversal of unused provisions 2016 adjustment	120 118 - 6 - 4 30
At 12/31/2016	**670**
Increase Reversal of provisions used in the period Reversal of unused provisions	86 - 29 - 36
At 12/31/2017	**692**

20.3.1.5.3.5 Accounts payable

On initial recognition, payables are recognized at fair value, and those having maturities of less than one year are discounted as applicable. For subsequent recognition, they are measured at amortized cost using the effective interest method.

Payables in foreign currency are measured at the closing exchange rate on this date. The corresponding translation differences result in the recognition of unrealized foreign exchange losses or gains under profit or loss.

The capitalization of finance leases resulted in the recognition under liabilities of a miscellaneous financial liability for the same initial amount. This financial liability is amortized over the lease term.

In November 2017, Egide SA issued a €979,000 a standalone 4-year fixed rate bond repayable in monthly installments.

In 2017 Santier Inc. was granted a credit line by Pacific Mercantile Bank. An amount totaling US$4 million, with a maximum of US$2.5 million based on the value of accounts receivable and inventories (revolving credit), US$1 million received in the form of a loan repayable over a period of 60 months starting on June 1, 2017 and a maximum of US$500,000 to finance industrial equipment (loan repayable over a period of 60 months from as from the date of the fund's release). The term loan financing and the equipment financing are subject to two covenants, and namely, the Fixed Charges Coverage Ratio (EBITDA on interest + the current portion of long-term debt greater than 1.25) and the requirement of minimum net assets excluding intangibles of €3 million. In addition, for the period from March 1 to December 31, 2017, net income before tax must be not less than US$1,000. These covenants were respected at December 31, 2017. This loan agreement was signed for a term of 2 years (until May 5, 2019). At December 31, 2017, only the repayable loan has been paid and the capital remaining due in May 2019 of approximately US$600,000 million will be payable on this date.

Pursuant to the conclusion of finance leases by Egide SA, the corresponding assets were capitalized in accordance with IAS 17, with a reverse entry of €78,000 under non-current liabilities and €89,000 under current liabilities.

Egide SA obtained financing from Bpifrance in exchange for the collateralization of French tax credit receivables (research tax credits and the CICE wage tax credit. A €600,000 "Sofired -PME" loan was obtained in December 2015 from Bpifrance, from which €30,000 were retained as cash collateral until full repayment of this loan. Furthermore, with a seven-year term, it benefits from a two-year grace period for the repayment of capital.

In 2006, Egide SA set up two factoring agreements for domestic and export trade receivable accounts.

In the beginning of the 2017 first half, financing granted by the Bank of America to Egide USA (a credit line and a long-term loan) were repaid in full and replaced by a credit line provided by Midcap Business Credit LLC. The maximum amount of this credit line is US$3,250,000, of which US$2,341,000 were drawn at December 31, 2017, based on the value of trade receivables and inventories of which €1,250,000 is backed by the market value of the real estate property and movable assets. This outstanding revolving credit facility balance of €1,250,000 declines annually 10% as of March 1, 2017. This financing is subject to a covenant based on the fixed charge coverage ratio (EBITDA on interest + the current portion of long-term debt), calculated monthly on a three-month rolling basis. As this covenant was not respected at December 31, 2017, all debt was recorded under current liabilities. However, Midcap Business Credit did not submit a request for repayment and in light of the fact that the ratios were again respected in February and March 2018, the bank issued a waiver of this covenant at December 31, 2017. The loan agreement was signed for a term of three years and the outstanding amount falling due in January 2020 will be repaid in full on this date. In the amount of US$142,000, the debt issuance costs for the revolving credit facility costs are recorded under "Other financial expenses" in the 2017 statement of profit or loss.

Changes in financial liabilities for which the carrying value represents a reasonable approximation of their value is as follows:

	At 12/31/2016	Cash flow [1]	Impact of non-cash items		At 12/31/2017
			Changes in Group structure	Currency effects	
Bond debt - Egide SA		943			943
Loan - Santier Inc.		782		- 45	737
Building loan - Egide USA Inc.	1,160	- 1,083		- 77	0
Finance lease liabilities - Egide SA	288	- 121			167
RTC and CICE wage tax credit pre-financing - Egide SA	486	- 363			123
Sofired PME Défense loan - Egide SA	606				606
PRME - Egide SA	30	- 30			0
Factoring and revolving credit debt	2,807	1,791		- 190	4,408
Total	**5,377**	**1,920**	**0**	**- 312**	**6,984**

[1] *the cash flows may be compared with those of the Cash flow statement – Net cash flows provided by (used in) financing activities*

20.3.1.5.3.5.1 Non-current borrowings falling due in more than one year

Line items	Balance at 12/31/2017	Due within 1 to 5 years	Due after 5 years	Balance at 12/31/2016	Due within 1 to 5 years	Due after 5 years
Bond debt - Egide SA	721	721				
Total other bond debt	**721**	**721**				
Building loan - Egide USA Inc.				1,077	382	695
Loan - Santier	570	570				
Total borrowings from credit institutions	**570**	**570**		**1,077**	**382**	**695**
Sofired PME Défense loan - Egide SA	480	480		600	480	120
Finance lease liabilities - Egide SA	78	78		167	167	
Total misc.	**558**	**558**		**767**	**647**	**120**
Total borrowings and financial liabilities	**1,849**	**1,849**		**1,849**	**1,029**	**815**

20.3.1.5.3.5.2 Current debt

Debts with maturities of less than one year break down as follows:

Line items	Balance at 12/31/2017	Balance at 12/31/2016
Bond debt - Egide SA	222	
Total other bond debt	**222**	**0**
Building loan - Egide USA Inc. Loan - Santier Inc. RTC and CICE wage tax credit pre-financing - Egide SA	 167 123	83 486
Total borrowings from credit institutions	**290**	**568**
Factoring and revolving credit debt Finance lease liabilities - Egide SA PRME - Egide SA Sofired PME Défense loan - Egide SA	4,408 89 126	2,807 121 30 6
Total misc.	**4,623**	**2,963**
Total borrowings and financial liabilities	**5,135**	**3,532**
Advances and prepayments on orders Trade payables and related accounts Employee and related receivables VAT receivables Other tax payables Sundry creditors Payables for fixed assets	186 3,194 1,433 12 155 203 109	150 2,330 1,026 1 104 122 128
Total trade and other payables	**5,292**	**3,861**

Changes in the consolidation scope concern the "Trade payables and related accounts" for €456,000, "Employee and related payables " for €199,000, and "Sundry creditors" for €71,000.

20.3.1.5.3.6 Tax and tax credits

Reconciliation between the theoretical tax and actual tax recognized:

Line items	At 12/31/2017	At 12/31/2016
Net income (loss) of consolidated operations Corporate income tax	- 366 - 1,208	- 724 0
Income before tax	**- 1,574**	**- 724**
French tax rate Theoretical tax income	33.33% 525	33.33% 241
Impact of unrecognized tax assets Impact of recognized loss carryforwards	- 525 1,209	- 241 0
Tax income in profit or loss	**1,209**	**0**

For information, deferred taxes at December 31, 2016 consisted of tax losses carried forward indefinitely amounting to €50,409,000 for Egide SA and € 5,417,000 for Egide USA Inc. (eligible since the new tax was adopted in US for being carried forward indefinitely compared to a maximum of 20 years previously). Deferred tax corresponds to tax loss carryforwards that will not be capitalized in the short-term given the amount of tax losses and losses incurred by Egide SA.

In the United States, the addition of Santier Inc. to the Group on February 28, 2017, the company's results in 2017 and outlook for profitability provide the basis for considering that the tax group comprised of Santier Inc, Egide USA Inc. and Egide LLC (head of the tax group) will be profitable in the future. With Egide USA Inc.'s loss carryforwards usable within this tax group, a deferred tax asset of US$1,364,000 or €1,209,000 was in consequence registered at December 31, 2017 based on the Egide USA Inc.'s total loss carryforwards. The timeline for recovering this tax receivable is five years in light of results obtained for 10 months in 2017 by Santier Inc. (see section 20.3.1.5.3.7) and the projection of these results on a full year basis.

20.3.1.5.3.7 Segment information

Revenue recognition
Products are shipped Ex-Works (EXW) according to Incoterm definition. Revenue is recognized upon the transfer of risks either when products are shipped or from availability for shipment ex-works. The delivery order and the invoice are issued on the date the products are actually removed.
Revenue includes revenues from the sale of products and trade goods as well as associated equipment costs, and amounts invoiced under engineering design or service contracts.

Segment information
In accordance with the Group's internal reporting methods, an operating sector is defined as a component of an entity engaged in ordinary activities generating income and expenses for which financial information is available.
On this basis, for the three segments, operating results regularly reviewed by the chief operating decision-maker of the entity are determined as follows: Egide SA, Egide USA Inc. and Santier Inc.
Accounting principles applied to information provided for the segments are the same as those used to prepare the consolidated financial statements.
In addition, the breakdown of revenue is subject to specific analysis according to the product applications at the customers and their countries.

Financial highlights for operating segments break down as follows:

Line Items - In € thousands	At 12/31/2017					
	Egide SA	Egide USA LLC	Egide USA Inc.	Santier Inc.	Intra-group transactions	Total
Revenue	15,726		7,760	8,154	- 747	30,892
Operating profit / (loss)	- 1,349	- 167	- 555	1,247	0	- 823

Line Items - In € thousands	At 12/31/2016			
	Egide SA	Egide USA Inc.	Intra-group transactions	Total
Revenue	14,268	8,316	- 413	22,171
Operating profit / (loss)	- 309	- 282	0	- 592

Line Items - In € thousands	At 12/31/2017				At 12/31/2016		
	Egide SA	Egide USA Inc.	Santier Inc.	Total	Egide SA	Egide USA Inc.	Total
Net fixed assets	2 303	3 090	2 594	7 987	2 134	3 585	5 719
Capital expenditures for the period	839	177	109	1 125	624	398	1 022
Non-current borrowings and financial liabilities	1 279		570	1 849	767	1 077	1 845
Current borrowings and financial liabilities	3 009	1 960	167	5 135	2 416	1 116	3 531

Revenue by technology application	12/31/2017	12/31/2016
Power packages High-frequency Optronics Thermal imaging Other including engineering studies	6,541 5,973 4,162 10,949 3,267	5,619 2,551 2,476 9,973 1,552
Total	**30,892**	**22,171**

Revenue by region	12/31/2017	12/31/2016
France EEC excluding France USA in Canada Other countries	8,449 2,877 15,633 3,932	7,460 2,052 8,582 4,077
Total	**30,892**	**22,171**

Customers for which sales individually represent more than 10 % of consolidated revenue represented 16 % of this revenue in 2017 and 19 % in 2016.

For information, Santier Inc. covers the same fields of application as the other Group companies, in addition to the medical sector, classified under "Other" and addressing the United States only.

20.3.1.5.3.8 Other operating income and expenses

The breakdown for this item is as follows:

Line items	At 12/31/2017		At 12/31/2016	
	Income	Expenses	Income	Expenses
Research tax credit - Egide SA	251		281	
Social security rebate – Egide SA			68	
Software licenses		- 88		- 36
Attendances' fees		- 60		- 36
Other	8	- 4	52	- 1
Total	**259**	**- 151**	**401**	**- 73**

20.3.1.5.3.9 Net financial income/(expense)

Gross borrowing costs include interest expense on loans as shown in the statement of that position and financing commissions linked to factoring.

Other financial income and expenses represent translation differences for 2016 and 2017.

20.3.1.5.4 Shareholders equity and earnings per share

20.3.1.5.4.1 Information on paid-in capital

The capital increase of February 24, 2017 resulted in the issuance of 3,428,460 shares at €2.40 per share with a nominal value of €2 or €6,857,000. At December 31, 2017, the share capital was made up of 7,900,366 shares of €2 at par representing €15 801,000.

Additional paid-in capital at December 31, 2017 amounted to €2,587,000. Pursuant to the capital increase, the premium was increased by €1,371,000 on February 24, 2017.

Transaction costs amounting to €525,000 were charged to this premium.

20.3.1.5.4.1.1 Stock option plans

On June 16, 2017 the general meeting of Egide SA authorized the Board of Directors to grant to members of the executive management and selected personnel of the company or subsidiaries held directly or indirectly, for a period that will expire on August 15, 2020, options conferring a right to subscribe for shares to be issued through a capital increase or the purchase of existing shares of the company originating from shares bought back under the conditions provided by law. The total number of options granted and not yet exercised does not confer a right to subscribe to more than 10 % of the shares making up the share capital. The price to subscribe for shares may not be less than 95% the average trading price during the twenty (20) trading sessions preceding the grant date of the option. The board of directors will set the terms and conditions according to which the options may be exercised and/or conditions of performance and/or presence of the beneficiary in the company or one of its subsidiaries; providing for an initial period during which the Options may not be exercised, as well as clauses prohibiting the immediate resale of all or part of said shares, with the holding period thus defined not to exceed three (3) years from the option exercise date.

Following the completion of the capital increase dated February 24, 2017, on March 29, 2017, the Board of Directors adjusted the terms and conditions for exercising (price and quantity) the stock options (article L.228-99, 3°of the French commercial code, in reference to article L.225-181, subsection 2 and article R.228-91, subsection 1 of said code in reference to article R.225-137).

The resulting adjustments to the prices and quantities were as follows:

Price adjustments (art. R.228-91, 1°)

Plan No.	Plan 6.2	Plan 6.3	Plan 7.1
Initial subscription price Adjusted subscription price	€6.71 €6.55	€3.67 €3.58	€2.56 €2.50

Quantity adjustment (art. R.225-140 and R.225-142, subsection 2)

Plan No.	Plan 6.2	Plan 6.3	Plan 7.1
Initial balance total Adjusted balance total	603 618	603 618	12,000 12,298

In addition, in 2017, 390,000 options were granted (plans No. 8.1 and 9.1). The only beneficiary of plan No. 7.1 having waived entitlement, this plan was canceled, and, following the departure of two employees, 30,000 options of plan 8.1 were forfeited.

Year-end stock option plan highlights are presented below

Plan No.	Plan 6.2	Plan 6.3	Plan 8.1	Plan 9.1	Total
Options granted and not exercised Subscription price	618 €6.55	618 €3.58	350,000 €2.57	10,000 €2.46	361,236

For information, the average price for the Egide SA share for fiscal 2017 was €2.54 and the closing price at December 31, 2017 was €2.18.

With the total number of options granted and not exercised set by the general meeting at a maximum of 10 % of the shares making up the share capital, there remained at December 31, 2017 a balance of 428,800 options available for grants.

Stock options to purchase shares granted to employees are measured at their fair value on the grant date. Fair value measurement of options is determined using the Black & Scholes valuation model based on management assumptions (option life: 4.5 years; volatility: 30%; risk-free rate: 2.20 %; no clause for early exercise and no dividend are expected). The resulting amount is recognized in with the statement of comprehensive income for the employees' vesting period with an equivalent increase in equity. Expenses recognized for options lapsing before being exercised are reversed in the comprehensive income statement for the period in which options lapsing due to the departure of employees before the end of the vesting period were recorded.

The company applies IFRS 2 "Share-based payments and equivalents" to equity instruments granted after November 7, 2012 and not yet vested by December 31, 2017. On this date, the fair value of the 361,236 stock purchase options recorded in equity is €81,000 and the weighted average subscription price is €2.58.

20.3.1.5.4.1.2 Capital increase authorizations

The combined extraordinary and ordinary general meeting of June 16, 2016 delegated the authority to the Board of Directors to issue, in amounts and at such times it chooses, in France or other countries, equity securities and/or debt securities giving access to the company's capital, governed by articles L.228-91 et seq. of the French commercial code for a maximum nominal amount of €6 million, maintaining shareholders preferential subscription rights It furthermore delegated authority to the Board of Directors to increase the number of securities to be issued by up to 15% the initial issue amount for the purpose of providing for an overallotment (greenshoe) option in accordance with market practices. These authorizations were valid for a term of 26 months from the date of this general meeting, i.e. until August 15, 2018.

These authorizations were used in 2017within the framework of the capital increase of February 24, 2017 resulting in the issuance of 3,428,460 shares with a nominal value of €2 (or a total nominal amount of €6,857,000, with the extension clause for 15% fully exercised)

The combined extraordinary and ordinary general meeting of June 16, 2017 furthermore delegated the authority to the Board of Directors to issue, in amounts and at such times it chooses, in France or other countries, equity securities of the company and/or debt securities giving access to the company's capital, governed by articles L.228-91 et seq. of the French commercial code for a maximum nominal amount of €6 million per category of security, maintaining shareholders preferential subscription rights. It also authorized the Board of Directors to increase the number of securities to be issued by up to 15% the initial issue amount for the purpose of providing for an overallotment (greenshoe) option in accordance with market practices. These delegations of authority are valid for a term of 26 months from the date of this general meeting, i.e. until August 15, 2019.

The shareholders also delegated to the board of directors its authority to issue equity shares of the company through an offering covered by article L411-2 II of the French monetary and financial code, for a maximum nominal amount of 10% of the company's share capital, canceling shareholders' preferential subscription rights. This delegation of authority is given for a period of 18 months from the date of this general meeting, i.e. until December 15, 2018.

20.3.1.5.4.2 Earnings per share

Earnings per share, diluted or basic, take into account "Net income attributable to Group shareholders" as shown in the statement of comprehensive income.

Basic earnings per share are determined by dividing this result by the weighted average number of shares outstanding in the period. Share issuances resulting from cash capital increases are taken into account as from the date on which the funds are available. There is only one class of shares.

Diluted earnings per share are determined by adjusting the weighted average number of shares according to the maximum impact from converting dilutive instruments into ordinary shares, using the treasury stock method. Stock options are taken into account in calculating the theoretical number of additional shares only if the exercise price is lower than the listed share price on the calculation date.

The following table presents the numbers of shares used for the calculation:

Date for calculation purposes	Number of shares	At 12/31/2017		At 12/31/2016	
			Weighted number	Prorated presence	Weighted number
12/31/1999	643,598	1	643,598	1	643,598
04/03/2000	400	1	400	1	400
07/05/2000	91,999	1	91,999	1	91,999
12/22/2000	245,332	1	245,332	1	245,332
12/31/2001	3,458	1	3,458	1	3,458
12/31/2003	1,428	1	1,428	1	1,428
12/31/2004	7,099	1	7,099	1	7,099
12/31/2005	4,942	1	4,942	1	4,942
08/21/2006	285,738	1	285,738	1	285,738
12/31/2006	1,837	1	1,837	1	1,837
12/31/2007	288	1	288	1	288
12/31/2008	3	1	3	1	3
12/31/2009	153	1	153	1	153
06/10/2011	25	1	25	1	25
02/17/2012	493,080	1	493,080	1	493,080
04/04/2012	5,417	1	5,417	1	5,417
06/30/2014	2,280,573	1	2,280,573	1	2,280,573
11/13/2015	406,536	1	406,536	1	406,536
02/24/2017	3,408,460	0.85	2,904,192		
Ordinary shares			**7,376,101**		**4,471,906**
Theoretical number of additional shares			0		0
Impact of dilutive instruments			**7,376,101**		**4,471,906**

20.3.1.5.5 Auditors' fees

Amounts in euros	RSM Paris				PWC Audit			
	2017		2016		2017		2016	
Auditing	94,500	100 %	71,300	100 %	147,557	100 %	90,026	100 %
Services other than for the certification of accounts	-	-	-	-	-	-	-	-
Total	**94,500**	**100 %**	**71,300**	**100 %**	**147,557**	**100 %**	**90,026**	**100 %**

20.3.1.5.6 Information on related parties

20.3.1.5.6.1 Related party transactions

Egide SA's executive officers are the Chair-CEO and the Deputy CEO. Four directors serve on its board, all independent.

Gross remuneration paid for the office of Chair-Chief Executive Officer amounted to €292,000 in 2017, including benefits in-kind.

The Deputy Chief Executive Officer, also holding an employment contract for distinct technical functions as chief administrative and financial officer, does not receive remuneration for his corporate office.

Attendance fees paid in 2017 to the four independent members of the Board of Directors amounted to €60,000 (gross amount) for fiscal 2017.

The directors of Egide SA have not received stock options.

Furthermore, directors are covered for liability by a D&O policy underwritten by Chartis. Coverage under this policy is for a maximum amount of €4.5 million with a deductible for the United States of US$25,000 for an annual premium of €13,000 excluding tax.

20.3.1.5.6.2 Breakdown of average headcount

	2017	2016
Executives and management staff	56	48
Supervisory staff and technicians,	32	20
Plant and office staff	219	158
Total	**307**	**226**

20.3.1.5.7 Commitments and other contractual obligations

20.3.1.5.7.1 Commitments related to company financing activities

20.3.1.5.7.1.1 Other commitments given

20.3.1.5.7.1.1.1 Commitments on behalf of affiliated companies

Egide SA stood guarantee in favor of Bank of America in connection with a loan agreement obtained by Egide USA in May 2012 to finance the purchase of its industrial building for amounts owed by Egide USA Inc. representing the maximum amount of principal and interest remaining due. This loan was reimbursed in March 2017.

Egide USA LLC has provided a guarantee to H.G. Fenton Development Company, owner of the building leased by Santier Inc. as of January 1, 2018 for lease payments owed in the amount of US$2,900000 (or €2,418,000) at December 31, 2017.

20.3.1.5.7.1.1.2 Commitments in favor of financial institutions

In accordance with articles L313-23 to L313-34 of the French monetary and financial code, Egide SA assigned a receivable represented by the 2013 CICE wage tax credit to Bpifrance. The assignment of these securitized receivables (Dailly receivables) made it possible to pledge these receivables in exchange for financing received in July 2014 representing 95% of the 2013 CICE wage tax credit or €123,000. This pledge guarantees repayment by Egide SA for all amounts owed under its commitments to Bpifrance.

Off-balance-sheet commitments are summarized below:

Line items	12/31/2017	12/31/2016
Pledges Guarantees given	123 2,418	486 1,535
Total	**2,541**	**2,021**

20.3.1.5.7.1.2 Commitments received

No bank guarantees were issued to the benefit of Egide.

20.3.1.5.7.1.3 Reciprocal commitments

In connection with the factoring arrangement set up in April 2006, Egide SA took out a credit insurance policy designating the factors as beneficiaries for insurance payments to be made in the event of default by the company's customers. Obligations for claims payments by the insurance company are limited with respect to the company to maximum payments equal to €1 million.

20.3.1.5.7.2 Commitments given related to company financing activities

The breakdown by maturity for unrecognized commitments on the operating lease is as follows:

Line Items - In € thousands	Values at 12/31/2017	Due within less than 1 year	Due within 1 to 5 years	Due after 5 years
Trappes property lease - Egide SA [1]	791	72	294	424
Bollène property lease - Egide SA [2]	1,529	210	864	455
Company cars - Egide SA [3]	14	14		
Company car - Egide USA Inc. [4]	5	4	1	
Total	**2,339**	**300**	**1,159**	**879**

(1) A firm 12-year lease commencing on June 1, 2016 - annual rent indexed to the INSEE cost of construction index as from June 1, 2017.
(2) A firm 15-year lease commencing on March 3, 2010 - annual rent indexed to the INSEE cost of construction index as from March 1, 2011.
(3) Company car leasing agreements for 36 or 48 months for three vehicles, subject to fixed lease payments.
(4) A company-car lease for 36 months for one vehicle, subject to fixed lease payments.

20.3.1.5.8 Subsequent events

None.

20.3.2 2017 annual financial statements of Egide SA

20.3.2.1 Balance sheet

ASSETS in euros	Gross value at 12/31/2017	Amortization, depreciation and impairment	Net value at 12/31/2017	Net value at 12/31/2016
Intangible assets	**491,479**	**488,890**	**2,588**	**12,864**
Start-up costs				
Research and development expenditures				
Concessions, patents, licenses	339,030	336,441	2,588	12,864
Goodwill	152,449	152,449	0	0
Other intangible assets				
Property, plant and equipment	**10,920,937**	**9,267,684**	**1,653,252**	**1,327,292**
Land				
Buildings				
Plant, machinery and equipment	9,557,287	8,589,762	967,525	780,840
Other PPE	1,220,856	562,102	658,754	280,242
PPE under construction	142,794	115,821	26,973	226,089
Advances and prepayments				40,120
Financial assets	**83,432,079**	**73,629,295**	**9,802,784**	**4,213,977**
Equity interests	82,984,842	73,629,295	9,355,547	855,342
Investment-related receivables				2,877,202
Other financial assets	447,237		447,237	481,433
NON-CURRENT ASSETS	**94,844,494**	**83,385,870**	**11,458,624**	**5,554,133**
Inventory and work in progress	**5,298,115**	**2,231,138**	**3,066,977**	**2,574,967**
Raw materials, supplies	3,687,691	1,821,454	1,866,237	1,590,380
Work-in-progress: goods	745,708	6,539	739,169	617,237
Work-in-progress: services	170,094		170,094	77,136
Intermediate and finished goods	681,478	397,129	284,349	287,020
Trade goods	13,144	6,016	7,128	3,194
Receivables	**1,006,945**		**1,006,945**	**677,845**
Advances and installments paid on orders	10,620		10,620	19,627
Trade receivables and related accounts	996,325		996,325	658,218
Subscribed capital - called and unpaid				
Other receivables	**1,813,464**	**86,493**	**1,726,971**	**1,485,549**
Cash at bank and in hand	**1,182,564**		**1,182,564**	**1,050,030**
Marketable securities				
Cash at bank and in hand	1,182,564		1,182,564	1,050,030
Prepaid expenses	**176,340**		**176,340**	**180,548**
CURRENT ASSETS	**9,477,428**	**2,317,631**	**7,159,797**	**5,968,939**
Unrealized losses on foreign exchange				
TOTAL	**104,321,922**	**85,703,501**	**18,618,421**	**11,523,072**

EQUITY & LIABILITIES in euros	Values at 12/31/2017	Values at 12/31/2016
Capital	15,800,732	8,943,812
Additional paid-in capital	2,587,252	1,741,193
Revaluation reserves		
Legal reserve	355,876	355,876
Statutory and contractual reserves		
Tax-based reserves		
Other reserves		
Retained earnings	- 4,469,559	- 3,785,938
Net income for the period	- 1,546,000	- 683,622
Investment grants		
Tax-based provisions		
SHAREHOLDERS' EQUITY	**12,728,301**	**6,571,322**
Advances on conditions	0	0
OTHER SHAREHOLDERS' EQUITY	**0**	**0**
Provisions for contingencies		
Provisions for expenses	692,138	520,175
PROVISIONS	**692,138**	**520,175**
Borrowings and financial liabilities	**1,671,871**	**913,365**
Other bond debt	943,406	
Bank borrowings	122,690	277,590
Miscellaneous loans and borrowings	605,775	635,775
Advances and down payments on orders in progress	**185,564**	**149,506**
Other payables	**3,338,291**	**3,154,183**
Trade payables and related accounts	1,827,438	1,830,452
Tax and employee-related liabilities	1,265,440	1,079,833
Payables to fixed asset suppliers	109,025	128,106
Other liabilities	136,389	115,792
Deferred income		
PAYABLES	**5,195,727**	**4,217,053**
Translation differences (liabilities)	2,255	214,522
TOTAL	**18,618,421**	**11,523,072**

20.3.2.2 Income statement

Headings	France	Export	12/31/2017	12/31/2016
Sale of goods	33,473	315,776	349,249	104,268
Sold production (goods)	7,926,271	6,544,019	14,470,290	13,242,210
Sold production (services)	484,862	421,079	905,941	921,498
NET REVENUE	**8,444,606**	**7,280,873**	**15,725,480**	**14,267,976**
Change in finished goods and in-progress inventory			213,621	- 546,055
Grants			2,478	1,246
Reversals of impairment & provisions - Expense reclassifications			166,600	1,444,161
Other income			5,784	19,540
Operating income			**16,113,963**	**15,186,868**
Purchase of trade goods			171,781	44,950
Changes in inventories of goods held for resale			- 4,990	44,417
Purchase of raw materials & other supplies			5,724,552	4,859,716
Changes in inventory (raw materials & other supplies)			- 329,354	370,514
Other purchases and external expenses			4,217,905	3,888,403
Taxes other than on income			318,624	281,603
Salaries and wages			5,044,640	4,531,769
Social security contributions			1,870,696	1,666,231
Allowances for amortization, depreciation & impairment of fixed assets			271,232	230,547
Allowances for impairment of current assets			158,463	39,804
Allowances for provisions			236,055	117,897
Other operating expenses			100,533	72,135
Operating expenses			**17,780,137**	**16,147,987**
OPERATING PROFIT			**- 1,666,175**	**- 961,119**
Interest and similar income			242	3,256
Reversals of impairment & provisions - Expense reclassifications			8,769	
Foreign exchange gains			30,293	15,748
Net proceeds from the disposal of marketable securities				9,470
Financial income			**39,304**	**28,474**
Allowances for depreciation and reserves			8,769	
Interest and related expenses			87,655	71,731
Foreign exchange losses			70,481	28,095
Net proceeds from the disposal of marketable securities				
Financial expenses			**166,905**	**99,826**
NET FINANCIAL INCOME / (EXPENSE)			**- 127,601**	**- 71,352**
INCOME FROM ORDINARY ACTIVITIES BEFORE EXCEPTIONAL ITEMS AND TAX			**- 1,793,776**	**- 1,032,471**
Exceptional income from non-capital transactions				68,814
Exceptional income on capital transactions				
Other capital transactions				
Reversals of impairment & provisions - Expense reclassifications				
Exceptional income				**68,814**
Exceptional expenses on non-capital transactions				975
Exceptional expenses on capital transactions				
Allowances for depreciation and reserves			3,406	
Exceptional expenses			**3,406**	**975**
NET EXCEPTIONAL ITEMS			**- 3,406**	**67,839**
Income tax			- 251,182	- 281,010
Employee profit sharing				
TOTAL INCOME			**16,153,267**	**15,284,156**
TOTAL EXPENSES			**17,699,267**	**15,967,777**
NET INCOME (LOSS) FOR THE PERIOD			**- 1,546,000**	**- 683,622**

20.3.2.3 Statement of cash flows

Line items	12/31/2017	12/31/2016
Net income/(loss)	**- 1,546,000**	**- 683,622**
Adjustments for non-cash income and expense or items unrelated to operating activities:		
- Amortization, depreciation and provisions (excl. impairment of current assets)	443,195	338,208
- Capital gains or losses from asset disposals	3,406	
Change in working capital requirements (net values)	**- 1,031,342**	**- 237,408**
- Inventories and work in progress	- 492,010	- 433,135
- Trade receivables	- 338,106	- 245,792
- Other receivables and prepaid expenses	- 228,208	- 87,758
- Trade payables	- 3,014	457,069
- Other payables and deferred income	29,996	72,208
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**- 2,130,740**	**- 582,822**
Fixed asset purchases		
- Tangible and intangible fixed assets	- 609,405	- 353,036
- Financial assets	- 5,588,807	- 696,411
Fixed asset disposals		
- Tangible and intangible fixed assets		
- Financial assets		
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**- 6,198,211**	**- 1,049,447**
Issue of new cash shares	7,702,979	
Increases in other equity		
Decreases in other equity		- 6,390
Distribution of dividends		
Increase in borrowings	978,974	154,900
Decrease in borrowings	- 220,468	- 55,316
NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	**8,461,486**	**93,194**
Change in cash at bank and on hand	132,534	- 1,539,074
Change in current bank facilities		
CHANGE IN CASH AND CASH EQUIVALENTS	**132,534**	**- 1,539,074**
Opening cash and cash equivalents	**1,050,030**	**2,589,104**
- of which marketable securities pledged		*1,051,352*
- of which available-for-sale market securities	*1,050,030*	*1,537,752*
- of which cash at bank and on hand		
Closing cash and cash equivalents	**1,182,564**	**1,050,030**
- of which available-for-sale market securities	*1,182,564*	*1,050,030*
- of which cash at bank and on hand		
CHANGE IN CASH AND CASH EQUIVALENTS	**132, 534**	**- 1,539,074**

20.3.2.4 Accounting methods and explanatory notes to the annual financial statements of Egide SA

20.3.2.4.1 Preliminary remarks

These notes are an integral part of the annual financial statements established on December 31, 2017 showing total assets of €18,618,421 with a statement of comprehensive income presented in list form showing a loss of €1,546,000, adopted by the Board of Directors on April 26, 2018. These accounts have also been included in the consolidated financial statements of Egide SA as the parent company.

The financial period runs for twelve months from January 1 to December 31, 2017.

The information given below is expressed in euros or thousands of euros, unless otherwise indicated.

20.3.2.4.2 Significant accounting policies

The annual financial statements for the period ended December 31, 2017 have been prepared in accordance with applicable accounting standards based on the principles of conservatism, fair presentation, consistency of presentation, the time period concept and going concern.

Account items are measured in accordance with the historical cost method which makes use of nominal costs as expressed in the current national currency.

The annual financial statements have been prepared and presented in accordance with French generally accepted accounting practices (L123-12 to L123-28 of the French commercial code, the decree of November 29, 1983 and ANC Regulation 2016-07 issued by the French accounting standards setter.

20.3.2.5 Additional balance sheet and income statement disclosures of Egide SA

20.3.2.5.1 Critical accounting estimates and judgments

The company makes estimates and applies assumptions with regard to future activity. The resulting accounting estimates will by definition, rarely be identical to actual results.

The critical accounting estimates and assumptions that could result in a material adjustment to the carrying amount of assets and liabilities during subsequent periods concern impairment tests the company may perform on intangible and intangible assets. In effect, in accordance with the accounting method defined in section 20.3.2.5.8, recoverable amounts are determined from calculations for value in use which call for use of estimates.

20.3.2.5.2 Share capital

The capital increase of February 24, 2017 resulted in the issuance of 3,428,460 new shares with a nominal value of €2 at €2.40 per share. At December 31, 2017, the share capital was made up of 7,900,366 shares of €2 at par representing €15,800,732.

20.3.2.5.3 Additional paid-in capital

Share premium at December 31, 2017 amounted to €2,587,252. Pursuant to the capital increase described in section 20.3.2.5.2, share premium was increased to €1,371,384 at February 24, 2017. From this amount, €525,325 were deducted for the corresponding costs.

20.3.2.5.4 Stock option plans

On June 16, 2017 the general meeting of Egide SA authorized the Board of Directors to grant to members of the executive management and selected personnel of the company or subsidiaries held directly or indirectly, for a period that will expire on August 15, 2020, options conferring a right to subscribe for shares to be issued through a capital increase or the purchase of existing shares of the company originating from shares bought back under the conditions provided by law. The total number of options granted and not yet exercised does not confer a right to subscribe to more than 10 % of the shares making up the share capital. The price to subscribe for shares may not be less than 95% than the average trading price during the twenty (20) trading sessions preceding the grant date of the option. The board of directors will set the terms and conditions according to which the options may be exercised and/or conditions of performance and/or presence of the beneficiary in the company or one of its subsidiaries; providing for an initial period during which the Options may not be exercised, as well as clauses prohibiting the immediate resale of all or part of said shares, with the holding period thus defined not to exceed three (3) years from the option exercise date.

Following the completion of the capital increase dated February 24, 2017, on March 29, 2017, the Board of Directors adjusted the terms and conditions for exercising (price and quantity) the stock options (article L.228-99, 3°of the French commercial code, in reference to article L.225-181, subsection 2 and article R.228-91, subsection 1 of said code in reference to article R.225-137).

The resulting adjustments to the prices and quantities were as follows:

Price adjustments (art. R.228-91, 1°)

Plan No.	Plan 6.2	Plan 6.3	Plan 7.1
Initial subscription price Adjusted subscription price	€6.71 €6.55	€3.67 €3.58	€2.56 €2.50

Quantity adjustment (art. R.225-140 and R.225-142, subsection 2)

Plan No.	Plan 6.2	Plan 6.3	Plan 7.1
Initial balance total Adjusted balance total	603 618	603 618	12,000 12,298

In addition, in 2017, 390,000 options were granted. The only beneficiary of plan No. 7.1 having waived entitlement, this plan was canceled, and, following the departure of two employees, 30,000 options of plan 8.1 were forfeited.

Year-end stock option plan highlights are presented below

Plan No.	Plan 6.2	Plan 6.3	Plan 8.1	Plan 9.1	Total
Options granted and not exercised Subscription price	618 €6.55	618 €3.58	350,000 €2.57	10,000 €2.46	361,236

For information, the average price for the Egide SA share for fiscal 2017 was €2.54 and the closing price at December 31, 2017 was €2.18.

With the total number of options granted and not exercised set by the general meeting at a maximum of 10 % of the shares making up the share capital, there remained at December 31, 2017 a balance of 428,800 options available for grants.

20.3.2.5.5 Capital increase authorization

The combined extraordinary and ordinary general meeting of June 16, 2016 delegated the authority to the Board of Directors to issue, in amounts and at such times it chooses, in France or other countries, equity securities and/or debt securities giving access to the company's capital, governed by articles L.228-91 et seq. of the French commercial code for a maximum nominal amount of €6 million, maintaining shareholders' preferential subscription rights. It furthermore delegated authority to the Board of Directors to increase the number of securities to be issued by up to 15% the initial issue amount for the purpose of providing for an overallotment (greenshoe) option in accordance with market practices. These authorizations were valid for a term of 26 months from the date of this general meeting, i.e. until August 15, 2018.

These authorizations were used in 2017within the framework of the capital increase of February 24, 2017 resulted in the issuance of 3,428,460 shares with a nominal value of €2 (or a total nominal amount of €6,857,000, with the extension clause for 15% fully exercised)

The combined extraordinary and ordinary general meeting of June 16, 2017 furthermore delegated the authority to the Board of Directors to issue, in amounts and at such times it chooses, in France or other countries, equity securities of the company and/or debt securities giving access to the company's capital, governed by articles L.228-91 et seq. of the French commercial code for a maximum nominal amount of €6 million per category of security, maintaining shareholders preferential subscription rights. It also authorized the Board of Directors to increase the number of securities to be issued by up to 15% the initial issue amount for the purpose of providing for an overallotment (greenshoe) option in accordance with market practices. These delegations of authorities are valid for a term of 26 months from the date of this general meeting, i.e. until August 15, 2019.

The shareholders also delegated to the board of directors its authority to issue equity shares of the company through an offering covered by article L411-2 II of the French monetary and financial code, for a maximum nominal amount of 10% of the company's share capital, canceling shareholders' preferential subscription rights. This delegation of authority is given for a period of 18 months from the date of this general meeting, i.e. until December 15, 2018.

20.3.2.5.6 Statement of changes in shareholders' equity

In euros	12/31/2017	12/31/2016
Reported net income Per share basis	- 1,546,000 - 0.20	- 683,622 - 0.15
Change in equity (excluding above income/loss) Per share basis	7,702,979 0.98	0 0
Proposed dividend Per share basis	- -	- -
Shareholders' equity at the end of the reporting period before appropriation Impact on retained earnings of a change in accounting methods Appropriation of earnings of prior year decided by the AGM Shareholders' equity at the beginning of the period	7,254,943 - - 683,622 6,571,322	8,306,802 - - 1,051,859 7,254,943
Changes during the fiscal year Changes in share capital: - 02/24/2017: issuance of 3,428,460 shares at €2.40 per share - 02/24/2017: deduction of share issuance expenses	 8,228,304 - 525,325	
Reported shareholders' equity before the AGM and excluding income (loss) for the period	14,274,301	7,254,943
Total changes in shareholders' equity in the period	6,156,979	- 683,622

20.3.2.5.7 Provisions

Provisions for retirement severance payments and similar benefits
Provisions are recorded for retirement severance, seniority and long service benefits calculated in accordance with French GAAP (*Recommendation 2003-R.01 of the Conseil National de la Comptabilité*). Retirement severance and seniority benefits result from the terms of collective bargaining and company-level agreements applicable to each establishment and calculated according to the projected benefit method prorated on seniority. Liabilities for long-service benefits are calculated in accordance with the statutory provisions. The impact of recurrent discounting and normal changes in variables for calculating the provision (seniority, personnel changes, discount rate, etc.) is fully recognized in the income statement.

Other provisions for contingencies and expenses
Provisions for contingencies and expenses are recorded when on the balance sheet date there exists an obligation towards a third-party for which it is probable or certain that an outflow of resources embodying economic benefits will be required to settle the obligation and no equivalent benefit is expected to be received in return after this date.

The main assumptions used to calculate the provision for the retirement severance benefits were as follows:

- Retirement age: 65 for managers and 62 for non-managers
- Salary escalation rate: 2 %,
- Life expectancy: based on the INSEE -2014 actuarial table
- Probability of presence determined according to internal statistics specific to each establishment,
- The long-term discount rate: 1.30 % (Markit Iboxx Eur corporates AA 10+)

The recognition of social security contributions linked to indemnities payable were adjusted on January 1, 2017 to correct the calculation of the provision of prior years excluding social charges.

Changes in the provisions break down as follows:

Line items (euros)	12/31/2016	Allowances	Reversals	12/31/2017
Provisions for foreign exchange losses Provisions for retirement severance payments and similar benefits	520,175	236,055	64,092	527,366
Total	**520,175**	**236,055**	**64,092**	**527,366**
Operating allowances and reversals Financial allowances and reversals Exceptional allowances and reversals		236,055	64,092	

The allowance of the period includes €149,750 for the correction of an error at January 1, 2017 for the omission of social security contributions linked to indemnities payable.

The reversal of provisions used amounted to €28,888.

20.3.2.5.8 Depreciation schedule

Non-financial assets
An impairment test is performed whenever there exists an internal or external indicator of a loss in value. On that basis, an impairment loss is recognized if the recoverable value of the asset concerned is lower than the net carrying value. This impairment loss is deducted from depreciable accounting base over the asset's remaining useful life
Before impairment tests, cash generating units (CGU) are first of the five. A CGU is a group of homogeneous assets that generates cash inflows largely independent of the cash inflows from other assets or groups of assets.
Egide accordingly measures discounted future cash flow that will be generated by each CGU.
Value in use is determined by comparing the present value of cash flows to the net carrying value of the corresponding intangible and tangible assets of the corresponding CGU. An impairment loss is recognized if value in use falls below the net carrying value.

Allowances and reversals of amounts for impairment of fixed assets are presented in the company's income statement under results from operations.

Financial assets
Impairment charges for equity interests are recorded, as applicable, to reflect their useful life for the company. The value is remeasured at the end of the reporting period which may result in the recognition of an impairment.

Inventory and work in progress
Depreciation charges are recognized for raw materials, semi-finished and finished goods and based on their age and expectations for their use and sale. For the first year, an impairment charge of 5% is recorded which is increased to 50% to 100% in the second year and 100% the third year based on the actual depreciation schedule. For information, inventories for raw material include components and basic raw materials (minerals). Items in this latter category by nature are subject to different depreciation rules based on factors relating to stock use, transformation into components or resale of an existing market.

Receivables
Impairment charges are recorded for receivables are subject, as applicable, to collection risks, amounting to the estimated value of the risk.

Line items (euros)	12/31/2016	Allowances	Reversals	12/31/2017
Intangible assets	152,449			152,449
Property, plant and equipment	221,616		105,795	115,821
Financial assets	73,629,295			73,629,295
Inventory and work in progress	2,175,183	158,463	102,508	2,231,138
Receivables	86,493			86,493
Total	**76,265,036**	**158,463**	**208,303**	**76,215,196**

The reversal of impairment loss on tangible assets resulted from the retirement of equipment fully written down following the Trappes move at the beginning of the year.

20.3.2.5.9 Concessions, patents, licenses

Intangible assets are measured at acquisition cost on initial recognition, plus incidental expenses required to bring the asset into usable condition. Transfer duties, commissions and fees relating to acquisition of intangible assets are expensed in the period, in accordance with the option available under French GAAP (CRC regulation No. 2004-06)

In light of the "customized" nature of products marketed by Egide, research and development expenditures concern mainly products developed in partnership with customers. These costs are then incorporated into the costs of prototypes which are invoiced to customers. In consequence, no research and development expenditures are capitalized in the balance sheet and accounted for as such under assets.

Finite life assets are amortized on a straight-line basis over the expected useful life for generating economic benefits for the company. Amortization is calculated according to the following rates:

	Straight-line
Licenses	10% to 20 %
Software	20 % to 33.33 %
Patents	8.33 %

As no significant residual values were identified for the company's intangible assets, the amortization base does not take into account any residual values at the end of their period of use.

The amortization method, residual amounts and useful lives are reviewed at a minimum at the end of each reporting period, and may modify on a prospective basis the initial amortization schedule.

Changes in the other intangible assets break down as follows:

In euros	Gross value at 12/31/2016	Acquisitions, creations, reclassifications	Disposals, reclassifications, decommissioning	Gross value at 12/31/2017
Concessions, patents, licenses	338,245	785		339,030

Changes in the amortizations break down as follows:

In euros	Accumulated depreciation at 12/31/2016	Allowances	Reversals and derecognition	Accumulated depreciation at 12/31/2017
Concessions, patents, licenses	325,380	11,061		336,441

Concessions, patents and licenses are not subject to impairment.

Allowances for the amortization of intangible assets are calculated on a straight-line basis with €11,061 recognized under operating results.

20.3.2.5.10 Goodwill

In euros	12/31/2017	12/31/2016
Bollène goodwill	152,449	152,449
Impairment	(152,449)	(152,449)
Net carrying value	**0**	**0**

This goodwill results from the acquisition in 1992 of the Bollène establishment, and notably the MCM-type ceramic packaging activity developed at the site. In compliance with French laws imposing legal production guaranteeing the continuity of the site, this asset is not subject to amortization.

This goodwill was fully written off in 2002 as the products concerned by the acquisition of this technology were no longer marketed.

20.3.2.5.111 Property, plant and equipment

The gross value of asset components is measured at acquisition cost on initial recognition as fixed assets, plus incidental expenses required to bring these assets into usable condition. Transfer duties, commissions and fees relating to acquisition of property, plant and equipment are expensed in the period, in accordance with the option available under French GAAP (CRC regulation No. 2004-06)

Expenditures are capitalized if is likely that the future economic benefits associated with this asset will flow to the company and its costs can be reliably measured. Other expenditures are expensed if they do not meet this definition.

Assets in progress represent assets not yet commissioned at the end of the reporting period.

When significant components of tangible assets are identified with different useful lives, these components are accounted for and depreciated separately according to their own useful lives. Expenditures relating to the replacement or renewal of a tangible asset component are recognized as a distinct asset and the replaced equipment is derecognized. Assets with significant components include ceramic kilns requiring the replacement of the equipment's heating system (approximately 20% of the asset's total value) every four years compared with a useful life for the entire asset of 10 years.

Depreciable assets are depreciated on a straight-line basis over the expected useful life for generating economic benefits for the company. Amortization is calculated according to the following rates:

	Straight-line
Buildings	4 %
Buildings fixtures and fittings	10 %
Furnaces (structure, excluding identified components)	10 %
Ceramic firing furnace heating system (identified component)	25 %
ceramic production equipment (screen printing, via filling, etc.)	12.50 %
Ceramic production facilities (clean room, casting machine, etc.)	10 %
Graphite machining equipment (CNC machining centers)	10 %
Other machinery and equipment	12.50 to 33.33 %
Office equipment and furniture, other fixtures and fittings	10 % to 33.33 %

As no significant residual values were identified for the company's tangible assets, the depreciation base does not take into account any residual values at the end of their period of use.

The amortization method, residual amounts and useful lives are reviewed at a minimum at the end of each reporting period, and may modify on a prospective basis the initial amortization schedule.

The change in property, plant and equipment breaks down as follows:

Line items (euros)	Gross value at 12/31/2016	Acquisitions, creations, reclassifications	Disposals, reclassifications, decommissioning	Gross value at 12/31/2017
Land	0			0
Buildings	0			0
Plant, machinery and equipment	9,284,189	351,298	78,200	9,557,287
Other PPE	809,574	477,476	66,194	1,220,856
PPE under construction	341,910	21,013	220,129	142,794
Advances and prepayments	40,120		40,120	0
Total	**10,475,793**	**849,787**	**404,643**	**10,290,937**

Changes in the depreciation of fixed assets break down as follows:

Line items (euros)	Accumulated depreciation at 12/31/2016	Allowances	Reversals and derecognition	Accumulated depreciation at 12/31/2017
Land	0			0
Buildings	0			0
Plant, machinery and equipment	8,397,554	270,409	78,200	8,589,762
Other PPE	529,332	98,963	66,194	562,102
Total	**8,926,886**	**369,372**	**144,394**	**9,151,864**

Allowances for the depreciation of fixed assets are calculated on a straight-line basis with €260,171 recognized under operating results and €3,406 under exceptional items.

Capital expenditures for 2017 amounted to €630,000, less the amount outstanding at December 31, 2016. This was used to finance the clean room and chemical gold plating line for optronics and also equipment to improve productivity and building instillations.

Decreases correspond to the retirement of miscellaneous equipment whose carrying value was already nil following the move of the Trappes site.

Changes in the depreciation of tangible fixed assets break down as follows:

Line items (euros)	Accumulated depreciation at 12/31/2016	Allowances	Reversals	Accumulated depreciation at 12/31/2017
Plant, machinery and equipment	105,795		105,795	0
Tangible fixed assets under construction	115,821			115,821
Total	**221,616**		**105,795**	**115,821**

The discontinuation of operations of the Trappes plant resulted in the recognition of amounts for impairment in 2001 of €455,000 for industrial equipment. The impairment charge for this equipment was reversed in the amount of €349,000 in 2015 after these assets were retired, then €106,000 in 2017 for assets whose retirement was required by the Trappes site's transfer.

As the present value of assets recorded at December 31, 2017 covers their net carrying value, no additional amounts were recorded for impairment.

20.3.2.5.12 Financial assets

The gross value of investments represents their acquisition cost on initial recognition.
Transfer rights, commissions and fees relating to the acquisition of financial assets are expensed in the period in accordance with the option available under French GAAP (CRC regulation 2004-06).

Line items (euros)	Gross value at 12/31/2016	Change	Gross value at 12/31/2017	Impairment at 12/31/2016	Change	Impairment at 12/31/2017
Egide USA LLC interests	74,484,637	8,500,205	82,984,842	73,629,295		73,629,295
Investment-related receivables Egide USA Inc.	2,877,202	- 2,877,202	0	0		0
Other fixed securities	100		100			
Deposit guarantee	451,333	- 34,196	417,137			
Cash collateral deposit for the Sofired-PME Défense loan	30,000		30,000			
Total	**77,843,272**	**5,588,807**	**83,432,079**	**73,629,295**	**0**	**73,629,295**

The increased stake in Egide USA LLC is the result of the capitalization of advances by Egide SA to its US subsidiary to acquire the operating assets and liabilities recognized in the balance sheet of the new subsidiary Santier Inc. created in 2017 in San Diego, CA.

The decrease in investment-related receivables represents the capitalization of advances to Egide USA Inc, notably in connection with financing the HTCC ceramic plan of Egide USA Inc. For this purpose, Egide SA transferred to Egide USA LLC its Egide USA Inc. investment-related receivable in exchange for Egide USA LLC shares, after which Egide USA LLC waived this debt that was converted into Egide USA Inc. shares.

The decrease in the deposit guarantees is linked to the termination of the lease of the former building of the Trappes site.

Analysis of the equity interest at the end of the reporting period is based on multi-criterion approach capable of taking into account both subjective and objective criteria, and namely, net equity, recent performance, financial prospects, the relative weight in Egide's market capitalization in relation to sales. The weight of these different criteria may vary from one financial period to the next, in order to take into account selected specific or contextual factors.

Value in use as determined on December 31, 2017 according to this method did not result in the recognition of any impairment for fiscal 2017.

20.3.2.5.13 Inventories and work-in-progress

Inventories materials, consumables and trade goods are recognized at their acquisition cost (plus shipping costs) according to the weighted average cost method. Work in progress, finished goods and semi-finished goods are measured at production cost which includes direct manufacturing costs and factory overheads relating to references recognized as correct at the end of the manufacturing process. The costs of manufacturing scrap are expensed in the period. When costs are higher than the selling price, after deducting selling costs for products, a charge for impairment is recorded for the difference.

Changes in the inventories and work in progress break down as follows:

Line items (euros)	Gross value at 12/31/2016	Gross value at 12/31/2017	Impairment at 12/31/2016	Allowances	Reversals	Impairment at 12/31/2017
Raw materials & other supplies	3,358,337	3,687,691	1,767,957	64,246	10,749	1,821,454
Work in progress	694,799	915,802	426	26,987	20,874	6,539
Finished goods	688,860	681,478	401,840	66,174	70,885	397,129
Trade goods	8,154	13,144	4,960	1,056		6,016
Total	**4,750,150**	**5,298,115**	**2,175,183**	**158,463**	**102,508**	**2,231,138**

A depreciation rate limited to 75% is applied to stock of kovar, (a primary raw material from which certain components used by Egide are machined), regardless of the year of inception for this material. This rate is estimated by taken into account the foretasted rate of depletion for this material and the resale value of this inventory.

20.3.2.5.14 Trade receivables

Factoring
The trade receivables account is cleared when the receivable is transferred to the factor resulting in the issuance of a subrogation receipt.
The resulting receivable created in favor of the factor is extinguished when the receipt has been financed, after deducting the holdback and fees and commissions payable.
The factoring company which handles export receivables does contractually limit outstanding receivables balances per customer financed to €250,000.

Changes in trade receivables break down as follows:

In euros	Gross value at 12/31/2016	Gross value at 12/31/2017	Impairment at 12/31/2016	Allowances	Reversals	Impairment at 12/31/2017
Trade receivables	658,218	996,325	0			0

Factoring has been in use since April 2006 and concerns domestic and export receivables representing 83 % of actual sales in 2017. Receivables assigned to the factor but not yet settled at December 31, 2017 amounted to €2,840,000, thus increasing the value of trade receivables in the absence of factoring to €3,836,000 on this date compared to €3,087,000 at December 31, 2016.

20.3.2.5.15 Receivables and payables

Receivables and payables are registered at face value except provisions for retirement severance payments and similar benefits which correspond to the present value of the future liability.

Statement of receivables (euros)	Gross amount	Less than 1 year	More than 1 year
Investment-related receivables	0		
Other financial assets	447,137		447,137
Advances and down payments paid	10,620	10,620	
Trade receivables	996,325	996,325	
Employee and related receivables	1,569	1,569	
2013 research tax credit	262,220	262,220	
2017 research tax credit	251,182	251,182	
2017 CICE wage tax credit	251,172	251,172	
Miscellaneous tax receivables	86,493		86,493
VAT payables	89,217	89,217	
Bpifrance: 2013 CICE wage tax credit assigned	129,147	129,147	
Factors	708,447	708,447	
Sundry debtors	34,016	34,016	
Prepaid expenses	176,340	176,340	
Total	**3,443,885**	**2,910,255**	**533,630**

Egide having regained the status of SME (within the meaning of the community regulations) on January 1, 2015, the 2016 research tax credit and CICE wage tax credit were reimbursed by the tax authorities in mid-2017. The 2017 tax credits will be similarly reimbursed in 2018.

The 2013 research tax credit for which this status was not eligible and it was accordingly necessary to reimburse it at the end of the third year after being granted, i.e. in 2017. However, this refund was finely received in early 2018 along with the portion of the CICE wage tax credit not pre-financed by Bpifrance.

The income from the 2017 CICE wage tax credit was recognized in the income as a deduction from staff costs (social security expenses). In accordance with the provisions of article 244 *quater* C of the French general tax code, the CICE (*Crédit d'Impôt Compétitivité Emploi*) wage tax credit for 2016 pre-financed in November 2016 with the balance refunded in July 2017 was used primarily to acquire the chemical gold plating line.

The receivable represented by a €86,000 tax credit arising from withholding tax payable to Morocco (linked to the former subsidiary, Egima, sold in 2013) was fully written down in light of the limited probability of its future application to income tax for Egide SA.

The receivables relating to these factors represent receipts pending financing and the non-financed guarantee fund.

Statement of payables (euros)	Gross amount	Less than 1 year	More than 1 and less than 5 years	More than 5 years
Other bond debt	943,406	222,317	721,089	
Bank borrowings	122,690	122,690		
Miscellaneous loans and borrowings	605,775	125,775	480,000	
Customer advances and prepayments	185,564	185,564		
Trade payables and equivalent	1,827,438	1,827,438		
Employee and related receivables	572,151	572,151		
Social security and related-payables	526,379	526,379		
VAT payables	11,912	11,912		
Other tax and related payables	154,997	154,997		
Payables for fixed assets	109,025	109,025		
Other liabilities	136,389	136,389		
Total	**5,195,727**	**3,994,638**	**1,201,089**	**0**

A stand-alone 4-year bond with fixed coupon rate of 7% and repayable in monthly installments (principal and interest) was issued through the Vatel Direct crowdfunding platform in November 2017 for €978,974.

A €600,000 "SOFIRED - PME Défense" loan was granted on December 16, 2015 by Bpifrance, from which €30,000 was retained as cash collateral until full repayment of this loan. This loan, repayable in 7 years, provides for a two-year grace period for the repayment of capital and will be subject to annual interest of 3.85 %

20.3.2.5.16 Prepaid expenses

Line items (euros)	12/31/2017	12/31/2016
Rent and rental charges	93,162	111,859
Insurance	5,135	9,393
Software licenses	23,784	16,195
Miscellaneous expenses (maintenance, etc.)	54,259	43,101
Total	**176,340**	**180,548**

20.3.2.5.17 Accrued expenses

Line items (euros)	12/31/2017	12/31/2016
Accrued interest on miscellaneous borrowings	5,775	5,775
Suppliers - purchase invoice accruals	313,280	312,139
Customers - accrued credit notes	36,624	36,358
Personnel - social security payments	797	6
Personnel - accrued vacation and related expenses	749,179	682,250
Personnel - accrued bonuses and related expenses	12,055	13,277
VAT on credit notes receivable	1,383	1,046
French government - other accrued expenses	139,870	95,183
Accrued expense voucher payments	561	1,508
Accrued commissions	64,879	37,475
Other accrued expenses	34,326	34,326
Total	**1,358,728**	**1,219,344**

20.3.2.5.18 Other accrued income

Line items (euros)	12/31/2017	12/31/2016
Suppliers - accrued credit notes	28,304	68,025
Unbilled receivables	735	
Other accrued income	3,715	773
VAT on unbilled trade payables	49,891	47,315
French government - accrued income		4,533
Total	**82,647**	**120,647**

20.3.2.5.19 Subsidiaries and associates

Rubriques - En euros	Egide USA LLC Wilmington DE - USA
Capital	US$ 78,181,828
Equity other than share capital (excluding income of the period)	- US$ 366,706
Ownership interest (%)	100 %
Carrying value of shares: - Gross - Net	 82,984,842 € 9,355,547 €
Loans and advances granted and not yet repaid	None.
Pledges and guaranties given by the company	None.
Sales ex-VAT for year ended	None.
Profit (loss) at closing	- US$ 188,518
Dividends received by the company in the period	None.
Other disclosures	Creation 11/08/2000 Incorporated as holding for Egide USA Inc.

20.3.2.5.20 Translation differences

Purchases and sales in foreign currency are recognized in the income statement at the rate in effect on the transaction date. At the end of the reporting period, payables and receivables in foreign currency are measured at the year-end exchange rate through the accounts for translation differences. Provisions are recorded in the income statement for net unrealized foreign exchange losses (negative foreign exchange balance). Unrealized foreign exchange gains are not recognized in the income statement.
Foreign-currency bank account and cash balances are also subject to adjustments at year-end rates though the resulting gains or losses are recognized directly in financial income and expenses under the heading "translation differences".

Relevant line item	Currency	Foreign exchange (debit balance) (euros)	Foreign exchange (credit balance) (euros)
Trade payables Trade payables Trade receivables	JPY USD USD		286 4,207 - 2,238
Total			**2,255**

No provision was recorded for unrealized foreign exchange losses.

The translation differences are recognized in full under financial income or expense, as the amount of trade receivables and payables to be shown under operating income and expense of €4,000 is not significant in accordance with French account regulations (ANC 2015-05).

20.3.2.5.21 Corporate income tax and tax losses

Tax loss carryforwards at the end of 2017 amounted to €53,009,000.

A research tax credit for fiscal 2017 of €251,000 and a CICE wage tax credit of €251,000 were recognized. These tax credits will be refunded in 2018.

20.3.2.5.22 Changes in future tax liabilities at the standard tax rate

Increases (euros)	2017	2016
Unrealized losses on foreign exchange	0	0
Total	**0**	**0**
Tax rate	33.33%	33.33%
Increase in future tax liabilities	**0**	**0**

Reduction (euros)	2017	2016
Retirement severance benefits	33,598	85,716
Allowances for seniority bonuses of long-service awards	30,494	32,181
Unrealized losses on foreign exchange	2,255	214,522
Provision for unrealized foreign exchange losses		
Tax loss carryforwards	53,009,144	50,408,738
Total	**53,075,491**	**50,741,157**
Tax rate	33.33%	33.33%
Reduction in future tax liabilities	**17,691,830**	**16,913,719**

20.3.2.5.23 Revenue by business segment

Products are shipped Ex-Works (EXW) according to Incoterm definition. Revenue is recognized upon the transfer of risks either when products are shipped or from availability for shipment ex-works. The delivery order and the invoice are issued on the date the products are actually removed.
Revenue includes revenues from the sale of products and trade goods as well as associated equipment costs, and amounts invoiced under engineering design or service contracts.

Revenue in 2017 originated mainly from deliveries of finished products shipped in the period.

Business segments (euros)	12/31/2017	12/31/2016
Glass-to-metal	7,254,037	6,215,606
Ceramic	8,082,681	7,682,595
Engineering	226,190	219,368
Non-core activities	654	6,459
Group	161,918	143,948
Total	**15,725,480**	**14,267,976**

20.3.2.5.24 Revenue by region

Geographic segments (euros)	12/31/2017	12/31/2016
France	8,444,606	7,459,929
EEC excluding France	2,710,884	1,942,905
USA in Canada	496,701	706,341
Other countries	3,911,371	4,014,853
Group	161,918	143,948
Total	**15,725,480**	**14,267,976**

20.3.2.5.25 Net financial expense

Line items (euros)	12/31/2017	12/31/2016
Interest on borrowings	- 40,612	- 26,432
Net proceeds from disposals and revenue from marketable securities	0	9,470
Net gains (losses) from foreign currency transactions	- 40,188	- 12,346
Special commission on financing/factoring	- 40,549	- 37,837
Other financial income and expenses	- 6,251	- 4,206
Total	**- 127,601**	**- 71,352**

20.3.2.5.26 Net exceptional items

Line items (euros)	12/31/2017	12/31/2016
Reductions in social security charges from prior periods.		68,814
Results from the retirement and disposal of assets components	- 3,406	
Other		- 975
Total	**- 3,406**	**67,839**

20.3.2.5.27 Compensation of directors and officers

Gross remuneration paid for the office of Chief Executive Officer amounted to €120,000 in 2017, including benefits in-kind.

The Deputy Chief Executive Officer, also holding an employment contract for distinct technical functions as chief administrative and financial officer, does not receive remuneration for his corporate office.

Attendance fees paid in 2017 to four members of the Board of Directors amounted to €60,000 (gross amount) for fiscal 2017.

20.3.2.5.28 Total other commitments

20.3.2.5.28.1 Commitments given

20.3.2.5.28.1.1 Commitments on behalf of affiliated companies

Egide SA stands guarantee in favor of Bank of America in connection with a loan agreement obtained by Egide USA Inc. in May 2012 to finance the purchase of its industrial building for amounts owed by Egide USA Inc. representing the maximum amount of principal and interest remaining due. This loan was reimbursed in full by the subsidiary in March 2017.

20.3.2.5.28.1.2 Commitments in favor of financial institutions

In accordance with articles L313-23 to L313-34 of the French monetary and financial code, Egide assigned a receivable represented by the 2013 CICE wage tax credit to Bpifrance. The assignment of these securitized receivables (Dailly receivables) made it possible to pledge these receivables in exchange for financing received in July 2014 representing 95% of the 2013 CICE wage tax credit or €123,000.

This pledge guarantees repayment by Egide for all amounts owed under its commitments to Bpifrance.

Off-balance-sheet commitments are summarized below:

Line items (euros)	12/31/2017	12/31/2016
Pledges Guarantees given	122,690	485,839 1,534,726
Total	**122,690**	**2,020,565**

20.3.2.5.28.1.3 Finance lease liabilities

Finance lease liabilities relate exclusively to the following line items and break down as follows:

Plant and machinery (euros)	12/31/2017
Value of assets at the least inception date	253,999
Allowances for depreciation if the assets have been acquired: *- in the period* *- accumulated depreciation at opening*	 *26,458* *33,541*
Lease payments: *- in the period* *- accumulated depreciation at opening*	 *54,074* *62,705*
Balance of lease payments outstanding at closing	153,592
Residual purchase price	2,540

20.3.2.5.28.2 Commitments received

No bank guarantees were issued to the benefit of Egide.

20.3.2.5.28.3 Reciprocal commitments

In connection with the factoring arrangement set up in April 2006, Egide SA took out a credit insurance policy designating the factors as beneficiaries for insurance payments to be made in the event of default by the company's customers. Obligations for claims payments by the insurance company are limited with respect to the company to maximum payments equal to €1.5 million.

20.3.2.5.29 Breakdown of average headcount

	2017	2016
Executives and management staff Supervisory staff and technicians, Employees Workers	29 13 4 128	29 11 4 110
Average headcount	**174**	**154**

20.3.2.6 Subsequent events

None.

20.4 Auditing of historical annual financial information

20.4.1 Auditors' report on the 2017 consolidated financial statements

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether qualified or not. This information is presented below in the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures. This report also includes information relating to the specific verification of information given in the Group management report and in the documents addressed to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

"To the company's general meeting:

Opinion

In accordance with the terms of our engagement as auditors by your annual general meeting, we have audited the accompanying consolidated financial statements of Egide SA for the year ended December 31, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the results of the operations of the Group for the year then ended and of its financial position and its assets and liabilities as at December 31, 2017 in accordance with International Financial Reporting Standards(IFRS) as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the audit committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that our audit provides a reasonable basis for our opinion given below

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

Independence

We conducted our audit in compliance with independence rules applicable to us, for the period from January 1, 2017 to the issue date of our report and in particular we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics for statutory auditors.

Justification of assessments - Key audit matters

In accordance with the requirements of articles L.823-9 and R.823-7 of the French commercial code ("code de commerce") relating to the justification of our assessments, we bring your attention to the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period, as well as our responses to those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific elements, accounts or items of the consolidated financial statements.

Monitoring the group's capital spending, debt and cash flow (Note 2.5)

Identified risk

Capital expenditures for 2017 amounted to €1.1 million, of which approximately two thirds of this amount was used by Egide SA (a new clean room and chemical gold plating line for optronics, new equipment to improve productivity, building upkeep), 15 % for Egide USA Inc. (production equipment) and 10% for Santier Inc. (cutting machine).

These investments were financed through a capital increase, credit lines or a finance lease for the production equipment.

As part of its investment strategy, on February 28, 2017, the group acquired the operating assets and liabilities of the US company, TMS LLC. This acquisition was financed by a €8.2 million capital increase of Egide SA on Euronext Paris.

At the end of 2017, the group had €6.9 million in financial debt.

In light of the importance of the amount of these investments and debt, and the group's negative results, we consider monitoring the group's capital spending, debt and cash flow to be a key audit point.

Responses as part of our audit

Our work consisted primarily in:

- Examining and assessing the process used by management to develop the cash flow plans and forecasts;
- Analyzing the consistency of the cash flow forecasts approved by the Board of Directors as part of the budget process with forecasts established in prior periods and actual cash flows;
- Conducting meetings with management to analyze the main assumptions used in the business plans and comparing these assumptions with the explanations provided;
- Recalculating the ratios and obtaining confirmations of the support of the lending institutions, as applicable;
- Reviewing the level of cash to verify sufficient resources exist to finance operations for the next 12 months.

Valuation of assets and liabilities acquired from TMS LLC (Santier Inc.) (Note 1.2)

Identified risk

On February 28, 2017, Egide completed the acquisition of the operating assets and liabilities of TMS LLC (or Thermal Management Solutions, operating its business under the name of Santier) according to terms and conditions set by the parties. These operating assets and liabilities were then contributed to the new company incorporated under and governed by US law, created for that purpose and named Santier Inc.

This asset acquisition amounted to €5.3 million. Recognition of this acquisition requires that the value of each component acquired be determined by:

- Confirmation of the existence of the assets and liabilities acquired, and notably the tangible fixed assets and inventory:

  . Fixed assets Egide SA tasked an independent appraiser to perform a fair value valuation of the assets acquired.
  . Inventory: the management of Egide SA measured these acquire assets at their fair value by differentiating between the nature of the inventory in question: raw materials, work in progress, finished goods.

- identification and valuation of intangible assets such as the trademarks, technology and commercial goodwill. This valuation was based on material estimates made by management that was also assisted by an independent appraiser.

In addition, the new company Santier Inc. is included in the Egide USA Inc. tax group. As specified in note 2.6 of the consolidated financial statements, in light of Sautier Inc.'s inclusion in the group, its 2017 results and prospects for profitability, the use of the loss carryforwards of Egide USA Inc. may be expected. On that basis, a deferred tax asset of €1.1 million was recognized at December 31, 2017 based on the total amount of Egide USA's loss carryforwards.

We consider the valuation of assets and liabilities acquired from TMS LLC as well as the deferred tax asset relating to Egide USA to be a key audit point in light of the significant estimates made by management.

Responses as part of our audit

Our work consisted of the following:

- For the valuation of the breakdown of the purchase price for the assets and liabilities of TMS LLC, we verified the completeness and reality of the assets thus acquired as well as the evaluation of the tangible and intangible assets and liabilities taken into account in the different appraisal reports;
- We were assisted by our own appraisal experts to carry out a critical review of the work of the independent appraisers appointed by Egide SA for the valuation of the assets and liabilities acquired.
- We were assisted by our own tax experts to review the valuation of deferred taxes, and performed a critical review of the plan for using Egide USA Inc.'s loss carryforwards;
- We also verified the amounts of current receivables and payables taken over from TMS LLC on the acquisition date.

Specific verification concerning the group presented in the management report

As required by law, we have also verified, in accordance with professional standards applicable in France, the information relating to the Group given in the Board of Directors' management report.

We have no matters to report with respect to the fair presentation of this information and its consistency with the consolidated financial statements.

Report on other legal and regulatory requirements

Appointment of statutory auditors

We were appointed as statutory auditors of Egide SA by the general meeting of June 29, 2001 for PricewaterhouseCoopers Audit S.A. and of June 16, 2016 for RSM Paris

As at December 31, 2017, PricewaterhouseCoopers Audit S.A. was in its 16th period of its total uninterrupted engagement and RSM Paris in its 2nd period.

In addition, SYC SAS, a member of RSM International's network previously served as the statutory auditors of the entity from 2009 to 2015.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its operations.

The audit committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements have been approved by the Board of Directors.

Statutory auditors' responsibilities for the audit of the consolidated financial statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified by article L.823-10-1 of the French commercial code ("code de commerce"), the scope of our statutory audit does not include assurance on the future viability of the Company or the quality with which Company's management has conducted or will conduct the affairs of the entity.

As part of an audit in accordance with professional standards applicable in France, we exercise professional judgment throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If we conclude that a material uncertainty exists, we draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, we modify our opinion;
- Evaluate the overall presentation of the consolidated financial statements and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities included in the consolidation scope to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

Report to the audit committee

We submit a report to audit committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as significant audit findings. We also bring to its attention, if need be, any significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the audit committee includes those risks of material misstatements that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters. We describe these matters in the audit report.

We also provide the audit committee with the declaration referred to in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France as defined in particular by articles L.822-10 to L.822-14 of the French commercial code (“code de commerce”) and in the French Code of ethics for statutory auditors. Where appropriate, we discuss with the audit committee the risks that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

Neuilly-sur-Seine and Paris, April 30, 2018

Statutory Auditors
French original signed by:

RSM Paris, Régine STEPHAN	PricewaterhouseCooper Audit Matthieu MOUSSY"

20.4.2 Auditors' report on the 2017 annual financial statements

This is a free translation into English of the Statutory Auditors’ report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors’ report includes information specifically required by French law in such reports, whether qualified or not. This information is presented below in the opinion on the financial statements and includes an explanatory paragraph discussing the auditors’ assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures. This report also includes information relating to the specific verification of information given in the Group management report and in the documents addressed to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

"To the company's general meeting:

Opinion

In accordance with the terms of our engagement as auditors by your annual general meeting, we have audited the accompanying annual financial statements of Egide SA for the year ended December 31, 2017.

In our opinion, the financial statements give a true and fair view of the Company’s financial position and its assets and liabilities, and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

The audit opinion expressed above is consistent with our report to the audit committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that our audit provides a reasonable basis for our opinion given below

Our responsibilities under those standards are further described in the “Statutory Auditors’ Responsibilities for the Audit of the Annual Financial Statements” section of our report.

Independence

We conducted our audit in compliance with independence rules applicable to us, for the period from January 1, 2017 to the issue date of our report and in particular we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics for statutory auditors.

Observation

Without qualifying the opinion expressed above, we draw your attention as an emphasis of matter to note 20 "Translation adjustments" to the annual financial statements describing the change in accounting method linked to the first-time application of Regulation No. 2015-05 of 2 July 2015 of the French national standard setter (*Autorité des Normes comptables)* relating to forward financial instruments and hedging transactions.

Justification of assessments - Key audit matters

In accordance with the requirements of articles L.823-9 and R.823-7 of the French commercial code (“code de commerce”) relating to the justification of our assessments, we bring your attention to the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the annual financial statements of the current period, as well as our responses to those risks.

These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific elements, accounts or items of the annual financial statements.

Monitoring the capital spending, debt and cash flow (Note 15)

Identified risk

Capital expenditures of Egide SA for 2017 amounted to €700,000. This was used to finance the new clean room and chemical gold plating line for optronics and also new equipment to improve productivity and building upkeep.

These investments were financed within the framework of the capital increase of February 2017.
At the end of 2017, Egide SA had €1.7 million in financial debt.

In light of the importance of the amount of these investments and debt, and the company's negative results, we consider monitoring the capital spending, debt and cash flow to be a key audit matter.

Responses as part of our audit

Our work consisted primarily in:

- Examining and assessing the process used by management to develop the cash flow plans and forecasts;
- Analyzing the consistency of the cash flow forecasts approved by the Board of Directors as part of the budget process with forecasts established in prior periods and actual cash flows;
- Conducting meetings with management to analyze the main assumptions used in the business plans and comparing these assumptions with the explanations provided;
- Reviewing the level of cash to verify sufficient resources exist to finance operations for the next 12 months.

Evaluation of equity interests held by Egide SA (Note 12)

Identified risk

With a net amount of €9.4 million, equity interests represent one of the most important items on the balance sheet at December 31, 2017. The securities represent Egide's operations in the United States, of which Egide USA Inc. accounts for half.

As indicated in the note "Financial assets", equity interests are, as applicable, subject to impairment to reflect their value in use for Egide SA.

The estimation of value in use of the securities requires judgments by management in the choice of items to consider. This may consist of historical data (equity) or forward-looking data (the outlook of profitability and economic trends in the country in question).

Egide USA Inc. has been showing a loss for a number of years. To date, the investment efforts of Egide USA Inc. have not yet produced results, with delays for the product qualification longer than expected.

For that reason, we have considered the evaluation of equity interests of the subsidiary to be a key audit matter.

Responses as part of our audit

To assess the reasonable nature of the estimate of the values in use of these equity interests, our work consisted mainly in verifying that these values determined by management are based on an appropriate justification for the valuation method and the supporting data.

For estimations based on forward-looking information relating to Egide USA Inc:

- Obtaining forecasts for cash flows and operating activities of the entity established by management and assessing their consistency with the forward-looking information originating from the most recent strategic plans.
- Verifying the consistency of the assumptions adopted with the economic environment on the closing dates of the financial statements.
- Comparing forecasts adopted for prior periods with actual performances to assess the achievement of past targets.

Verification of the management report and of the other documents addressed to shareholders

We have also performed the other specific procedures required by law, in accordance with professional practice standards applicable in France.

Information given in the management report and other documents addressed to shareholders with respect to the financial position and the annual financial statements

We have no matters to report as to the fairness and consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents sent to shareholders with respect to the financial position and the financial statements.

Information on corporate governance

We certify that the section herein on corporate governance includes the information required by articles L.225-37-3 and L.225-37-4 of the French commercial code.

Concerning information provided in accordance with article L.225-37-3 of the French commercial code on remuneration and benefits paid to corporate officers and other commitments granted in their favor, we have verified that they are consistent with the accounts or data used to prepare them and, when applicable, information obtained by your Company from companies exercising control over it or that it controls. On the basis of these procedures, in our opinion this information is accurate and provides a fair presentation.

Other disclosures

In accordance with French law, we have ensured that the required information relating to the identity of shareholders or holders of voting rights has been disclosed in the management report.

Report on other legal and regulatory requirements

Appointment of statutory auditors

We were appointed as statutory auditors of Egide SA by the general meeting of June 29, 2001 for PricewaterhouseCoopers Audit S.A. and of June 16, 2016 for RSM Paris

As at December 31, 2017, PricewaterhouseCoopers Audit S.A. was in its 16th period of its total uninterrupted engagement and RSM Paris in its 2nd period.

In addition, SYC SAS, a member of RSM International's network previously served as the statutory auditors of the entity from 2009 to 2015.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its operations.

The audit committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements have been approved by the board of directors.

Statutory auditors' responsibilities for the audit of the annual financial statements

Objective and audit approach

Our role is to issue a report on the annual financial statements. Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified by article L.823-10-1 of the French commercial code ("code de commerce"), the scope of our statutory audit does not include assurance on the future viability of the Company or the quality with which Company's management has conducted or will conduct the affairs of the entity.

As part of an audit in accordance with professional standards applicable in France, we exercise professional judgment throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, define and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If we conclude that a material uncertainty exists, we draw attention in our audit report to the related disclosures in the annual financial statements or, if such disclosures are not provided or inadequate, we issue a qualified opinion or no opinion at all;
- Evaluate the overall presentation of the annual financial statements and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

Report to the audit committee

We submit a report to audit committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as significant audit findings. We also bring to its attention, if need be, any significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the audit committee includes those risks of material misstatements that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters. We describe these matters in the audit report.

We also provide the audit committee with the declaration referred to in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France as defined in particular by articles L.822-10 to L.822-14 of the French commercial code ("code de commerce") and in the French Code of ethics for statutory auditors. Where appropriate, we discuss with the audit committee the risks that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

Neuilly-sur-Seine and Paris, April 30, 2018

Statutory Auditors
French original signed by:

RSM Paris,
Régine STEPHAN

PricewaterhouseCooper Audit
Matthieu MOUSSY"

Notes:

Notes 1.2 and 2.5 referred to in the Auditors' report on the consolidated financial statements correspond to respectively sections 0.3.1.5.2.2 and 20.3.1.5.3.5 of this registration document.

Notes 12 and 15 referred to in the Auditors' report on the annual financial statements correspond to respectively sections 20.3.2.5.12 and 20.3.2.5.15 of this registration document.

20.5 Other items disclosed in the Group management report

20.5.1 Review of operations

20.5.1.1 Egide SA operating highlights

Revenue in 2017 amounted to €15.73 million compared to €14.27 million in 2016, an increase of 10.2 %.

Thermal imaging applications as the primary business market represent nearly two thirds of revenues, with sales growth in 2017 of 14.9%. As last year, microwave applications displayed the strongest growth (+44.9%) driven by the space sector. Power packages showed good growth (+ 20,7 %) thanks to the aeronautic sector whereas optronics declined (- 26.7 %), as the efforts to penetrate the datacenter market failed to produce results in 2017.

Intercompany billings corresponding to chargebacks between Egide SA and its subsidiaries Egide USA for commercial, financial and technical assistance under the HTCC ceramic project, remained stable from one period to another (€0.16 million versus €0.14 million).

The sales mix between the glass-to-metal and the ceramic-to-metal technologies barely changed with the ceramic business continuing to represent more than half of sales. (52 % in 2017 versus 54 % in 2016). Trends for these two technologies are primarily a reflection of the product mix and are not an indication of any underlying trend.

The company invoiced fees of €220,000 for engineering studies in 2017, the same as 2016. Research and development efforts remained comparable from one period to another (approximately €1.1 million).

France accounted for 54 % of Egide SA's revenue in 2017 (excluding intercompany sales) compared to 53 % in 2016. Europe excluding France accounts for 17 % of revenue for the period and North America 3 %. Revenue from the rest of the world in 2017 represented 25 % compared to 28 % in 2016 and concerned primarily Israel, China, Thailand and India.

20.5.1.2 Egide USA operating highlights

Egide USA had revenue of US$8.51 million in 2017 (of which US$0.32 million from amounts invoiced by the Group to Egide SA mainly in connection with surface treatment subcontracting) compared to US$9.20 million in 2016 (of which US$0.29 million with the Group). This decline follows the discontinuation by the customer Textron of a military program terminated by the US administration and not offset by growth from Egide USA's other customers. Between 2016 and 2017, the average Euro/US dollar exchange rate that increased from 1.1066 to 1.1293 therefore had a marginal impact on the subsidiary's sales when translated into euros (approximately 2 %).

Power applications continued to account for the major share of sales at 64 % of total revenue compared to 59 % in 2016. The thermal imaging sector was adversely impacted by the loss of the customer Textron and now represents only 5% of sales (compared to 16% in 2016). The other sectors remained stable.

Despite the marginal growth in thermal imaging products, the HTCC ceramic business line represented only 3% of sales in 2017 (compared to 10%) in 2016. The glass-to-metal seal (GTMS) technology remains predominant particularly in the power package sector.

All sales (98 %) of the US subsidiary in 2017 as in 2016 (excluding intercompany sales) originated from the US market.

20.5.1.3 Santier's business

Santier, whose operations within the Group began on February 28, 2017, had sales of €9.21 million for 10 months (of which €0.08 million with the Group). The sales mix is more homogeneous than for the Group's other entities with 32.9% for the microwave sector, 27% for optronics, 10.7% for power packages and 8.3% for thermal imaging. Miscellaneous applications represent 21.2% of sales, of which 10.9% for the medical sector, addressed exclusively by Santier.

Ceramic products are not significant for the time being with the all sales in 2017 recorded in the glass-to-metal technology sector. Metal products for thermal management represent the largest share of sales as opposed to hermetic packages for Egide SA or Egide USA. The North American market accounts for all the subsidiary's sales.

20.5.2 Presentation of results

20.5.2.1 Consolidated results

At December 31, 2017, the following companies were consolidated by Egide Group, it being specified that the Group does not have any branch offices:

- Egide SA, the parent company (with the main establishment located in Bollène and a secondary establishment in Trappes, France)
- Egide USA LLC, a direct wholly-owned subsidiary
- Egide USA Inc., wholly-owned through Egide USA LLC
- Santier Inc., wholly-owned through Egide USA LLC

For Egide SA, income and expenses are presented solely in euros. Sales in foreign currency of the French entity (US$1.4 million) were partially offset by purchases from foreign suppliers (US$2.2 million). For the subsidiaries, Egide USA and Santier, all income and expenses are presented in US dollars. The change in the Euro/US Dollar exchange rate between 2016 and 2017 (with average exchange rates of respectively 1.1096 and 1.1293) adversely impacted the Group's consolidated revenue and earnings on translation of dollars into euros. However, the foreign exchange position is not hedged due to the cost.

The main components of comprehensive income for the period are as follows:

IFRS (€m)	2016	2017
Revenue	22.17	30.89
Gross operating profit	+ 0.11	+ 0.40
Operating profit / (loss)	(0.59)	(0.82)
Net financial income (expense)	(0.13)	(0.75)
Income tax	0.00	1.21
Net income/(loss)	(0.72)	(0.37)
Other comprehensive income	(0.03)	(0.75)
Comprehensive income	(0.75)	(1.12)

Consolidated revenue amounted to €30.89 million generating a gross operating profit of €0.40 million compared to €0.11 million in 2016 on revenue of €22.17 million). On February 28, 2017, the Group consolidation scope was modified with the addition of Santier.

The improvement in the consumption of supplies from 41% to 40% of production costs (sales plus changes in inventory) was not enough to offset the increase in staff costs which rose to 42% (average Group account rose from 226 in 2016 to 308 in 2017, including 65 from the addition of Santier). However, the increase in activity contributed to better absorbing fixed costs which positively impacted gross operating profit with reached €0.40 million in 2017. It should be noted that in the absence of certain nonrecurring items recorded in the period (acquisition-related costs from Santier and, to a lesser extent Trappes moving costs for Egide SA) the gross operating profit would have been €0.65 million. An increase in external charges and depreciation expenses reflects the first time consolidation of Santier.

In compliance with IFRS, the €0.25 million research tax credit of Egide SA was recognized under "operating income". The CICE wage tax credit of Egide SA was recognized as a deduction from "staff costs" for €0.25 million. All R&D expenditures were fully expensed in the income statement (€1.03 million in 2016 and €1.10 million in 2017).

On that basis, the operating loss for 2017 (€0.82 million) increased from the previous period (€0.59 million).

Net financial expense included borrowing costs (interest expense linked to the use of factoring by Egide SA and Egide USA, US borrowing costs and the French bond issue) for €0.44 million in 2017 versus €0.22 million in 2016. This increase corresponds to Santier's first-time consolidation, a new bond loan obtained at the end of the year and the cost of arranging a new a loan agreement for Egide USA. Foreign exchange transactions generated a loss amounting to €0.31 million in 2017 compared to a gain of €0.07 million in 2016.

Santier's first-time consolidation and its positive contributions in 2017 made it possible to recognize Egide USA's loss carryforwards. These loss carryforwards are used to eliminate the corporate income tax payable by Bob four 2017, with the tax declaration filed at the level Egide USA LLC, the parent company of Egide USA Inc. and Santier Inc. In light of the earnings prospects for Santier and Egide USA for the coming years, a tax receivable resulting from Egide USA's tax loss carryforwards in the amount of €1.21 million was recognized in exchange for tax income recorded in the 2017 financial statements. This tax income should be drawn down in within 5 years.

In light of the above, the net loss for the period was reduced by 47 % in relation to the previous period from €0.72 million to €0.37 million.

Comprehensive income includes translation losses and gains from financial statements of subsidiaries presented in foreign currencies and actuarial gains and losses on provisions for employee benefits. Santier's creation was recorded in US dollars at the exchange rate of February 28, 2017 of €1.05. The closing exchange rate of December 31, 2017 was 1.1993, resulted in the recognition of a foreign exchange loss from the translation of the Santier financial statements of approximately €0.70 million. This amount corresponded to virtually the entire amount of other items of comprehensive income. In consequence, a comprehensive loss of €1,12 million was accordingly recorded for 2017, compared to a loss of €0.75 million in 2016 (Santier had not yet been created).

Santier's first-time consolidation resulted in the recognition of intangible assets in the Egide 2017 statement of financial position: a trademark (US$0.25 million), customer relationships and technology (US$0.50 million) and finally, goodwill (€0.34 million dollars). These intangible assets are amortized over periods of respectively 15, 10 and 10 years, whereas unallocated goodwill is not amortized.

The deferred tax asset resulted from the recognition of Egide USA tax loss carryforwards and is considered as a non-current asset.

Current cash amounted to €2.99 million, compared to €1.07 million at December 31, 2016. This cash position was strengthened in 2017 by the new bank loan arranged for Santier and an Egide USA bond loan. It will be recalled that a net amount of €7.70 million was raised in February 2017 or the creation of Santier and the acquisition of operating assets and liabilities was recorded in the balance sheet of this new subsidiary.

The main use of these funds in the period was for the creation of Santier (€5.05 million), capital investments (€1.13 million) and working capital requirements (€0.89 million). Cash flow was negative in 2017 (€0.53 million). Net inflows from financing activities originated from the capital increase (€7.70 million), a bond loan (€0.98 million), factoring companies or equivalent entities and financial institutions (finance leases) (€94 million).

Long-term debt of €1.85 million (the same as at the end of 2016) consisted of:

- The bond loan arranged by Egide SA in November 2017 (€0.72 million)
- The bond loan arranged by Santier in May 2017 (€0.57 million)
- A 7-year Sofired PME Défense loan obtained by Egide SA in 2015 with a 2-year grace period (€0.48 million)
- Finance lease agreements (€0.08 million)

Current debt represented trade receivables financing from factoring entities (€2.45 million), revolving credit (€1.96 million), the current portion of long-term debt (€0.60 million), and pre-financing from Bpifrance of the research tax credit and CICE wage tax credit obtained by Egide SA (€0.12 million). The loan obtained to finance the Egide USA building was paid back in full in the period as was the credit line granted by the Bank of America to finance the subsidiary's working capital requirements. The latter was eventually replaced by a credit line from Midcap Business Partner paid back in full on December 31, 2017 and included in current debt (under the line for revolving credit).

It is specified that Egide does not use financial instruments giving rise to any particular risk.

Working capital represented 83 days of sales compared to 77 days in 2016. This increase reflected mainly the increase in inventory at Santier to prepare for growth in sales expected in the 2018 first quarter.

20.5.2.2 Parent company annual results

The annual financial statements of Egide SA for the period ended December 31, 2017 have been prepared in accordance French GAAP based on the principles of conservatism, fair presentation, consistency of presentation, the time period concept and going concern.

Revenue for the period amounted to €15,72 million compared to €14.27 million for the previous period, up 10.1 %. Total income was €16.15 million and total expenses €17.70 million. On that basis, the net loss for the period was€1.55 million (compared to a loss of €0.68 million in 2016).

Operating expenses for 2017 rose 10.1% from the prior year versus a 6.1% increase in operating income. While the level of materials and supplies remained stable (approximately 35% of production for the period), staff costs increased along with other external charges. In addition to a partial absence of activity in 2017 (3 days in 2016), the recruitment of personnel on fixed-term contracts in anticipation of sales growth for data centers (optronics) adversely impacted the statement of profit or loss. Similarly, expenses incurred for specific installations (installations for a clean room, equipment, chemical gold coating processes, etc.) and not capitalized adversely affected profitably for the period.

Average headcount for the period (fixed-time contracts and permanent contracts) declined from 154 in 2016 to 174 in 2017. The CICE wage tax credit was registered as a €0.25 million deduction from staff costs in 2017 (€0.19 million in 2016).

As every year, an impairment test was performed involving an evaluation of the value in use of assets based on business plans and assumptions and the resulting cash flows. At December 31, 2017, no impairment charge was recognized in the period and the level of impairment charges already included in the accounts was maintained. Amortization and depreciation expenses for fixed assets increased marginally to €0.27 million (€0.23 million in 2016). This increase reflected investments at the Bollène site (electrical transformer and air-conditioning system for the plant).

Research and development expenditures remained stable at approximately €1.1 million. These expenditures are not capitalized and are fully expensed.

The operating loss was €1.67 million compared to €0.96 million one year earlier. Accordingly, despite growth in revenue and the effective containment of materials and supplies, increased staff costs prevented meeting the breakeven target.

Net financial expenses for the period amounted to €0.13 million, up from €0.07 million in 2016. Foreign exchange losses and loan interest expenses (with a new bond loan arranged in November 2017) accounted for half of this increase.

The pretax current operating loss was €1.79 million compared to €1.03 million the prior year.

Net exceptional items in 2017 were not significant. In 2016, this item represented income of €0.68 million (reductions in social security charges from prior periods)
Tax credits on research and development expenditures recognized in the period amounted to €0.25 million in 2017 compared to €0.28 million one year earlier.

In light of these items, a net loss of €1.54 million was recorded for 2017 compared to a loss of €0.68 million in 2016.

At December 31, 2017, the company had total assets of €18.62 million compared to €11.52 million for 2014. Cash at year-end amounted to €1.18 million compared to €1.05 million on January 1, 2017. Financial debt of €1,67 million at 31 December 2017 consisted of the €0.61 million "Sofired – PME Défense" loan obtained in December 2015, €0.12 million in pre-financing from Bpifrance of the CICE wage tax credit and €0.94 million in remaining debt from the bond issue of November.

The table of results provided for by article R225-102 paragraph 2 of the French commercial code and the table of portfolio securities at year-end are attached to this report.

20.5.3 Statutory disclosures on the trade payables aging balance (Egide SA)

In accordance with article L441-6-1 of the French commercial code, information on the aging balance for trade payables of Egide SA at December 31, 2016 and 2017 is provided below:

In euros	2016	%	2017	%
Not due (purchase invoice accruals)	312,139	17.05	313,280	17.14
Past due	331,982	18.14	265,006	14.50
At 30 days	850,937	46.49	863,063	47.23
At 60 days	322,958	17.64	345,873	18.93
More than 60 days	12,435	0.68	40,216	2.20
Total	**1,830,452**		**1,827,438**	

Payables due at the end of 2017 concerned invoices for components pending the issuance of credit notes receivable. Payables exceeding 60 days at December 31, 2017 and 2016 concerned mainly invoices payable in several installments.

As required by French law (article D441-4 1° and 2° of the French commercial code), information on Egide SA's trade payables and receivables for 2017 is provided below:

	Article D441 I. 1st of the French commercial code: invoices received and not settled on the closing date and past due					
	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
(A) Late payment date ranges						
Number of invoices concerned	580	-	-	-	-	59
Total for invoices concerned	€1,362,506	€106,082	€6,256	€9,994	€141,466	€263,798
% of total purchases of the period incl. VAT	10.7%	0.8%	0.1%	0.1%	1.1%	2.1%
% of total revenue of the period incl. VAT	-	-	-	-	-	-
(B) Invoices excluded from (A) relating to disputed or unrecognized receivables or payables						
Number of invoices excluded	None					
Total for invoices excluded	None					
(C) Applicable payment period of reference (contractual or legal- article L. 441-6 or article L. 443-1 of the French commercial code)						
Payment periods applied for the calculation of late payment charges	Contractual payment periods: 30 days EOM, on the 15th					

	Article D441 I. 1er of the French commercial code: invoices issued and not settled on the closing date and past due					
	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
(A) Late payment date ranges						
Number of invoices concerned	386	-	-	-	-	143
Total for invoices concerned	€2,648,161	€1,157,255	€293,073	€31,153	€46,667	€1,528,148
% of total purchases of the period incl. VAT	-	-	-	-	-	-
% of total revenue of the period incl. VAT	15.4%	6.7%	1.7%	0.2%	0.3%	8.9%
(B) Invoices excluded from (A) relating to disputed or unrecognized receivables or payables						
Number of invoices excluded	None					
Total for invoices excluded	None					
(C) Applicable payment period of reference (contractual or legal- article L. 441-6 or article L. 443-1 of the French commercial code)						
Payment periods applied for the calculation of late payment charges	Contractual payment periods: 30 days net EOM, on the 15th					

20.5.4 Five-year financial summary (Egide SA)

Closing date	12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
Length of fiscal year	12 months	12 months	12 months	12 months	12 months
SHARE CAPITAL AT YEAR-END					
Share capital (€)	15,800,732	8,943,812	8,943,812	8,130,740	3,569,594
Number of shares *- common shares* *- preferred shares*	 7,900,366 -	 4,471,906 -	 4,471,906 -	 4,065,370 -	 1,784,797 -
Maximum number of potential shares *- from the conversion the bonds* *- from the exercise of subscription rights*	 - 790,036	 - 223,595	 - 223,595	 - 203,268	 - 89,239
OPERATIONS AND RESULTS					
Sales ex-VAT	15,725,480	14,267,976	12,342,120	12,982,030	12,869,215
Earnings before taxes, employee profit-sharing, impairment, depreciation, amortization and provisions Income tax Allowances for impairment, depreciation, amortization and provisions Net income/(loss)	(1,294,626) (251,182) 502,556 (1,546,000)	(2,020,445) (281,010) (1,055,813) (683,622)	(1,072,881) (243,045) 222,023 (1,051,859)	(1,211,938) (318,936) 310,822 (1,203,824)	(733,838) (262,220) (82,720) (388,898)
EARNINGS PER SHARE					
Earnings after tax but before impairment, depreciation, amortization and provisions	(0.23)	(0.39)	(0.19)	(0.23)	(0.26)
Earnings before taxes, employee profit-sharing, impairments, depreciation, amortization and provisions	(0.35)	(0.15)	(0.24)	(0.30)	(0.22)
PERSONNEL					
Average number of employees Payroll (€) Social charges and benefits paid (€)	174 5,044,640 1,870,696	154 4,531,769 1,666,231	150 4,277,887 1,545,324	167 4,676,758 1,756,403	166 4,599,353 1,637,192

20.5.5 Statutory disclosures of marketable securities (Egide SA)

Information of marketable securities presented in the balance sheet of Egide SA at December 31, 2017 is presented below:

Amounts in euros	Quantity	Net value
Fixed securities Egide USA LLC shares	-	9,355,547
Subtotal - fixed securities		**9,355,547**
Marketable securities -	-	0
Subtotal - marketable securities		**0**
Total - net carrying value		**9,355,547**

20.5.6 Disclosures on disallowed deductions (Egide SA)

There were no non-deductible luxury expenses within the meaning of the French general tax code recorded in the parent company financial statements for fiscal 2017.

20.5.7 Disclosures on dividends (Egide SA)

In compliance with the disclosure requirement provided for by article 243 *bis* of the French general tax code, we remind you that there have been no dividend distributions for the last three financial periods.

20.5.8 Disclosures on loans granted by the company (Egide SA)

No loans have been granted by the company to micro-enterprises, SMEs or intermediate-sized enterprises (ETI) with which it has economic relations (article L511-6, 3 bis of the French monetary and financial code).

20.6 Dividend policy

No dividends have been paid for the last three financial periods. In the short-term, the company intends to continue to allocate available funds to financing operations and growth and in consequence, does not plan to distribute dividends in 2018.

20.7 Legal and arbitration proceedings

There are no other governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the company is aware as of the date of this document) which may have or have had during the last twelve months a significant effect on the financial position or profitability of the company.

20.8 Significant change in the Company’s financial or trading position

On the date of this registration document, no other significant changes to the Group's financial or trading position have occurred since December 31, 2017.

21 ADDITIONAL INFORMATION

21.1 Share capital

21.1.1 Number of shares and nominal value

Share capital of April 30, 2018 amounted to €15,800,732 divided into 7,900,366 shares with a nominal value of €2 per share. There was only one class of shares, excluding the specific case of shares carrying double voting rights described in section 18.3. Share capital is fully paid up. No security rights, encumbrances or pledges exist on the company's capital.

21.1.2 Unissued authorized capital

Authorizations for capital increases granted by the general meeting to the Board of Directors at December 31, 2017 are summarized below:

	Share-holders' Meeting date	Expiry date of the authorization	Authorized amount (nominal value)	Use of authorizations in prior periods	Use of authorizations on the date this table was prepared	Residual amount on the date this summary was produced
Authorization to increase the capital maintaining preemptive subscription rights	06/16/2017	08/15/2019	**Shares** €6,000,000 **Debt securities** €6,000,000	No	No	**Shares** €6,000,000 **Debt securities** €6,000,000
Authorization to increase the number of securities to be issued in the event of a capital increase with preemptive subscription rights	06/16/2017	08/15/2019	15% of the initial amount of the increase	No	No	-
Authorization for a capital increase by a private placement with cancellation of preemptive subscription rights	06/16/2017	12/15/2018	10 % of the share capital per year	No	No	**Shares** 1,580,072 €
Authorization for a capital increase to the benefit of employees with cancellation of preemptive subscription rights	06/16/2017	08/15/2019	**Maximum** 1 % of the capital	No	No	**Shares** 158,006 €
Authorization to issue stock options to subscribe for shares	06/16/2017	08/15/2020	10 % of the capital	No	Yes	4.92 % of the capital

There is only one class of shares, all of which carry the same preferential subscription rights.

21.1.3 Potential share capital

Authorization to issue stock options to subscribe for shares

The general meeting of June 16, 2017 authorized the Board of Directors to issue stock options within the limit of 10 % of the share capital. The subscription price will be at least equal to the average weighted price of the last twenty trading sessions subject, as the case may be, to a discount of 5%. This authorization is valid for a period of 38 months, or until August 15, 2020.

Information on plans in force at December 31, 2017 is provided in section 17.3 of this document.

21.1.4 Changes in share capital

Changes in share capital since the company's creation are presented below:

Date	Nature of transaction	Capital increase (€)	Share capital decrease (€)	Additional paid-in capital Gross amount (€)	Number of shares	Par value of shares	Amount of the capital (€)
10/14/1986	Incorporation	457,347			30,000	€ 15.24	457,347
12/15/1987	Increase (1)	320,143			51,000	€ 15.24	777,490
09/30/1988	Increase (1) (2)	654,311			93,920	€ 15.24	1,431,801
11/03/1988	Increase (1)	419,235		76,301	121,420	€ 15.24	1,851,036
11/09/1990	Increase (1) (3)	449,725			150,920	€ 15.24	2,300,760
04/27/1992	Reduction (4)		920,304		150,920	€ 9.15	1,380,456
05/18/1992	Increase (1)	1,829,388			350,920	€ 9.15	3,209,844
06/03/1994	Increase (1)	927,262			452,294	€ 9.15	4,137,107
06/11/1999	Increase (5)	1,749,846		1,751,013	643,598	€ 9.15	5,886,953
04/03/2000	Increase (6)	3,659		3,297	643,998	€ 9.15	5,890,612
07/05/2000	Increase (7)	841,509		11,670,355	735,997	€ 9.15	6,732,121
12/22/2000	Increase (8)	2,244,037		93,435,443	981,329	€ 9.15	8,976,159
06/29/2001	Increase (9)	837,131		(837,131)	981,329	€10	9,813,290
12/31/2001	Increase (10)	34,580		17,152	984,787	€10	9,847,870
12/31/2003	Increase (11)	14,280		7,083	986,215	€10	9,862,150
12/31/2004	Increase (12)	70,990		35,211	993,314	€10	9,933,140
12/31/2005	Increase (13)	49,420		24,512	998,256	€10	9,982,560
02/28/2006	Increase (14)	18,280		9,067	1,000,084	€10	10,000,840
08/17/2006	Increase (15)	2,857,380		2,143,035	1,285,822	€10	12,858,220
12/31/2006	Increase (16)	90		180	1,285,831	€10	12,858,310
12/31/2007	Increase (17)	2,880		5,760	1,286,119	€10	12,861,190
12/31/2008	Increase (18)	30		60	1,286,122	€10	12,861,220
12/31/2009	Increase (19)	1,530		3,060	1,286,275	€10	12,862,750
11/28/2011	Increase (20)	250			1,286,300	€10	12,863,000
11/28/2011	Reduction (21)		10,290,400		1,286,300	€2	2,572,600
02/16/2012	Increase (22)	986,160		1,479,240	1,779,380	€2	3,558,760
12/31/2012	Increase (23)	10,834		18,093	1,784,797	€2	3,569,594
06/30/2014	Increase (24)	4,561,146		570,143	4,065,370	€2	8,130,740
11/16/2015	Increase (25)	813,072		243,922	4,471,906	€2	8,943,812
02/24/2017	Increase (26)	6,856,920		1,371,384	7,900,366	€2	15,800,732

(1) *Cash contribution*
(2) *Of which contributions in kind: € 158,851.88 (FFR 1,042,000)*
(3) *Of which offset with debt: € 137,204.12 (FFR 900,000)*
(4) *Reduction in the par value from € 15.24 (FFR 100) to € 9.15 (FFR 60)*
(5) *Listing on the Nouveau Marché of the Paris stock exchange - COB approval No. 99-775 of June 7, 1999*
(6) *Exercise of stock options following the death of a beneficiary*
(7) *Cash capital increase - COB approval No. 00-884 of May 26, 2000*
(8) *Cash capital increase - COB approval No. 00-1844 of November 14, 2000*
(9) *Capitalization of reserves for the conversion of capital into euros increasing the par value of the share from € 9.15 (FFR 60) to € 10 (FFR 65.5957)*
(10) *Exercise of stock options for fiscal 2001*
(11) *Exercise of stock options for fiscal 2003*
(12) *Exercise of stock options for fiscal 2004*
(13) *Exercise of stock options for fiscal 2005*
(14) *Exercise of stock options on February 28, 2006*
(15) *Cash capital increase - AMF clearance (Visa) No. 06-271 of July 21, 2006*
(16) *Exercise of 36 share warrants in fiscal 2006 resulting in the creation of 9 new shares*
(17) *Exercise of 1,152 share warrants in fiscal 2007 resulting in the creation of 288 new shares*
(18) *Exercise of 12 share warrants in fiscal 2008 resulting in the creation of 3 new shares*
(19) *Exercise of 612 share warrants in fiscal 2009 resulting in the creation of 153 new shares*
(20) *Exercise of stock options on November 28, 2011*
(21) *Reduction of the par value from €10 to € 2 - EGM of November 28, 2011*
(22) *Cash capital increase - AMF clearance (Visa) No. 12-024 of January 17, 2012*
(23) *Exercise of stock options on December 31, 2012*
(24) *Cash capital increase - AMF clearance (Visa) No. 14-247 of May 28, 2014*
(25) *Cash capital increase - Private placement without a public offer*
(26) *Cash capital increase - AMF clearance (Visa) No. 17-034 of January 25, 2017*

The company does not directly hold own shares. This also applies to subsidiaries which do not hold any shares of the parent company.

21.1.5 Changes in share capital in the last three years

The following table presents changes in share capital as a percentage of capital and voting rights for the last three years

	Balance at 12/31/2017			Balance at 12/31/2016			Balance at 12/31/2015		
	Number of shares	Percentage of capital	Percentage of voting rights	Number of shares	Percentage of capital	Percentage of voting rights	Number of shares	Percentage of capital	Percentage of voting rights
J. F. Collins	69,375	0.88	1.30	39,614	0.89	0.88	39,614	0.89	0.88
Free float	7,830,991	99.12	98.70	4,412,292	99.11	99.12	4,432,292	99.11	99.12
Total	**7,900,366**	**100.00**	**100.00**	**4,471,906**	**100.00**	**100.00**	**4,471,906**	**100.00**	**100.00**

Information on the shareholder structure at April 30, 2018 is provided in section 18.1 of this document.

21.2 Memorandum of incorporation and bylaws

21.2.1 Corporate purpose

The company's corporate purpose (article 2 of the bylaws) is:

- the design, manufacture, import, export and marketing of all forms of standard or custom design electronic packages,

- in the above areas, acquiring and managing interests and participating directly or indirectly through all means in any company or undertaking created or to be created, and notably by creating a company, contributions, subscribing for or acquiring shares, ownership interests or other securities, mergers, partnerships and through any other means and in any other form used in France and other countries,

- And, in general, any transaction of any nature whatsoever, including either securities and real estate transactions which may be directly or indirectly related to the above or contribute thereto.

21.2.2 Corporate governance

Article 13 of the bylaws: "The company shall be administered by a Board of Directors. The number of Directors shall not be less than three and not more than eighteen subject to exceptions provided for by statutes in the event of a merger. Directors are appointed for terms of four years Every director is eligible for reappointment."

Article 14 of the bylaws: "Directors must own at least one share of the company Directors appointed during the company's term are not required to be shareholders at the time of their appointment though must become so within a period of six months, failing which they shall be considered to have resigned from their office."

Article 15 of the bylaws: "The Board of Directors may appoint from among its members who are individuals, a Chair whose term of office shall not exceed that of his/her term of office as director. No person shall be appointed Chairman of the Board of Directors that is over 67 years of age. If the Chairman exceeds this age, he or she shall be considered to have resigned at the end of the next Board meeting to be held. The Board may also appoint a secretary, who needs not necessarily be a Board member. If the Chairman is absent or prevented from attending, the Board shall appoint for each meeting one of its members to serve as chair. The Chairman and secretary of the meeting may always be reappointed."

Article 16 of the bylaws: "The Board shall meet as often as the interests of the company require and at least once a year. Notice of Board meetings communicated to directors may be made by all means, including orally. A record of attendance is maintained that is signed by Directors participating in the Board meeting. Meetings are conducted and decisions voted according to the conditions of quorum and majority provided for by statute. In the case of a tie, the chair of the meeting shall have the deciding vote. The minutes shall be prepared, and copies or excerpts of the proceedings shall be issued as required by statute. Except when the Board meets for the purpose of transactions covered by articles L232-1 and L233-16 of the French commercial code, the rules of procedure provide that directors who take part in a meeting of the Board by means of videoconferencing or telecommunications allowing their identification and assuring their actual participation, are deemed present, for calculating the quorum and the majority. The form and terms of application of these rules of procedure are set forth by decree of the French Council of State (*Conseil d'Etat*)."

Article 17 of the bylaws: "The Board of Directors shall determine the business strategy of the company and ensure its implementation. Subject to the powers expressly granted to shareholders' meetings and within the limits of the company's corporate purpose, the Board may address any matter relating to the efficient operation of the company and settles through its proceedings all items of business relating thereto. The Board of Directors shall perform at any time such controls and verifications that it judges appropriate. Each director must be provided with all information necessary to perform his or her duties and may obtain from executive management all documents deemed useful for the purpose."

Article 17bis of the bylaws: "The company is assisted by a panel of a maximum of three non-voting observers (censeurs), chosen from among the shareholders or from persons other than shareholders. They are each appointed for a term of four years by the ordinary general meeting of the shareholders, acting on the Board of Directors' proposal. Their functions shall terminate at the end of the ordinary general meeting having been called to approve the financial statements for the year ended, held in the course of the year when their terms expire. If one or more of these positions of the observers becomes vacant between two general meetings, the board of directors may make one or more appointments subject to ratification at the next general meeting. In this case, the observer is appointed for the remainder of his or her predecessor's term. At the end of their terms, observers may be reappointed. The observers participate in meetings of the board of directors to which they are called under the same conditions as directors. They may also attend, at the initiative of the board, meetings of committees created by the latter and they are provided with all documents that are provided to board members. They are subject to the obligation of strict confidentiality with respect to deliberations. They are not vested with any power of decision though they are at the disposal to provide their opinions regarding questions of any nature submitted to them, and notably relating to technical, commercial, administrative or financial matters. In the course of the board's proceedings they exercise an advisory role only and do not participate in the vote. On the chair’s proposal, the board of directors decides on the matter of the observers' remuneration."

21.2.3 Rights attached to shares of the company

Article 9 of the bylaws (form of shares): "From the date they are fully paid up, shares may be in registered or bearer form, at the choice of the holder, subject to provisions set by applicable regulations."

Article 10 of the bylaws (Disposal and transfer of shares - Registration of shares - Transfer of title for shares): "The shares, regardless of their form, shall be registered in accordance with the provisions and according to procedures provided for by regulations in force. Shares are freely transferable and transferred account-to-account through a securities transfer order. The company may request at any time, in accordance with the provisions of articles L228-2 and L228-3 of the French commercial code, in exchange for payment at its expense, from the entity responsible for clearing securities transactions, as the case may be, for individuals or legal entities respectively, the name or company name, the nationality, the year of birth or year of incorporation and the address of holders of shares which confer present or future rights to vote in its own shareholders meetings, as well as the quantity of shares held by each and if applicable the restrictions which may apply to the securities."

Article 11 of the bylaws (excerpt): "Any share, in the absence of a distinct class of shares or any share of the same class in the contrary case, confers a right to a net share proportional to the portion of capital it represents, in the earnings and reserves or corporate assets, for any distribution, redemption or allotment, in accordance with the provisions and procedures that may moreover be provided for under these bylaws. Furthermore, each share shall entitle its holder to vote and be represented in the shareholders' meetings in accordance with statutory rules and the provisions of these by-laws. Shareholders shall only be liable up to the amount of the par value of the shares they hold, with any call for funds above this amount prohibited. The rights and obligations attached to the shares are transferred with title to the shares. Ownership of a share automatically entails acceptance of the Company's bylaws and of the resolutions of the general meeting. The heirs, creditors, legal beneficiaries and other representatives of a shareholder may not place liens on the property or securities of the company, nor request the division or public sale, nor interfere in the administration of the company. For the proper exercise of their rights, they shall refer to the corporate records and to the decisions of the shareholders' meeting. Whenever it is required to possess more than one share to exercise a right of any nature in connection with an exchange, a share consolidation or share grants, in the event of an increase or decrease in the share capital or a merger or any other corporate action, owners of individual shares or a number of shares lower than required, may exercise said rights only if they undertake at their personal initiative to combine their shares with others and, as the case may be, purchase or sell the necessary shares. Except where prohibited by statute, all tax exemptions or charges applicable to the total number of ordinary shares as well as all taxation which may be borne by the Company shall be taken into account prior to any allotment or reimbursement either within the course of the life of the Company or upon its liquidation so that, according to their respective nominal values and dates of record, all the existing shares of the same class shall receive the same net amount."

Article 27 of the bylaws (excerpt): "Voting rights attached to the capital shares and dividend-right (bonus) shares are proportional to the percentage of the share capital that such shares represent and each share carries one voting right. However, a voting right double that of other shares is granted in proportion to the share capital they represent to all fully paid up shares which can be demonstrated to have been registered for at least two years in the name of the same shareholder having requested for the shares to be held in registered form. Furthermore, in the event of a capital increase by the capitalization of reserves, earnings or issue premium, registered shares granted for free to a shareholder shall carry double voting right when issued, if the corresponding shares already held by the shareholder also carry double voting rights. Similarly, in the case of a change in the nominal value of existing shares, the double voting right is maintained for shares at the new nominal value replacing the previous shares. For other shares, double voting rights are acquired, cease or are transferred in the cases and conditions provided for by statute. The company is not authorized to exercise voting rights on shares it has purchased."

21.2.4 Modification of rights attached to shares of the company

Article 29 of the bylaws: "The extraordinary general meeting can modify all provisions of the bylaws and namely decide on the transformation of the company into a company with another non-trading or commercial company form. It may not, however, increase shareholder commitments, except for properly executed transactions resulting from a share consolidation. Such meetings may conduct proceedings only if shareholders present or represented own one third of the shares with voting rights and, on the second notice, one fifth of said shares. If this quorum is not reached, the second meeting may be postponed to a date no later than two months after the date for which it was called. Decisions are adopted by a majority of two thirds of the votes of the shareholders attending or represented at the meeting. As a statutory exception to the preceding provisions, the general meeting which decides to increase the share capital through the capitalization reserves, profits or issue premiums can deliberate on same the conditions as to quorum and majority voting as an ordinary general meeting. In “incorporation” types of extraordinary general meetings, i.e., those which are called to approve a contribution in kind or the grant of a specific benefit, the contributors or beneficiaries have no right to vote either for themselves or as proxies."

21.2.5 Shareholder meetings

Article 22 of the bylaws: "The decisions of shareholders shall be made at shareholders’ meetings. Ordinary shareholders’ meetings shall be those that are held to vote on decisions that do not amend the bylaws. Extraordinary shareholders’ meetings shall be those called to decide or authorize direct or indirect amendments to the bylaws. Special shareholders’ meetings shall be held to assemble shareholders of a specific class to rule on a change in the rights pertaining to the shares in that class. Deliberations of shareholders’ meetings shall be binding for all shareholders, even those who are absent, in disagreement or unavailable or without legal capacity."

Article 23 of the bylaws: "General meetings are called either by the Board of Directors or, failing that, by the independent auditor(s), or by an agent designated by the commercial court in expedited proceedings in accordance with the provisions set by article L225-103 of the French commercial code. During the liquidation period, shareholders’ meetings shall be called by the liquidators. General meetings of shareholders are to be held at the registered office or at any other venue indicated in the notice of meeting. Shareholders meeting shall be called in accordance with the provisions provided for by applicable regulations. The company is required to publish a notice at least thirty-five (35) days before the meeting in the *Bulletin des Annonces Légales Obligatoires*, containing the information mentioned in article R225-73 of the French commercial code."

Article 24 of the bylaws: "The meeting agenda is drawn up by the author of the meeting notice. One or more shareholders, representing at least the required percentage of the registered capital, and acting according to the provisions and deadlines provided by law, shall have the authority to request by registered letter with acknowledgment of receipt, that draft resolutions be placed on the agenda, other than those concerning the submission of candidates for appointment to the Board of Directors. The meeting may not consider items which are not on the agenda. However, in any circumstances it can revoke one or more directors and have them replaced."

Article 25 of the bylaws: "Any shareholder may attend meetings in person or by proxy regardless of the number of shares owned, subject to proof of identity and status as a shareholder of record in the register maintained for that purpose by the company no later than the second business day preceding the date of the Shareholders' Meeting at midnight, Paris time. Any shareholder may vote by mail using a form completed and sent to the Company under the conditions provided for by law and regulations and that must be received by the Company no later than two days before the meeting date to be taken into account."

Article 27 of the bylaws (excerpt): "For ordinary and extraordinary general meetings, the quorum shall be calculated based on all shares comprising the registered capital, except at special shareholders' meetings, where it shall be calculated based on all shares of the class involved, less shares without voting rights as prescribed by Law."

Article 28 of the bylaws: "An ordinary shareholders meeting shall meet at least once per year, within six months of the close of the fiscal year, to approve the accounts of that fiscal year, subject to extension of this deadline by decision of a court of law. On the first convocation, the meeting may validly deliberate only if the shareholders present or represented by proxy represent at least one fifth of the shares entitled to vote. Upon the second convocation, no quorum is required. Decisions are adopted by a majority of votes of the shareholders attending or represented at the meeting."

Article 30 of the bylaws: "If there are several classes of shares, no change may be made to the rights of the shares of one such class, without the due vote of an extraordinary shareholders meeting open to all shareholders and, in addition, without also a duly conducted vote of a special meeting open only to the owners of the shares of the class in question. Special meetings may conduct proceedings only if shareholders present or represented own one third of the shares with voting rights and, on the second notice, one fifth of said shares for which the modification of their rights is being considered. If this quorum is not reached, the second meeting may be postponed to a date no later than two months after the date for which it was called."

Article 31 of the bylaws: "All shareholders are entitled to access to documents necessary to allow them to have full knowledge of relevant facts and make informed judgments about the management and oversight of the company. The nature of these documents and the procedures for their transmission by mail or making them available are defined by law. "

21.2.6 Special provisions relating to a change in control

None.

21.2.7 Ownership disclosure thresholds

Article 11 of the bylaws (excerpt): "In accordance with the provisions of L233-7 of the French commercial code (Code de Commerce), all shareholders, natural persons or legal entities, acting alone or in concert, who cross thresholds in either direction in respect to the number of shares owned representing more than one twentieth, one tenth, three twentieths, one fifth, one quarter, three tenths, one third, one half, two thirds, eighteen twentieths or nineteen twentieths of the capital or voting rights of the company, must notify the Company. The disclosure requirement also applies within the same time limits whenever the percentage of capital or voting rights held falls below one of the thresholds mentioned above. In the event of noncompliance with this obligation, the provisions provided for by article L233-14 of the French commercial code will apply."

21.2.8 Special provisions relating to changes to share capital

None.

21.2.9 Purchases by the company of its own shares

Article 37 of the bylaws: "In those cases provided for by statute and/or regulations, the ordinary general meeting may grant an authorization to the company for a period not exceeding eighteen months to purchase its own shares. This meeting must set the terms of the transaction and notably the maximum purchase price, the maximum number of shares to be acquired and the period within which the share buyback must be carried out."

A request to authorize the implementation of a share buyback program was not proposed to the annual general meeting of the shareholders held in 2017. Such a request will also not be proposed at the general meeting called to be held on June 15, 2018.

21.3 Information on the Company's share

The company' shares were listed on the Nouveau Marché of the Paris stock exchange on June 11, 1999. The opening price for the initial public offering was set at €18.30 per share. Prior to this, the share had not been listed in any French or foreign financial market. They are currently listed in Segment C Euronext Paris, under ISIN code FR0000072373.

Based on the number of 7,900,366 shares making up the capital at December 31, 2017 and a closing price on the same date of €2.18, the market capitalization was €17.2 million.

On April 30, 2018, the company's market capitalization was €18.64 million (7,900,366 shares at €2.36 per share).

Information on trading price ranges (adjusted) and volume since January 1, 2017 is presented below (Source: Euronext):

	Adjusted share price in euros			Average trading volume
	Low	High	Average closing price	Adjusted number of shares
January 2017	2.57	3.04	2.79	16,355
February 2017	2.37	2.70	2.54	25,739
March 2017	2.37	2.81	2.53	51,253
April 2017	2.39	2.67	2.57	34,710
May 2017	2.52	2.67	2.59	20,050
June 2017	2.55	2.88	2.74	42,518
July 2017	2.57	2.79	2.68	14,809
August 2017	2.40	2.66	2.56	20,759
September 2017	2.44	2.64	2.55	7,220
October 2017	2.24	2.50	2.35	38,041
November 2017	2.27	2.38	2.31	7,714
December 2017	2.13	2.33	2.21	13,987
January 2018	2.16	2.74	2.54	39,418
February 2018	2.27	2.60	2.41	14,311
March 2018	2.25	2.41	2.33	9,201
April 2018	2.18	2.52	2.34	17,537

Egide's share is traded on Euronext Paris through the continuous trading method.

22 MATERIAL CONTRACTS

Long-term contracts having been executed and remaining in force on the date of this registration document are presented below:

Egide SA:

- Bollène building lease agreement executed in 2010 (see sections 8.1.1 and 20.3.1.5.7.2)
- Trappes building lease agreement executed in 2016 (see sections 8.1.1 and 20.3.1.5.7.2)
- the manufacturing and supply agreement with the customer, Sofradir (press release of January 28, 2016)

Egide USA:

- credit line arranged in 2017 with Midcap Business Credit (see section 10.3)

Santier :

- San Diego building lease agreement executed in 2017 (see section 8.1.1)
- credit line arranged in 2017 with Pacific Mercantile Bank (see section 10.3)

Excluding those referred to above, no material long-term contracts binding on the company or the Group have been executed in the last two years.

23 THIRD PARTY INFORMATION AND STATEMENTS BY EXPERTS AND DECLARATIONS OF INTEREST

None.

24 DOCUMENTS ON DISPLAY

24.1 List of documents and method of consultation

For the duration of the registration document's validity, the following documents (or copies thereof) may be consulted at the registered office or administrative offices:

- bylaws *(statuts)*
- all reports, letters and other documents, past financial data, and expert opinions or statements requested by the issuer that are included or mentioned in this registration document; and
- consolidated historical financial information on the Group for each of the two fiscal years preceding the publication of this registration document.

24.2 Press releases

Press releases are available for consultation and may be downloaded in French and/or in English from the company's website (www.egide-group.com).

24.2 Publication date of financial disclosures

Date	Information	Venue/Publication
March 28, 2018	Presentation of unaudited accounts for fiscal 2017	SFAF analysts meeting Press release
April 13, 2018	2018 first-quarter sales	Press release
June 15, 2018		AGM date
July 13, 2018	2018 second-quarter sales	Press release
September 28, 2018	2018 first-half results	SFAF analysts meeting
October 11, 2018	2018 third-quarter sales	Press release
January 10, 2019	2018 fourth-quarter sales:	Press release

25 INFORMATION ON HOLDINGS

See section 7.2 - Subsidiaries

See section 20.3.2.5.19 - Information on affiliated undertakings and participating interests

26 CSR INFORMATION

In accordance with the provisions of article L225-102-1 subsection 5 of the French commercial code and article R225-105-1 amended by Decree 2016-1138 of August 19, 2016, corporate social responsibility information for the company and subsidiaries of Egide Group on December 31, 2017, includes information on the employment-related and environmental impacts of their activity and their social commitments in favor of sustainable development, as presented below: This consolidation scope includes Egide SA (parent company) and its American subsidiaries, Egide USA and Santier. For information, because Santier was integrated into the Group on February 28, 2017, data presented for the subsidiary covers a 10-month period. In preparing this report, the company does not refer to any external guidelines but instead follows an internal reporting procedure.

26.1 Information on the employment-related impact of Group operations

a) Employment

Total workforce (all contracts combined)

At December 31, 2016 and 2017, total salaried employees of the Group, including the chairman-chief executive officer, broke down as follows (by gender and geographic region):

	At December 31, 2016			At December 31, 2017		
	Men	Women	Total	Men	Women	Total
Egide SA (France - Trappes)	12	3	15	12	3	15
Egide SA (France - Bollène)	35	98	133	39	101	140
Egide USA (United States)	21	46	67	26	43	69
Santier (United States)	-	-	-	45	19	64
Total	**68**	**147**	**215**	**122**	**166**	**288**

By age bracket, the headcount presented above break down as follows:

	At December 31, 2016			At December 31, 2017		
	18-35	36-55	56-70	18-35	36-55	56-70
Egide SA (France - Trappes)	2	9	4	1	9	5
Egide SA (France - Bollène)	25	84	24	29	84	27
Egide USA (United States)	10	25	32	13	17	39
Santier (United States)	-	-	-	11	34	19
Total	**37**	**118**	**60**	**54**	**144**	**90**

The breakdown of headcount presented above by contract type is as follows:

	At December 31, 2016			At December 31, 2017		
	Permanent contract	Fixed-term contracts	Apprentice-ship contracts	Permanent contract	Fixed-term contracts	Apprenticeship contracts
Egide SA (France - Trappes)	15	0	0	15	0	0
Egide SA (France - Bollène)	125	6	2	124	13	3
Egide USA (United States)	66	1	0	64	5	0
Santier (United States)	-	-	-	64	0	0
Total	**206**	**7**	**2**	**267**	**18**	**3**

These headcount figures do not take into account long-term sick leave who continue to be counted though do not receive remuneration. Part-time employment is usually at the request of employees and concerns all personnel categories (engineers, technicians, equipment operators, men and women)

In 2016, Egide employed 23 part-time employees (22 at Bollène and 1 in Cambridge, Maryland). In 2017, Egide employed 18 part-time employees (in Bollène).

Average seniority is 13.1 years at Egide SA ,13.5 years at Egide USA and 11.2 years at Santier.

Recruitments, departures and dismissals

For 2016 and 2017, Group information on recruitment is provided below:

Changes in headcount	Fiscal 2016			Fiscal 2017		
	Permanent contract	Fixed-term contracts	Apprenticeship contracts	Permanent contract	Fixed-term contracts	Apprenticeship contracts
Egide SA (France - Trappes)	0	0	0	0	0	0
Egide SA (France - Bollène)	7	18	0	6	47	2
Egide USA (United States)	4	1	0	20	20	0
Santier (United States)	-	-	-	68	1	0
Total	**11**	**19**	**0**	**94**	**68**	**2**

In addition to employees originating from the consolidation of Santier, the additional 26 permanent contracts break down into 19 recruitments, 5 fixed term contracts transformed tin to permanent contracts and two employees returning from parental leave. Egide Group does not encounter any particular difficulties in terms of recruitment.

Fixed-term contracts concern primarily temporary increases in workloads. By way of example, fixed-term contracts in 2017 at Egide SA represented 22.46 full-time equivalent employees (7.04 in 2016).

In 2016 and 2017, departures reported by the Group were as follows:

Departures (excluding dismissals)	Fiscal 2016			Fiscal 2017		
	Permanent contract	Fixed-term contracts	Apprenticeship contracts	Permanent contract	Fixed-term contracts	Apprenticeship contracts
Egide SA (France - Trappes)	4	0	0	0	0	0
Egide SA (France - Bollène)	5	15	0	6	40	1
Egide USA (United States)	11	4	0	17	16	0
Santier (United States)	-	-	-	2	1	0
Total	**20**	**19**	**0**	**25**	**57**	**1**

In 2016, 3 employees at Egide SA with permanent employment contracts departed following negotiated settlements, 2 resigned, 1 retired, 1 was removed (chairman of the board), 1 departed following the transfer of site (Trappes to Bollène), 1 for long-term illness and 15 departed at the end of their fixed term contracts. At Egide USA, 1 employee retired, 10 resigned and 4 completed their fixed-term employment contract.

In 2017, the departure of employees at Egide SA resulted from 1 resignation, 1 parental leave, 5 retirements, the expiration of 39 fixed-term contracts and 1 apprenticeship contract. At Egide USA, 26 employees resigned in the period, 6 contracts expired and 1 fixed-term contract was transformed into a permanent contract. At Santier, there were 2 resignations and one contract expired.

In 2016 and 2017, the dismissal of employees by the Group broke down as follows

Layoffs	Fiscal 2016			Fiscal 2017		
	Permanent contract	Fixed-term contracts	Other	Permanent contract	Fixed-term contracts	Other
Egide SA (France - Trappes)	0	0	0	0	0	0
Egide SA (France - Bollène)	1	0	0	1	0	0
Egide USA (United States)	0	0	0	5	0	0
Santier (United States)	-	-	-	2	0	0
Total	**1**	**0**	**0**	**8**	**0**	**0**

In 2016, the dismissal at Egide SA was linked to an incapacity for the position. There were no redundancies at Egide USA.

In 2017, the dismissal at Egide SA was linked to an incapacity for the position. At Egide USA, measures have been taken to adapt production capacity to the lower level of activity. Redundancy procedures at Santier resulted from the elimination of two positions.

Compensation information and trends, social charges

All employees of Egide SA received monthly compensation on a 12 or 13-month basis. Egide USA and Santier employees are paid every two weeks. No employees of the Group are paid based on output.

Gross payroll and employer's social security contributions paid in 2016 and 2017 by Group companies break down as follows:

	Fiscal 2016		Fiscal 2017	
	Gross	Social charges	Gross	Social charges
Egide SA (France)	€ 4,531,769	€ 1,666,231	€ 5,044,640	€ 1,870,696
Egide USA (United States)	$ 2,692,039	$ 518,530	$ 2,945,863	$ 523,354
Santier (United States)	-	-	$ 3,082,731	$ 555,750

In 2016, the average increase in salary in France was 2.1 %, including a general increase of 1% in accordance with the wage policy agreement concluded between the company and trade union representatives and 1.1 % for other salary increases (changes in grade or function, merit, promotion). No salary increase was granted in the United States in the period. Egide SA had an CICE wage tax credit of €185,753.

In 2017, the average increase in salary in France was 2.60 %, including a general increase of on average 1.75 % in accordance with the wage policy agreement concluded between the company and trade union representatives including 0.85 % for other salary increases (changes in function, promotion). In the United States Egide USA, the average salary increase granted in the period was 3%. At Santier, a general increase of 2% was granted a few months after the subsidiary's integration in the Group. The CICE wage tax credit of €251,172 was recorded after deducting social charges.

Incentive, statutory profit-sharing and employee savings plans

An incentive compensation agreement was concluded on June 17, 2016 between Egide SA and the company's union delegates. This agreement was concluded for a three-year period running from January 1, 2016 to December 31, 2018, replacing the previous incentive compensation plan whose term had expired. This incentive compensation is calculated annually from pretax current operating profit. This amount is allocated equally to all employees of the company with at least three months of seniority and prorated according to the number of hours worked during the year concerned. In light of the current operating loss, no incentive compensation was paid for 2017 as was the case as well for 2016.

Furthermore, all personnel of Egide SA are qualified for statutory profit-sharing determined according to the calculation base provided for by law. In light of the results, no statutory profit-sharing payments were made for 2016 and 2017. A company savings plan does not exist for employees.

At Egide SA and Egide USA, a bonus system exists for key executives. This plan provides for the payment of variable compensation assessed on annual salary if EBITDA for the period exceeds by at least 85% the budgeted amount. For fiscal 2016, no bonus payments were made, as the targets were not met. This was also the case in 2017.

At Santier, only two key managers were concerned by the bonus system in 2017. With the objectives for profitability set by Group management having been met, bonuses totaling US$125,000 were accordingly paid.

b) Work organization

In France, the workweek is five days for 38 1/2 hours. Non-management personnel on an hour per day basis work in reference to a 35-hour workweek to which are added two bonus hours (paid 125%) with an hour and a half break. Non-management personnel on an hourly shift basis work 35 hours per week, to which are added 3 1/2 hours for breaks. Hours for management personnel are annualized.

In the United States, the workweek at Egide USA is 40 hours over 4 days (Monday to Thursday). Non-management personnel benefit from a daily break of one hour (30 minutes for lunch and two 15 minute breaks)) Hours for management personnel are annualized. At Santier, the workweek is 40 hours over 5 days (Monday to Friday). Non-management personnel benefits from a daily break of one hour (30 minutes for lunch and two 15 minute breaks) Hours for management personnel are annualized.

Overtime

In 2016 and 2017 overtime payments broke down as follows:

	Fiscal 2016	Fiscal 2017
Egide SA (France - Trappes)	2,300	1,963
Egide SA (France - Bollène)	11,212	14,467
Egide USA (United States)	2,452	4,692
Santier (United States)	-	6,170
Total (heures)	**15,964**	**27,292**

For information, an overtime hour represents time worked exceeding the 35-hour workweek in France and the 40-hour workweek in the United States. The major share of overtime at Egide SA is linked to two bonus hours included for work weeks of between 35 and 37 hours.

Absenteeism

In 2016 and 2017 hours of absenteeism broke down as follows:

	Fiscal 2016	Fiscal 2017
Egide SA (France - Trappes)	497	509
Egide SA (France - Bollène)	21,716	24,919
Egide USA (United States)	679	2,317
Santier (United States)	-	Non measured
Total (heures)	**22,892**	**27,745**

These absences were mainly due to sick leave (short and long-term) and maternity leaves. 5 employees were on long-term sick leave in 2016 and 4 in 2017 (representing respectively totals of 9,194 and 7,466 hours per year). These hours do not include part-time, as applicable.

Use of temporary personnel

For fiscal 2016, Egide SA had registered under expenses €381 paid to a temporary employment company linked to the move to a new site in Trappes and €6,381 to two service companies that assigned personnel to the company (site security expenses), representing an equivalent of 0.15 % of the annual payroll.

For fiscal 2017, Egide SA registered under expenses €2,388 paid to a temporary employment companies before signing fixed-term contracts with a temporary employee and €7,956 to the service company that had assigned personnel to the company (site security expenses), representing an equivalent of 0.21 % of the annual payroll.

As in 2016, Egide USA did not use temporary personnel in 2017 nor did Santier.

c) Labor relations

Labor relations and collective bargaining agreements

In France, Works Committee elections were organized in 2014. Only a single Works Committee covering the two sites (Bollène and Trappes) was appointed for a four-year term. There is not any Works Committees in other countries.

Excluding formal relations with the Works Committee and labor organizations where they exist, Egide Group promotes direct dialogue between supervising line management and their staff. On that basis, in accordance with needs and current issues, meetings are organized with all or part of the personnel without this being required by a specific structure.

There is only one collective bargaining agreement between Egide SA and its employees which relates to an employee profit-sharing agreement. Concerning the intergenerational hiring agreement, the company refers to the agreement of the metallurgy industry. Reflecting its proactive approach, the company maintained its meetings with employees over 55 years of age.

At Egide SA, two French labor unions (Tricastin SPEA (CFDT) and Force Ouvrière) each have a representative at the Bollène site. There are no labor unions at Egide USA and Santier.

Territorial impact of its activity in terms of employment and general development

Egide SA has established contacts with local offices of the French employment agency. The human resources department also participates in job forums organized by local authorities. The US subsidiary works with similar organizations where they exist and gives preference to local recruitment. The human resources department also contacts engineering schools to present the potential opportunities offered by Egide USA or Santier.

Relations with social partners

Egide SA maintains contacts with organizations promoting social integration (AGEFIPH or *Association pour la GEstion du Fonds d'Insertion Professionnel des Handicapés*) or sheltered work opportunities (ESAT or *Etablissements et Services d'Aide par le Travail*). In addition, in connection with the French apprenticeship tax, the company pays a contribution to training establishments.

Similar arrangements do not exist in the US subsidiaries.

Foreign subsidiaries and their impact on regional development

Egide has two subsidiaries in the United States, one on the West Coast, and the other on the East Coast, each with local employees.

Public service initiatives

With respect to public service initiatives, Egide SA offers employees meal voucher contributions as well as a contribution to a mutual insurance and personal protection plans. In 2017, €150,987 were allocated by the company for meal vouchers (€129,019 in 2016), €66,610 as a partial contribution for the mutual insurance plan €61,305 in 2016) and 59,736 as a partial contribution for the personal protection insurance plan (€51,522 in 2016). Furthermore, the company allocates a budget to the Works Committee amounting to €60,014 for 2017 (53,705 in 2016) or 1.2% of payroll (of which 0.2% was allocated to the operating budget). This budget is redistributed to employees in the form of gift vouchers, outings, meals, etc.

At Egide USA, partial payment for mutual and personal protection insurance represented a cost to the company of US$236,692 in 2017 (US$245,762 in 2016). No equivalent benefit exists at Santier.

Egide USA set up a 401(k) retirement plan for its employees whereby the company covers the total amount of contributions for the first 3% of pay and one half of additional contribution amounts up to 2% of pay (or a maximum contribution by Egide USA of 4%). Its annual cost for the company in 2017 was US$66,198 (US$61,660 in 2016)

Santier also contributes to the retirement plan of its employees (US$401,000) and on that basis incurred and expense of US$89,397 in 2017.

d) Health and safety

Health and safety conditions

The Health, Safety and Working Conditions Committee of Egide SA met twice at Bollène in 2017 (four times in 2016). Despite the absence of a mandatory system of this nature in the United States, both Egide USA and Santier have a similar committee at each of their sites which verify on a quarterly basis a certain number of occupational safety and health indicators.

In 2017, the French company reported 7 work-related accidents involving employees, including 6 resulting in sick leave and 1 without sick leave (compared to 4 in 2016, all involving sick leaves), representing a frequency rate[11] of 19,0 (14.6 in 2016) and a severity rate[12] of 0.32 (0.25 in 2016). For information, 2 commuting accidents were reported by Egide SA in 2017 (compared to none in 2016).

No occupational accidents were reported by the US subsidiary Egide USA in 2017 or 2016. There was one occupational accident without lost time at Santier in 2017.

In 2017, as in 2016, no occupational illness was reported at Egide SA.

Rates and contributions for occupational accidents:

Site	2016 rates	2016 contribution	2017 rates	2017 contribution
Trappes (FR)	0.95 %	9,242 €	0.91 %	8,389 €
Bollène (FR)	1.65 %	57,830 €	2.65 %	108,303 €
Cambridge, MD (USA)	N/A	-	N/A	-
San Diego, CA (USA)	-	-	N/A	-

Egide uses CMR products (carcinogens, mutagens and reprotoxins) in connection with its industrial operations. In France, a Works Committee meets on a quarterly basis to ensure the safe usage of such products and their replacement by non-CMR products. The list of products used and actions taken by this committee are reviewed by the executive committee at their meetings.

In connection with the French law on social dialogue and employment ("Rebsamen Law") of August 17, 2015, Egide SA examined the 10 criteria and concluded that none of them applied to the company (as below the legal thresholds).

Report on agreements concluded relating to occupational health and safety

No specific agreements in group companies have been signed relating to occupational health and safety. Each entity applies local regulations applying in this area (for example Health, Safety and Working Conditions Committee at Egide SA).

In each entity, business vehicle coverage is provided to employees who use their personal vehicle for professional purposes.

e) Training

Training policy

At Egide SA, the different departments communicate their training needs at the beginning of each year. The human resources manager then transmits the requests to the director of human resources who in turn presents a summary at the executive committee meeting. In accord with employee representatives' bodies, discussions on the training plan are included in meetings organized for French annual statutory wage negotiations.

To take into account the economic uncertainties, the trend is to limit whenever possible, the inclusion of external expenditures in the training plan, develop to the extent possible internal training solutions, giving preference to group training over individual training and in consequence, strongly encourage use by employees who so wish, on fixed-term or permanent contracts, of their personal training benefits account (*"Compte Personnel de Formation"*).

No obligations exist with respect to training in the Group's foreign subsidiaries. However, individual requests that may arise are reviewed and handled by local management according to the same principles that apply to Egide SA.

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(11) Frequency rate: number of accidents x 1,000,000 / hours worked
(12) Severity rate: number of lost time days x 1,000 / hours worked

Training hours

Total training hours (internal and external) amounted to 519 for Egide SA (1,700 in 2016) and 112 for Egide USA (96 in 2016) and 500 at Santier. In 2017, total expenditures for outside training for Egide SA amounted to €13,939 (€26,653 in 2016) and for Egide USA to US5,413 (US$5,677 in 2016) and approximately US$25,000 to Santier.

As of January 1, 2015, the French system providing for individual training rights (*Droit Individuel à la Formation or DIF*) was replaced by the so-called Personal Training Account (Compte Personnel de Formation or CPF). On this occasion, management of the system was transferred from the employer to the Caisse des Dépôts et Consignation and personal information relating thereto is henceforth completely private. It is no longer possible to indicate the aggregate amount of hours acquired by employees as with the previous system. These provisions concern only Egide SA.

f) Equal opportunity and non-discrimination

Gender equality in the workplace between men and women

Even though women represent the majority of plant personnel at each of the production sites, there are no positions within the Group that could give rise to unequal treatment between men and women.

Employment and integration of handicapped workers

In 2017, Egide SA employed 15 persons with non-motor-based disabilities at the Bollène site (i.e. equivalent to 11.74 units) and none at the Trappes site (respectively 14 and 0 in 2016 or equivalent to 12.77 and 0 in units). No disabilities were the result of an accident occurring in relation to the company's activities. For information, the statutory obligation (law of February 11, 2005) for 2017 provided for 9 units, as in 2016. On that basis, the French entity had exceeded these requirements.

No similar regulation exists for the Group's US subsidiaries which moreover do not employ any disabled workers.

Information on measures to combat discrimination and promote diversity

In pursuance of the provisions of Article L225-102-1 subsection 5 of the French commercial code as amended by Article 9 of Law No. 2011-672 of June 16 2011, every year Egide SA submits to the Works Committee and employee representatives a single report providing information on measures to combat discrimination and promote diversity (see indicators presented above). Moreover, no discrimination exists with training, professional promotion, working conditions and actual remuneration levels.

g) Compliance with the core conventions of the International Labor Organization (ILO)

Egide, a French company, and its US subsidiaries, respect as a matter of principle the international labor conventions.

26.2 Information on the environmental impact of operations

In accordance with the provisions of article L225-102-1 paragraph 5 of the French commercial code and article R225-105-1 amended by decree No. 2016-1138 of August 19, 2016, selected disclosures relating to environmental impacts of the activity of Egide SA and its subsidiaries held at December 31, 2017 are provided below. Information presented herein was collected from the plant maintenance & security manager and the quality & environment manager for the French entity and from local managers for the US subsidiaries. For information, because Santier was integrated into the Group on February 28, 2017, data for this subsidiary covers a period of 10 months.

a) General environmental policy

Compliance by the company with environmental provisions

The activity of Egide SA is subject to a requirement for an operating authorization issued by the regional authorities (*"Préfecture"*) of Vaucluse. The company is accordingly subject to inspections by a number of regulatory agencies (DREAL, the Water Agency, CARSAT and the APAVE for waste analysis). Egide USA also requires an authorization to operate which is issued by the Maryland Department of the Environment (MDE) and the city of Cambridge in Maryland. It is subject to inspections by MDE and the Environmental Protection Agency. Quarterly waste analysis reports are transmitted to the Department of Works of the city of Cambridge. Santier operates on the basis of a City of San Diego Business License and a County of San Diego Environmental Health Permit.

Internal departments responsible for environmental issues

Executive management, the plant management (Bollene, Cambridge and San Diego) and the Quality Control and Environment department, in consultation with the Health, Safety and Working Conditions Committee for France or the ad hoc committees for the United States, are directly responsible for monitoring environmental impacts of the company's operations. The Group consults, if necessary, with relevant external organizations in the matter.

Environmental certification initiatives

Egide SA's ISO 14001 certification was renewed in November 2017. Although without environmental certification, the Group's US subsidiaries comply with applicable standards in force in the United States and adheres to the provisions of their ISO 9001 certification. For information, Egide SA will not request the renewal of its ISO 14001 after it expires. The Group will nevertheless maintain its efforts in the environmental area at all sites.

Employee training and information initiatives

At Egide SA, training initiatives address environmental issues and are an integral part of the annual training program negotiated with employee representative bodies. This training is provided by the plant maintenance and security manager who was assisted by the quality and environmental manager.

Such training is also provided every year at Egide USA and Santier.

Expenditures incurred for the prevention of environmental impacts

Environmental issues are monitored directly by quality and environmental departments of each Group company. For 2016 and 2017 no specific expenditures were incurred other than those relating to these departments.

Provisions and guarantees for environmental risks

No provisions for costs to be incurred in relation to environmental issues have been established at the Group level.

Environmental penalties paid pursuant to a judicial decision

No environmental penalties were paid by the Group in 2016 and 2017.

Environmental objectives for subsidiaries

Prior to the acquisition of Egide USA at the end of 2000, an environmental audit was performed at Egide's initiative which confirmed that the US subsidiary was in compliance with US laws and regulations. A similar approach was initiated in early 2017 before the creation of Santier to ensure that the new US unit was in full compliance with California regulations. Since then, Egide has ensured that its subsidiaries remain in compliance with applicable current and future standards.

As a general rule, Egide ensures that each Group company applies the environmental standards in force in their respective countries.

b) Pollution and waste management

Discharges in the air, water and ground causing serious environmental impacts

Egide SA, Egide USA and Santier have surface treatment equipment, composed primarily of a manual and semi-automatic plating chains as well as different types of chemical baths. All this equipment is constructed on holding tanks, linked to storage tanks, to prevent any risk of soil pollution in case of accidental overflow or spillage.

Measures for prevention, recycling and eliminating waste

The waste and by-products generated by Egide Group's production units originated mainly from surface treatment activities. When possible, liquid waste is recycled though generally, this waste is removed then disposed of by specialized waste management companies.

Furthermore, measures have been put into place for the collection of certain ordinary or hazardous waste. Accordingly, at Egide SA special containers are available to staff to sort paper, cardboard, wooden pallets, batteries, ink printer cartridges and used neon bulbs for the purposes of their reuse, recycling or destruction. Similarly, even though not subject to the "WEEE" directive on waste electrical and electronic equipment from private households, used computer equipment (PCs, monitors, printers) are collected and sent for destruction through a dedicated channel. At Egide USA, containers intended for recycling aluminum cans, plastic bottles and paper are installed in the company's premises. No specific measure has been adopted at Santier.

Certified for the ISO 14001 standard, indicators are in place at Egide SA to monitor waste. Data is not available for the its US subsidiaries, Egide USA and Santier.

Waste	Unit	Egide SA		Egide USA		Santier	
		2016	2017	2016	2017	2016	2017
Non-hazardous waste	Tons	21.2	17.8	NA	NA	-	35.8
Hazardous waste	Tons	647.9	675.4	11.9	9.3	-	56.7

The difference between levels for hazardous waste between Egide SA, Egide USA and Santier reflects the fact that the first disposes of liquid waste while the second disposes of waste in solid form (resulting from a different internal process for chemical discharges).

As none Group's units have canteens at their premises, they are not able to take measures at this level to combat food waste.

Noise and odor pollution

The surface treatment process may produce odors associated with the activity which are however neutralized by exhaust ventilation systems in the electroplating room. In the case of an accidental shutdown of these systems, measures exists for shutting down the production line and evacuating personnel to safety. Extracted air is filtered by equipment which traps all pollutants before being released to the outside.

Air compressors (compressed air supply system) and air cooling towers (kiln cooling) represent the only sources of external noise disturbances. Noise remains however within the limits imposed by standards in force and does not create any significant disturbances in light of the environment where the Group companies are located (rural area with agricultural fields and industrial buildings for Egide SA, urban commercial and traffic area for Egide USA and an industrial zone for Santier).

There are no internal sound nuisances which may affect employees, other than those relating to operating the machining centers in those units thus equipped. Machine tools generate significant noise levels though comply with regulations in force and are monitored by the occupational physician in France and OHSA (Occupational Health and Safety Authority) in the United States. However, hearing protection gear is made available to Egide personnel.

c) Sustainable use of resources

Water, raw materials and energy consumption

Water consumption for Group operating activities are mainly for cooling the ovens and supplying the electroplating lines. In the interest of reducing expenses and energy efficiency, Egide SA, Egide USA and Santier have put into place a closed loop cooling system for the ovens with the installation of cooling towers. Egide USA has in addition equipment operating on an open loop basis hence with considerably higher water consumption. In the same spirit, surface treatment installations have switched from the current rinsing system to a "static bath" system whereby rinsing baths are changed on a periodic basis in contrast to a continually circulating open-loop system. Certain operations at Egide USA nevertheless continue to use the open-loop system. Santier has a closed loop cooling system for the ovens.

The Group uses high temperature brazing and high temperature sintering furnaces which use significant amounts of energy. These furnaces also consume gas (nitrogen or hydrogen) obtained through regular deliveries of specialized suppliers.

Finally, to test the hermetic sealing of its products, the group uses helium, also provided in bottles from special suppliers.

Information on the consumption of resources is summarized below:

Sources of funds	Unit	Egide SA		Egide USA		Santier	
		2016	2017	2016	2017	2016	2017
Water	m^3	9,514	8,385	68,410	83,302	-	6,700
Electricity	kWh	3,313,562	3,496,421	4,231,200	4,560,000	-	2,178,895
Gas	kWh	1,176,808	1,378,892	3,605,946	2,979,654	-	-
Hydrogen	m^3	15,450	17,324	20,769	30,337	-	17,210
Nitrogen	Kg	837,810	792,005	1,020,091	986,179	-	753,781

Whether with (Egide SA) or without ISO 14001 certification, all Group entities endeavor to limit consumption of these resources in conducting their operations.

Materials used by Egide Group are mainly ASTM F15 (or Kovar™), alumina, precious metals or not. ASTM F15 is an iron, nickel and cobalt alloy entering into the composition of metal products purchased by the Group from machinists, molders or powder suppliers. While Kovar is sometimes sourced by Egide from specialized French or American companies, it is generally supplied directly by its component suppliers. The Group does not have difficulties in procuring these materials, none of which are available in limited supply. The Group also ensures that suppliers comply with international agreements governing the use of conflict minerals.

Soil use

No Group companies use resources originating directly from the soil. The industrial facilities cover an area of 5,700 m² in Bollène, 1,300 m² in Trappes and 5,000 m² in Cambridge, MD and 2,400 m² in San Diego, CA. In 2016 and 2017, none of the sites were expanded.

d) Climate change

Greenhouse gas emissions

No procedure has been adopted to estimate the impact of possible greenhouse gas emissions from the Group production sites.

Adapting to the consequences of climate change

No specific measure has been identified for the purpose of adapting Group sites to climate change.

Group entities use significant amounts of electricity to operate their equipment. For information, in France 75% of electricity is produced from nuclear energy (i.e. no greenhouse gas emissions).

e) Protection of biodiversity

Measures taken to limit environmental damage

Egide SA operates in an industrial zone bordered by a waste collection facility, agricultural fields, a drainage canal parallel to the Rhône and the Tricastin nuclear power plant. Egide USA is located in a commercial urban area off a road with heavy traffic. Santier is located in a business zone off a road with heavy traffic and near an inter-city motorway. The environment of each Group company thus limits adverse impacts on the biological balance, natural habitats, and protected animal or vegetable species. Regarding effluent discharges, Egide SA has decided to store them in and installation built specifically for this purpose to be evacuated and processed on a regular basis by specialized companies. Egide USA recovers pollutants for treatment before discharging the effluents into the municipal networks (after prior pH control). Santier's effluents are stored in tanks emptied on a regular basis for waste treatment. Whenever possible, the Group gives preference to the regeneration of certain used chemical products.

Furthermore, with respect to Egide SA's ISO 14001 certification, a number of measures have been identified and implemented (paper and cardboard recycling, phasing out of the use of flo-pak etc.).

26.3 Information relating to societal commitments in favor of sustainable development

In accordance with the provisions of article L225-102-1 paragraph 5 of the French commercial code and article R225-105-1 amended by decree No. 2016-1138 of August 19, 2016, selected disclosures relating to corporate social responsibility commitments in favor of sustainable development of Egide SA and its subsidiaries included in the consolidation scope at December 31, 2017 are provided below.

a) Territorial, economic and social impact

Employment and regional development

Each Group company gives preference to the local labor force for the recruitment of new staff. Also, regional infrastructure resources are used when available.

Impacts on resident or local populations

The French site is located in an industrial area surrounded by agricultural fields while the US sites are located in a commercial area off the main road in a town environment or in a business zone. By their location, the impact of Group entities on resident or local populations is very limited.

b) Relations with persons or organizations interested by the activity of the company

Conditions of dialogue

All persons interested in the activity of the company may freely contact the different Group units. The relevant contact information is available from Egide website.

Corporate partnerships or sponsorship initiatives

No corporate partnerships or sponsorship initiatives have been implemented by Group companies

c) Subcontracting and suppliers

An ethics clause is included in the charter sent by Egide SA to all suppliers (also available at the website) and acceptance by suppliers of a purchase order constitutes acceptance of the provisions of this clause. With most of the suppliers with whom Egide works from Europe or the United States, the company is overall not subject to a risk of their noncompliance with ILO conventions. With respect to suppliers, particularly in Asia where application of ILO conventions can sometimes be challenged, the existence of the Egide purchasing charter helps ensure that these conventions are better applied. In addition, Egide suppliers are regularly audited by the Group's quality department in order to, in particular, ensure compliance with the purchasing charter.

Egide moreover specifically prohibits using suppliers having recourse to child labor or forced labor. By objecting in order from Egide, the supplier unconditionally undertakes to comply and ensure compliance by its own suppliers of this clause.

Egide SA on occasion uses technical subcontracting for the manufacture of certain packages as it does not have the necessary equipment and/or expertise in-house. The company accordingly incurred expenses in 2017 totaling €525 243 (compared to €447,074 in 2016).

d) Fair practices

Actions taken to prevent corruption

The company relies on procedures in place at each unit to prevent all risks of corruption. Otherwise, no specific measures addressing the subject have been adopted.

Consumer health and safety measures

The company has an exclusively B2B customer base and none of the products sold by the Group are destined for the consumer segment. However, the ultimate purpose of the components manufactured by Egide is to ensure the protection of electronics in all circumstances and in consequence, the company contributes to the safety of end customers (aeronautics, infrared vision, etc.).

With regards to health, Egide applies the laws and regulations in force in each country (for example REACH).

e) Other actions in favor of the human rights

No specific measures in this area have been adopted at Group companies.

26.4 Verification of the CSR report by an independent third-party

In compliance with the statutory provisions set forth by the legal order published on May 13, 2013 determining the conditions in which the independent third party shall perform its engagement to review the CSR report, Egide's audit committee appointed the firm Finexfi for that purpose. Finexfi was granted certification by the French National Accreditation Body (COFRAC) under No. 3-1081.

"To the shareholders:

Pursuant to the request by Egide SA and in our capacity as independents assurance providers accredited by COFRAC under No. 3-1081 (for details on the scope refer to www.cofrac.fr), we hereby present our report on consolidated employment-related environmental and social information presented in the annual report prepared for the period ended December 31, 2017 in accordance with the provisions of article L225-102-1 of the French commercial code.

Responsibility of company management

The Board of Directors is responsible for the preparation of the management report including the consolidated social, environmental and societal information in accordance with the requirements of Article R225-105-1 of the French commercial code (hereafter the "Information"), established according to the company's internal reporting standards (the "Guidelines") and which can be obtained from the Egide's registered office.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession (*Code de Déontologie*) and Article L822-11 of the French commercial code. In addition, we have put into place a quality control system that includes policies and documented procedures for the purpose of ensuring compliance with conduct of business rules, professional standards and applicable laws and regulations.

Responsibility of the independent third-party assurance providers

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

- attest that required disclosures are presented in the management report or, if not presented, whether an appropriate explanation is given in accordance with the third paragraph of Article R225-105 of the French commercial code (Code de Commerce) and Decree no. 2012-557 24 April 2012 (Attestation of Disclosure);
- Provide limited assurance on whether the information is fairly presented in all material respects in accordance with the Guidelines adopted (Limited Assurance Report).

STATEMENT OF DISCLOSURE OF CSR INFORMATION

Our engagement was performed in accordance with professional standards applicable in France:

- We compared the Information presented in the management report with the list as provided for in Article R225-105-1 of the French commercial code;
- We ensured that the Information covers the scope of consolidation, i.e., the company, its subsidiaries as defined by Article L233-1 and the entities it controls as defined by Article L233-3 of the French commercial code;
- In the event of the omission of certain consolidated information, we verified that an appropriate explanation was given in accordance with Decree no. 2012-557 dated 24 April 2012.

On the basis of these procedures, we certify that the management report includes the required Information.

REASONED OPINION ON THE FAIRNESS OF THE CSR INFORMATION

Nature and scope of our work

Our work was carried out over a period of approximately 4 man days between March 29, 2018 and April 27, 2018. We performed our work in accordance with the standards applicable in France, ISAE 3000 (International Standard on Assurance Engagements) and with legal order published on May, 13 2013 determining the conditions in which the independent third party performs its engagement.

We conducted two interviews with persons responsible for preparing CSR information from the departments responsible for collecting information and, where appropriate, those in charge of internal control and risk management procedures in order to:

- Assess the suitability of the guidelines in light of their relevance, completeness, impartiality, comprehensibility, and reliability, taking industry best practices into account when necessary;
- Verify that the Group had set up a process for the collection, compilation, processing and control of the CSR Information to ensure its completeness and consistency. We examined the internal control and risk management procedures relating to the preparation of the CSR Information.

We identified the consolidated information to be tested and determined the nature and scope of the tests, taking into consideration their importance with respect to the employment-related social and environmental consequences related to the Group's business and characteristics, its CSR priorities and best industry practices.

With regard to the CSR Information that we considered to be the most important at the consolidating entity level:

- We have consulted documentary sources and conducted meetings to corroborate qualitative information (organization, policies, actions);
- We implemented analytical procedures for quantitative information and verified, using sampling techniques, calculations as well as the consolidation of data;
- We performed detailed tests based on samples[13], consisting in verifying calculations and reconciling data with supporting evidence and verified their consistency and concordance with the other information in the management report.

For the other CSR consolidated information published, we assessed its consistency based on our knowledge of the Company.

Finally, we also assessed the relevance of explanations given for any information not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes used, based on our professional judgment, allow us to express limited assurance. A higher level of assurance would have required us to carry out more extensive work.

Our work covered more than 50 % of the consolidated value of quantitative indicators for employment-related information and more than 50 % for environmental-related information.

Because of the use of sampling techniques and other limitations intrinsic to the operation of any information and internal control system, we cannot completely rule out the possibility that a material irregularity in CSR information has not been detected.

CONCLUSION

Based on our work described in this report, no material misstatements have come to our attention that might cause us to believe that the Information is not fairly presented, in all material respects, in accordance with the Guidelines.

Lyon, April 30, 2018

FINEXFI - Isabelle Lhoste, partner"

[13] *Companies selected for test purposes: Trappes, Bollène, Egide USA*

27 AGENDA AND DRAFT RESOLUTIONS FOR THE ORDINARY GENERAL MEETING OF JUNE 15, 2018

27.1 Agenda of the ordinary meeting

- Reading of the management report, which includes the report on corporate governance and the report on operations of the period, the separate parent company financial statements and the consolidated financial statements for the period ended December 31, 2017,
- Reading of the auditors' reports on the performance of their engagement, the separate parent company and consolidated financial statements for the year ended December 31, 2017 and agreements provided for by article L225-38 of the French commercial code,
- Special report of the board of directors on stock options,
- Reading of the third-party assurance report on social and environmental data
- Approval of the 2017 separate parent company financial statements,
- 2017 net income appropriation,
- Approval of the 2017 consolidated financial statements,
- Approval of the special report of the board of directors on stock options,
- Approval of executive compensation rules for 2017,
- Approval of the system for executive compensation for 2018,
- Allocation of attendance fees,
- Powers for formalities.

27.2 Ordinary resolutions

RESOLUTION I - Approval of the separate parent company financial statements

The shareholders, acting in accordance with the quorum and majority voting requirements applicable to ordinary general meetings, after considering the reports of the board of directors and the Auditors for the period ended December 31, 2017, approve the annual financial statements as presented and adopted on this date, showing a loss of €1,546,000.00.

The shareholders also approve the transactions reflected in said financial statements or summarized in these reports.

In application of article 223 quater of the French general tax code, they duly note that no expenses or charges covered by 4 of article 39 of said code were incurred for the period under review.

RESOLUTION TWO - Appropriation of earnings

The shareholders, acting in accordance with the quorum and majority voting requirements applicable to ordinary general meetings, on the proposal of the board of directors, decide to allocate the loss for the year of €1,546,000.00 as follows:

- To "Retained earnings" accordingly increasing it to an accumulated deficit of €6,015,559.04.

In compliance with the disclosure requirement provided for by article 243 *bis* of the French General Tax Code, readers are informed that no dividends have been paid out over the last three years.

RESOLUTION THREE – Approval of the consolidated financial statements

The shareholders, acting in accordance with the quorum and majority voting requirements applicable to ordinary general meetings, after considering the reports of the board of directors and the Auditors for the period ended December 31, 2017, approve the consolidated financial statements as presented and adopted on this date, showing a loss of €366,411.55.

The shareholders also approve the transactions reflected in said financial statements or summarized in these reports.

RESOLUTION FOUR - Special report of the board of directors on stock options

The shareholders, acting in accordance with the quorum and majority voting requirements applicable to ordinary general meetings, after considering the report of the Chair of the board of directors on stock options, approve said report.

RESOLUTION FIVE - Approval of executive compensation rules for 2017

The shareholders, acting in accordance with the quorum and majority voting requirements applicable to ordinary general meetings, in accordance with the provisions of articles L225-37-2 and L225-100 II of the French commercial code and after considering the board of directors' report on total compensation and benefits of any nature attributable to the chairman-chief executive officer, approve said compensation paid for fiscal 2017 as presented in the report on corporate governance.

RESOLUTION SIX - Approval of the system for officer compensation for 2018

The shareholders, acting in accordance with the quorum and majority voting requirements applicable to ordinary general meetings, in accordance with the provisions of articles L225-37-2 and article L225-100 II of the French commercial code and after considering the board of directors' report on the principles and criteria for setting, allocating and granting fixed, variable and special compensation making up the total compensation and benefits of any nature granted to the chairman-chief executive officer and the deputy chief executive officer for their respective offices, approve the system of compensation established by the board of directors for 2018 as presented in the report on corporate governance.

RESOLUTION SEVEN - Allocation of attendance fees

The shareholders, acting in accordance with the quorum and majority voting requirements applicable to ordinary general meetings, decide to set the total amount of attendance fees to be allocated among directors for the year in progress at a gross amount of €60,000 (before statutory social security contributions), an amount that would be increased to a gross amount of €7,500 per each director newly appointed by the annual general meeting.

RESOLUTION EIGHT - Powers for formalities

The shareholders grant all powers to the holder of a copy or short-form certificate of these minutes for all disclosure and other formalities required by law.

28 MANAGEMENT REPORT CONCORDANCE TABLE

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