Annual Financial Report 2010

RADIALL
The next conneXion

Annual Financial Report 2010

In accordance with Article 28 of EC Regulation no.8 09/2004 on prospectuses, the following information is incorporated for reference into the present Annual Financial Report:

The consolidated financial statements for the year ended December 31, 2009 and the corresponding Statutory Auditors' reports on pages 60 to 115 and pages 116 to 117, respectively, of the 2009 Annual Financial Report;

The consolidated financial statements for the year ended December 31, 2008 and the corresponding Statutory Auditors' reports on pages 70 to 102 and page 103, respectively, of the Reference Document filed with the AMF on August 7, 2009 under number R.09-070;

Copies of this Annual Financial Report are available free of charge from Radiall's head office at 101 rue Philibert Hoffmann – 93116 Rosny-sous-Bois Cedex, on Radiall's website (www.radiall.com) and on the website of the AMF (www.amf-france.org).

2010: A year of recovery

Dear shareholders,

Following a severe depression in the global connections market throughout 2009, RADIALL experienced renewed growth in 2010. All Group businesses are now on an upward trend on account of the dedication and creativity of RADIALL personnel, to whom I give my sincere thanks.

Our determination and our efforts have always been directed towards delivering innovation and a sustained level of productivity, while preserving product quality and operational excellence. In 2010 and during years when the market environment was at its most uncertain, we have continually chosen to foster close relationships with our customers and to maintain high levels of expenditure on innovation and investment, devoting approximately 8% of our revenue to R&D and around 4% to investments.

Innovation is a keyword at Radiall. It has a lot to do with R&D, naturally, but it also concerns materials, key technologies, industrial processes and know-how.

In an environment which is now more favorable to the connections industry, Radiall is reaping the rewards of this strategy, reinforcing its position as a global expert in high-growth, technology-driven market segments.

Annual revenue, which increased significantly in the second half of 2010, reached €185 million, representing a 15.8% increase over the figure for 2009, and our international markets now account for more than 80% of income.

Revived business activity combined with effective cost management, following the rationalization measures implemented in 2009, enabled Radiall to achieve a profit from continuing operations of €9.7 million. Net profit for the period, reflecting that positive trend, reached €4.9 million.

The balance sheet also recorded a solid financial position, with equity capital in excess of €120 million and available cash amounting to €53.6 million following growth to cash flow from operations and constant improvement to management of our working capital requirement over the last two years. These results are all the more noteworthy since they include the impact of a Public share buyback at the beginning of 2010 amounting to more than €21 million.

The most important thing now is to keep pursuing further business recovery. We move into 2011 with a solid order book, a more favorable outlook for our major projects and a development strategy aimed at growing our market share independently, in partnership or through external growth, in specific sectors, such as the medical sector or in other targeted markets. Geographically, our potential for growth in Asia, and particularly in China, remains high.

Based on this outlook, provided the economic environment remains stable, the RADIALL group should achieve levels of business activity and profitability in 2011 similar to those seen prior to the financial crisis and we can expect the group to consolidate a new dynamic of growth and profitability.

Pierre Gattaz
Chairman of the Executive Board

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I. GENERAL INFORMATION

1. Persons Responsible

1.1 Person Responsible for the Information

Monsieur Pierre Gattaz, Chairman of the Executive Board.

1.2 Statement of the Person Responsible

I certify that, to the best of my knowledge, the financial statements have been drawn up in accordance with the applicable accounting standards and give a fair view of the assets, financial position and earnings of the Company and all the companies included in consolidation, and that the Management Report on [pages 22 to 63 and pages 152 to 154] gives a fair view of the business, earnings and financial position of the Company and all the companies included in consolidation, as well as the main risks and uncertainties that they face.

Signed in Rosny-sous-Bois, April 12, 2011

Pierre Gattaz
Chairman of the Executive Board

2. OVERVIEW OF ACTIVITIES

2.1 Main Activities

2.1.1 The Product Range

2.1.1.1 Coaxial Components

The company designs, manufactures, and sells coaxial interconnection components for connecting electronic equipment.

The components, which are combinations of connectors, leads, or aerials, broadcast data with the least possible distortion inside integrated electronic systems or complex chips, which are fragile and sensitive to harsh thermal, atmospheric, or electromagnetic environments.

2.1.1.2 Multicontact Connectors

The company designs, manufactures, and sells multicontact interconnection components for connecting electronic equipment.
These connectors simultaneously broadcast several, possibly heterogeneous, signals in generally harsh environments. The signals conducted can be electric, electromagnetic, or optical.

2.1.1.3 Optical Components

The company designs, manufactures, and sells solutions that are based on fiber optics and optoelectronic technology.
These components broadcast the signal using fiber optic technology, which is currently undergoing numerous developments.

2.1.2 Key Technologies

The following products have been developed from complex know-how combining several disciplines: material structure and special alloys in particular, chemistry and surface treatment, machining, molding and precision cutting, electronics, optoelectronics, and microwave modeling.

2.1.2.1 Precision Machining

This generic technology includes bar turning, milling, cutting, and various reclaiming methods for metals such as brass, aluminum, stainless steel, and beryllium-coppers.

In particular, the technology is used to manufacture spare parts for coaxial connectors and multicontact connector casings.

Micromechanics is part of the essential know-how of any connector manufacturer and allows it to set itself apart from its less well-equipped competitors.

Surfaces are treated by electroplating (gold, silver, nickel, and bronze alloys) on automated or semi-automated surface treatment lines, depending on the production site.

The Company's great expertise in the surface treatment field and integrating the line into the production flow is a valuable asset for ensuring the connectors are of optimum quality.

2.1.2.2 Foundry

The Company masters the design and development of the foundry molds required for manufacturing the casing for its multicontact connectors. They are outsourced to subcontractors who handle the production, but remain the inalienable property of the Company.

2.1.2.3 Plastic Molding

This technology is used to manufacture thermoplastic, thermoset, or silicone parts and is based on the transformation of granulates.

The technology is mainly used to manufacture connectors for fiber optics and inserts for multicontact connectors.

2.1.2.4 Assembly

This technology is used in the final stage of the manufacture process and can be performed on automatic or semi-automatic machines or manually by qualified personnel.

The level of automation largely depends on the quantities to be produced, the complexity of the products, the cost of labor, and the production location.

2.2 Main Markets

The company designs, develops, and manufactures electronic components for military and aeronautic equipment, wireless telecommunications, and industrial applications.

Due to the activity of its end users, Radiall's markets can be considered cyclic and mainly depend on capital expenditure by major contractors.
The Company's activity is not hugely seasonal.

2.2.1 Military and Aeronautic Equipment

Interconnection components are omnipresent in defense electronics and aeronautics: planes and helicopters, radars, missiles, satellites and launches, submarines, etc.

Military or commercial planes use components such as those manufactured by the Company to link their highly sensitive electronic systems (measuring tools, radiotelephony, etc.).

Military equipment is boosted by the demand of radio telecommunication technologies, yet growth remains subject to public government expenditure policies, which have been curbed recently in light of the economic situation. However, there are still significant opportunities, in particular in emerging countries.
The Space market has seen sustained growth in three applications: telecommunications, observation, and navigation, and also offers opportunities for growth, particularly in emerging countries

Radiall's presence in these markets requires continued and ongoing development of connectors, aiming at the design and manufacture of a smaller and lighter product.

2.2.2 Telecommunications

There are three ways of transmitting data: traditional copper wire, microwave radio relay, and fiber optic. The Company is particularly present in radio relay systems used by cellular telephony.

The connectors manufactured by the Company are used in different types of sub-systems which require interconnection using an optimized connection such as:

- Transmitters and receivers which receive the signal;
- Modulators which transform a continuous signal into 0 and 1 sequences;
- Multiplexers which group, unbundle, and direct communications;
- Dispersion compensators which correct certain defects.

The growth of this market is linked to the ever-increasing demand for high bandwidths, in particular with the development of 3G (UMTS), 4G (LTE) and WIMAX. In fact, the higher the bandwidths, the more the equipment requires high frequencies to move away from wireless and thus requires very reliable connections.

With the relocation, some years ago, of many major manufacturing customers to Asia, this market remains dynamic, even in the more mature countries, but it still features a trend towards a reduced number of connectors in Telecommunications sub-systems.

2.2.3 The Industrial Markets

Complex electronics are increasingly used in industrial applications. The components or functions must be 100% reliable, regardless of the sector in which they are applied: medical applications, automotive telematics, power electronics, oil exploration, rail transport, new energies; all these are applications in which interconnection components are now essential and where new opportunities are continually developing.

2.2.4 Breakdown of Revenue by Market

The following table shows a breakdown of consolidated revenue by market:

(in thousands of euros)	2010	2009	2008
BY MARKET			
Wireless telephony	37,662	33,847	50,609
Military, Aeronautic, Space,	110,123	96,732	111,756
Automotive Telematics	8,839	6,496	7,247
Industrial	28,440	22,721	29,064
Group	**185,064**	**159,796**	**198,676**

2.2.5 Customers

The Company has numerous references in its business segments. The Group's main customers are as follows:

Aeronautics and Military	Telecommunications	Industrial
Thalès (Europe and USA) Labinal (France and USA) EADS (Europe) Harris (USA) Boeing (USA) Rockwell Collins (USA)	Nokia Siemens (Europe and Asia) Motorola (USA and Asia) Ericsson (Europe, Asia, and USA) Alcatel-Lucent (Europe, Asia, and USA) Sanmina (Asia) Foxconn (Asia and USA)	Calearo (Europe) Delphi (USA) Continental (Europe) Aeroflex (USA) Philips (Europe) Rhode & Schwartz (Europe)

In 2010, the Group's 10 top customers, all business segments included, accounted for 36% of the Group's revenue. The Company extended its credit insurance in 2010 to cover the risk of customer credit default. This insurance covers customers invoiced by the European, Chinese, and Hong-Kong subsidiaries, accounting for over 50% of total revenue.

2.2.6 Breakdown of Revenue by Geographic Zone

The following table shows a breakdown of the consolidated revenue by geographic zone:

	2010		2009		2008	
	(in thousands of euros)	%	(in thousands of euros)	%	(in thousands of euros)	%
France	36,718	19.8	35,241	22.0	44,854	22.6
European Union (excluding France)	44,167	23.9	37,813	23.7	47,747	24.0
Americas	57,200	30.9	47,172	29.5	59,910	30.2
Asia and the Rest of the world	46,979	25.4	39,570	24.8	46,165	23.2
Total	**185,064**	100	**159,796**	100	**198,676**	100.0

The breakdown of operating income by geographic zone is shown in section II - Consolidated Financial Statements, note 4.2.

2.3 Competitive Position

Name	Country	Markets	2010 revenue*	Listing	Capitalization Dec. 2010
Main competitors					
Huber & Suhner	Switzerland	Total	CHF 776 M	Zürich	CHF 1309 M
Amphenol	USA	Aeronautics and Military	USD 3554 M	NYSE	USD 9325 M
Rosenberger	Germany	Telecommunications and Industrial	Unavailable	Not listed	N/A
AMP (subsidiary of Tyco Electronics)	USA	Total	USD 9976 M	NYSE	USD 14544 M
Other competitors					
Souriau	France	Aeronautics and Military	Unavailable	Not listed	N/A
Cie Deutsch (subsidiary of Wendel Investissement)	France	Aeronautics and Military	EUR 423 M	Paris	NS

** Source: Company press release.*

The companies included in the "Other competitors" category differ from the main competitors in that they only compete with a very small part of Radiall's revenue.

The Company presents an image of a high quality, high-tech company within this competitive universe, as a result of its experience in defense electronics and the space industries, both of which are very demanding (qualifications, regular audits, etc.). It is positioned among the market leaders.

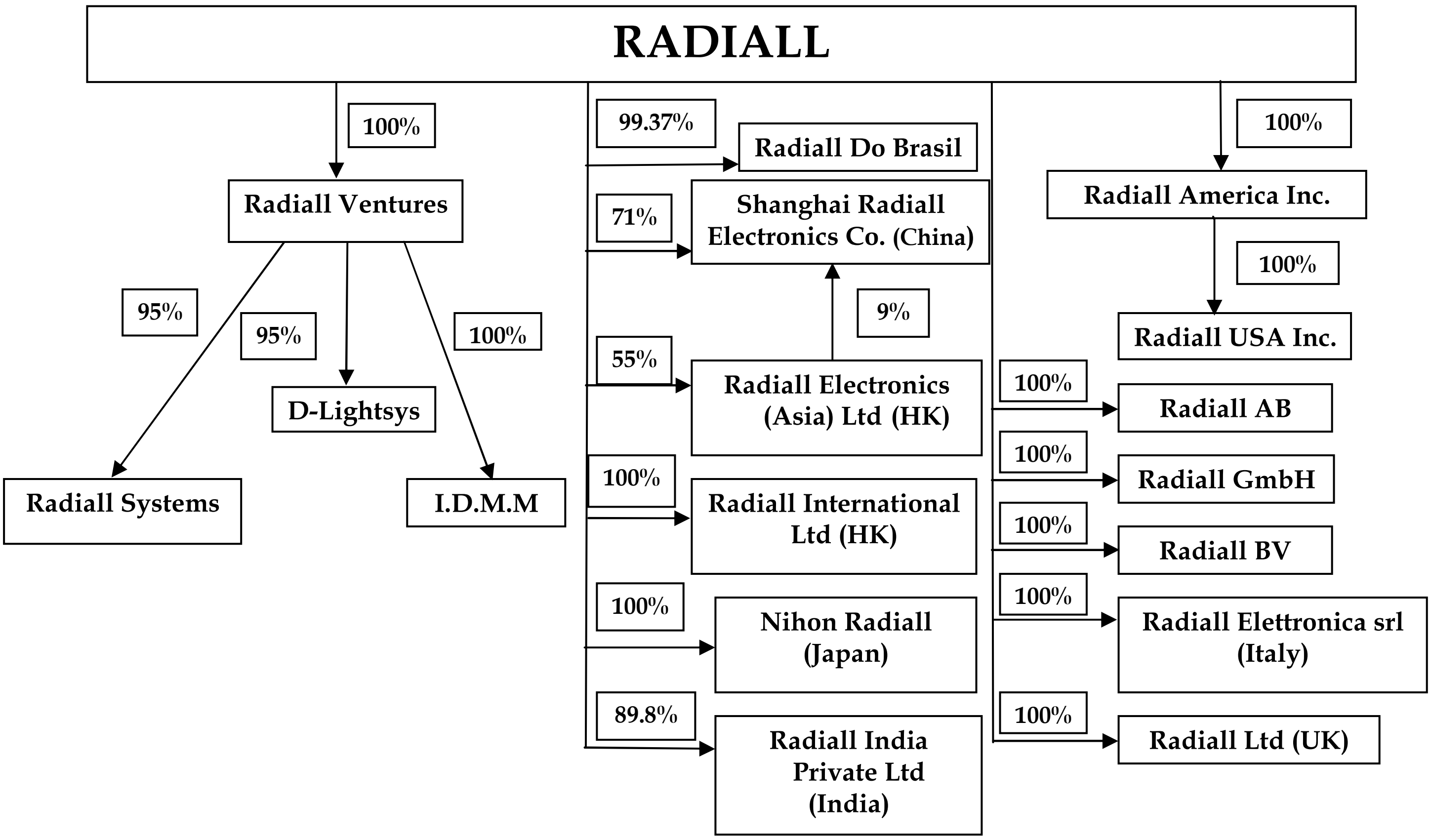
The Company is not dependent upon any patents, licenses, industrial or financial contracts, or commercial contracts with its customers (see paragraph 1.2.5).

3. ORGANIZATION CHART

3.1 Group Organization Chart

The diagram below shows the organization chart for the Company's subsidiaries as at December 31, 2010.

During 2010, a legal restructuring took place, effective retroactively from January 1, 2010, via the merger of Radiall Ventures Capital with IDFI, involving the universal transfer of assets from the former to the latter and the simultaneous formation of Radiall Ventures SAS.



The Company designs, develops and manufactures a full range of connectors and electronic interconnection components: multicontact and coaxial connectors to link electronic equipment, interconnection solutions based on fiber optics and optoelectronic technology, antenna, and microwave components.

The Company also provides services to its subsidiaries, including: finance, accounting, legal, tax and IT services, as well as organization management in general.

In order to pursue its activity, the Company relies on its subsidiaries throughout the world, as represented in the previous organization chart, which include either sales offices and/or factories. For more details, please refer to paragraph 2.2 below.

Details regarding the holding status of the subsidiaries are provided in section II - Consolidated Financial Statements, paragraph 2.

3.2 The Company's Subsidiaries

As at December 31, 2010, the Company holds the following interests:

EUROPE

France (head office, sales offices, and factories)

- 100% of capital in Radiall Ventures, a simplified joint stock company with capital of €975 000 with registered office at Rosny-sous-Bois (93110) – 101 rue Philibert Hoffmann, entered in the Bobigny Trade and Companies Register under number 431 847 599, which was acquired on January 9, 2007.

The business purpose of Radiall Ventures is to take and manage financial interests in share portfolios, company interests, bonds, investment certificates, and securities in general, and to provide accounting, administrative, and IT services or business management and organization consultancy services. Radiall Ventures, in turn, holds 100% of capital in:

- Industries Doloises, known by its abbreviation "IDMM," a simplified joint stock company with capital of €560,000, with head office at Dôle (39100) – 13 rue Henri Jeanrenaud – ZA des Grandes Epenottes, and entered in the Dôle Trade and Companies Register under number 395 061 815.

Radiall Ventures also holds:

- 95% of Radiall Systems, a simplified joint stock company with capital of €37,000, with head office at 101 rue Philibert Hoffmann, 93116 Rosny-sous-Bois cedex, entered in the Bobigny Trade and Companies Register under number 478 152 879.
- 95% of the capital of D-Lightsys, a simplified joint stock company with capital of €438,000, with registered office at 101 rue Philibert Hoffmann, 93116 Rosny-sous-Bois cedex, entered in the Bobigny Trade and Companies Register under number 444 645 899.

Two of the companies held by Radiall Ventures, Radiall Systems SAS and D-Lightsys SAS, are engaged in the research and development of new products for the Radiall Group.

The Netherlands (sales office)

- 100% of the capital of Radiall BV, a Dutch company with a capital of €15,882.31, with head office at Hogebrinkenkerweg 15 b – 3871 KM Hoevelaken. This company has a Radiall Finland branch office with head office at Lentokatu 2 – FIN – 90460 Oulunsalo.

United Kingdom (sales office)

- 100% of the capital of Radiall Ltd, an English company with capital of £2,233,850, with head office at Ground Floor, 6 The Grand Union Office Park – Packet Boat Lane – Uxbridge, Middlesex UB82GH, Great Britain and registered under number 317 22 33 (England and Wales).

Italy (sales office)

- 100% of Radiall Elettronica srl, an Italian public limited liability company with capital of €257,400 and head office at Via Concordia n° 5 – 20 090 Assago, Italy.

Germany (sales office)

- 100% of Radiall GmbH, a German company with capital of €485,727.29, with head office at Carl – Zeiss – Strasse 10 – D-63322 Rödermark, Germany.

Sweden (sales office)

- 100% of Radiall AB, a Swedish company with capital of SEK 300,000 and with head office at Sjoangsvagen Box 6061 – 19106 Sollentuna, Sweden, and registered under number 556238-6051.

AMERICAS

USA (sales offices and factories)

- 100% of Radiall America Inc., a company registered in Delaware state with capital of USD 15,500,000 and with head office at 6825 West Galveston Street, Suite 11, Chandler, Arizona 85226, USA. Radiall America Inc. holds:
- 100% of Radiall USA (previously Radiall Jerrik), a company registered in the state of Arizona with capital of USD 22,427,086 and with head office at 6825 West Galveston Street, Suite 11, Chandler, Arizona 85226, USA; Radiall Applied Engineering Products Inc. having been merged into Radial USA Inc. on June 1, 2009.

Brazil (sales office)

- 100% of Radiall Do Brasil, a Brazilian limited company with capital of R$ 638,000 and head office at Largo do Machado 54 – CEP: 22221-020 – Sala 706 – Catete 20021-060 – Rio de Janeiro – Brazil and registered under number CNPJ no. 31.642150/0001-22.

ASIA

China (sales offices and factory)

- 71% of Shanghai Radiall Electronics Co. Ltd, a Chinese joint venture with capital of USD 10,200,000 and head office at 390 Yong He Road, – Shanghai 20072 – China. 20% of the company's capital is held by the Feilo company and 9% by Radiall Asia.

Hong Kong (sales offices)

- 100% of Radiall International Ltd, a Hong Kong company with capital of HKD 10,000 and head office at Workshop D on 6/F Ford Glory Plaza, Nos. 37-39 Wing Hong Street – Kowloon and registered under number 679070.
- 55% of Radiall International Ltd, a Hong Kong company with capital of HKD 300,000 and head office at Workshop D on 6/F Ford Glory Plaza, Nos. 37-39 Wing Hong Street – Kowloon. Mr. Charles Wu holds the remaining share capital.

Radiall Asia Ltd. also holds a 9% interest in the capital of Shanghai Radiall Electronics Co. Ltd.

India (sales offices and factory)

- 90% of Radiall India Private Ltd. (previously Radiall Protectron Private Ltd.), an Indian company with capital of RS 23,636,360 and with head office at 25 (d) II Phase, Peenya Industrial Area – 560058 Bangalore, India and registered under number 310394/3344. The remaining share capital is held by the Bhandari family.

Japan (sales office)

- 100% of Nihon Radiall KK, a Japanese company with capital of YEN 44,500,000, and with head office at Kohgetsu Building 4F, Room n° 405 – 1 – 5 – 2 Ebisu Shibuya-ku – Tokyo, Japan and registered under number 0110 – 0 – 046762.

4. REAL ESTATE, FACTORIES AND EQUIPMENT

4.1 Significant Property, Plant, and Equipment

The Company owns sales offices and factories throughout Europe and has production sites in France, North and South America, and Asia in particular, including the United States, Mexico, India, and China. All of the sites are shown below.

The European subsidiaries (excluding France) are all sales offices. In other countries, in addition to the sales offices, there are also production sites, in particular in France, the United States, Mexico, India, and China. All of the sites are in use. Surfaces which are not used as offices are used for production.

The Company's main business premises are located at:

Address	Use	Surface area	Status	Comments
101 rue Philibert Hoffmann 93116 Rosny-sous-Bois cedex - France	Head office and sales office	5,700 m²	Commercial lease dated December 27, 2004 for a term of nine years, beginning on January 1, 2005	433 m² sublet to a company under a commercial lease from January 1, 2005. Termination of lease dated: September 30, 2010.
Neuville-sur-Brenne and Château-Renault (Indre et Loire) - France	Factory	Neuville: 2,010 m² Château-Renault: 8,420 m²	Real estate lease agreement dated June 13, 2001 for a term of 10 years	
642 rue Emile Romanet – 38340 Voreppe - France	Factory - storage	1,340 m²	Commercial lease dated September 1, 2009 for a term of nine years	
641 rue Romanet – 38340 Voreppe - France	Factory	3,560 m²	Owned	
641 rue Romanet – 38340 Voreppe - France	Factory	2,290 m²	Real estate lease agreement dated December 31, 2010 for a term of 12 years	

Address	Use	Surface area	Status	Comments
81 boulevard Denfert-Rochereau 38500 Voiron – France	Factory	8,000 m²	Owned	
15, rue de la Garenne ZI Chesnes Tharabie 38295 Saint-Quentin-Fallavier – France	Factory and storage	6,492 m²	Owned	
13 rue Henri Jeanrenaud 39100 Dôle - France	Factory and sales office	6,900 m²	Rental agreement with option to purchase dated February 20, 2008 for a term of 15 years, beginning on January 1, 2008	
390 Hong He Road - Shanghai - China	Factory and sales office	4,700 m²	Rental agreement for a term of 30 years beginning on July 1, 1996.	
25 (D), II Phase, Peenya Industrial Area, Bangalore 560 058, India	Factory and sales office	3,500 m²	Lease agreement dated July 25, 2000 for a term of three years, beginning on August 1, 2000 and renewable for successive periods of three years.	
90 and 104 John W. Murphy Drive, New Haven, Connecticut, USA	Factory and sales office	plot of 2.86 ha (approximately 28,571 m²) and premises of 65,066 square feet (approximately 8000 m²)	Owned	
Ciudad Obregon, Sonora, Mexico, reporting to Radiall USA Inc.	Factory	12,546 m²	Lease agreement dated November 1, 2006 and rider of March 1, 2007, for a term of 10 years renewable.	Comprising three buildings, one of which was completed in June 2008 with a surface area of 3,785 m²

The following tables present the headcount, including temporary staff and service providers, per site:

Site [(1)]	**Group headcount 2010 including temporary staff and service providers (average 2010)**
Château –Renault (France)	334
Isle-d'Abeau (France)	242
Voiron (France)	86
Voreppe et Moirans (France)	360
Dôle (France)	143
Limoges (France)	4
Rosny (France)	72
New Haven (USA)	221
Chandler (USA)	42
Bangalore (India)	197
Shanghai (China)	341
Obregon (Mexico)	221
Other	**68**
GROUP	**2 331**

(1) The Château-Renault, Isle d'Abeau, Voiron, and Voreppe sites report to Radiall SA, Dôle to IDMM, Limoges to Radiall Systems, New Haven and Chandler to Radiall USA Inc. The Bangalore site reports to the Radiall India Private Limited subsidiary and the Shanghai site to Shanghai Radiall Electronics Co, Ltd.

The average annual temporary staff represents 542 people.

The factories listed above are not used for any specialized production.

With regard to the factory capacity and their utilization rate, this information varies significantly from one site to the other and is not constant from one month to the next. Radiall's current production capacity is able to handle up to a 20% increase in activity. Beyond this, with the exception of the Obregon industrial site, which has significant reserve capacity as it awaits the start of large-scale aeronautic programs, the Company would need to increase sub-contracting or extend the existing industrial sites or create new ones.

5. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

5.1 Research and Development

Radiall is committed to sustained Research and Development whether in terms of the development of new products or the use of new materials. This R&D is performed in three ways: either as part of research projects which are 30 to 50% financed by sponsoring bodies, or through Radiall's design departments in cooperation with their customers, or by developing or improving certain components used to manufacture Radiall connectors. The sponsoring bodies who partly finance these projects are either OSEO ANVAR or the French Department for competition in industry and services, depending on the project concerned.

The R&D strategy is geared towards satisfying requirements for new technologies (WIMAX, 3G+, 4G, etc.), customers' demands (reducing the product size, reducing the weight of connectors, etc.) or improving Radiall's expertise in terms of materials (aluminum, composite, etc.).

The expenses incurred are presented in the following table:

(in thousands of euros)	**2010**	**2009**	**2008**
Research and Development costs*	15,605	14,955	14,936
% of revenue	8.4%	9.4%	7.5%

**Amounts before research tax credits.*

The sustained level of research expenditure in 2010 shows the Company's commitment to maintaining a high level of Research and Development given its strategic importance to the Group's future competitiveness.

In general, the Company does not capitalize its Research and Development expenditure. However, two aeronautical development projects have been capitalized (€344,000 in 2005). These will be amortized based on the quantities produced to reflect the project's economic reality as precisely as possible. The information from the customer concerning estimated deliveries spans a 15-year period. This complies with IAS 38 paragraph 97.

IAS 38 paragraph 128b), encourages the description of intangible assets that are not recognized because they do not meet the criteria. Further precise detail is not provided mainly due to the very large number of small projects with a very small individual value. Very detailed information would overload the notes and summarized information would not provide any particular value.

Radiall's development costs are almost always incurred in response to customer demand and may be classified into two categories:

- small projects that often only need a few days' research. This work is generally linked to a customer's specific order. In this respect, any evaluation of the commercial prospects and of the existence of a specific market for the development is difficult if not impossible. Moreover, the individual sums involved are relatively insignificant;

- larger projects (amount fixed internally at €150,000 or more). These projects are subject to a quarterly technical, financial, and commercial review to evaluate the project's capital value pursuant to the IAS 38 criteria. In most cases, the majority of the expenditure is incurred before all the IAS 38 criteria have been satisfied. In general, the two main criteria that are satisfied too late are either reasonable assurance that technical feasibility will be achieved or that the future economic prospects will generate future economic advantages.

These projects are funded by global cash flow from operations at Group level and possibly also by subsidies or public funds.

The R&D sums shown in the above table represent these costs before the application of Research Tax Credits, which the Company benefits from in France. In 2010, the total amount of Research Tax Credit for Radial SA, Radial Systems, and D-Lightsys amounted to €1,074,000. In 2009, Research Tax Credits amounted to €1,089,000.

5.2 Intellectual Property

5.2.1 Patents

The Company holds 263 patents, divided among 76 groups, 9 of which were the subject of applications for registration in 2010. These patents are generally filed and registered in specific European countries and in the United States, China and Japan. In particular, they cover the following fields:

- Optics;
- Microwave components;
- Switching;
- Antenna;
- Multicontacts;
- Coaxial components

Given the constant evolution of Radiall's products, the 20-year statutory protection period is broadly sufficient to ensure that the Company does not become dependent on them.

However, the life cycle of Radiall's products is much shorter than the protection period offered by the patents.

5.2.2 Trademarks

The Company has registered the Radiall trademark in 46 countries, including the majority of countries within the European Economic Area, the United States, and certain countries in South America, Asia, and Africa. In addition to the Radiall trademark, the Company has also registered the following trademarks: QLF Quick Lock Formula, Quick Lock Formula, QLF (logo), Radiall Systems, LuxCis, R2CT, SMP-Max, etc., in most European Economic Area countries and in the United States, Canada, and China.

The company also uses the AEP trademark, mainly in the United States, following the acquisition of the company of the same name in 2007.

6. FINANCIAL MANAGEMENT REPORT

The Executive Board of the Radiall Group, which met on April 12, 2011, chaired by Mr. Pierre Gattaz, examined the consolidated financial statements for 2010, which were audited by the Statutory Auditors.

Key Figures

(in thousands of euros)	2010	2009	*Change 2010 – 2009*
Revenue	185,064	159,796	*15.8%*
Profit from Continuing Operations	9,654	(3,884)	*ns*
Current operating margin	5.2%	(2.4%)	
Other operating income and expenses	(296)	(7,602)	*(96.1%)*
Operating income	9,358	(11,486)	*n.s.*
Cost of net borrowing	(1,845)	(1,272)	*45.1%*
Other financial income and expenses	10	(68)	*n.s.*
Income tax	(2,659)	(397)	*569.0%*
Net profit (loss)	4,864	(13,224)	*n.s.*
Net margin	2.6%	(8.3%)	
Cash flow from operating activities	15,855	23,011	*(41.3%)*
Equity capital (including Minority Interests)	120,527	134,640	*(10.5%)*
Net financial borrowings	(6,166)	(20,968)	*(70.6%)*

6.1 2010 Characterized by Recovery

The Group's consolidated revenue amounted to €185,064,000 in 2010 compared to €159,796,000 in 2009, representing an increase, indicated in published data, of 15.8%.

At comparable consolidation scope and exchange rates, activity increased by 12.6%. Although figures did not reach the levels seen in 2008, revenue in 2010 reflects a net recovery of business due to a much more promising global economic environment for the Connections Industry than that seen in 2009, but also attributable to excellent performance by Radiall in its respective markets.

Over the year, all Group sectors have progressed. The Automotive, Aeronautics and Industrial sectors recorded the most significant growth over the period, while Military and Space business showed the least progress.

In the Automotive sector, the success of our product range combined with a promising market benefiting from government incentives, enabled Radiall to achieve good growth, although this market represents a relatively small portion of Radiall's revenue.

In Aeronautics, the cyclical downturn anticipated at the end of 2009 did not materialize and 2010 was a year of strong recovery with large aircraft manufacturers operating at an accelerated pace in a market driven by air traffic growth, particularly in Asia, and the appeal of new and more fuel-efficient aircraft.

In Telecoms, Radiall profited from the recovery by gaining market share with its prime contractors and extended its range, particularly with more leads and innovative FTTA connectors.
(*Fiber to the antenna*).

The Military sector, highly sensitive to the American budget given its size, budgetary restrictions and geopolitical events, experienced a decline in activity although good growth was observed in the Space sector.

At a geographic level, all sales regions saw business growth. The American region recorded the strongest growth, due in particular to an excellent performance in the aeronautics sector, followed by Asia and the Rest of the World, then Europe excluding France, and finally France which recorded more moderate growth.

Revenue outside France represented more than 80% of total revenue.

Revenue by geographic zone and market is as follows:

(in thousands of euros)	**2010**	**2009**
BY MARKET		
Wireless telephony	37,662	33,847
Military, Aeronautics, Space	110,123	96,732
Automotive telematics	8,839	6,496
Industrial	28,440	22,721
BY GEOGRAPHIC ZONE		
France	36,718	35,241
European Union (excluding France)	44,167	37,813
Americas	57,200	47,172
Asia and Rest of the World	46,979	39,570
TOTAL GROUP	**185,064**	**159,796**

The Executive Board states that Radiall's main activity is the design, development, and manufacture of electronic components for use in wireless communications, automotive telematics, and military and aeronautic equipment. The Group considers that these products represent a single activity in the sense of IFRS 8.

6.2 Strong Recovery from the 2nd Quarter

Quarterly sales over the last two years are as follows:

(in thousands of euros)	**2010**	**2009**	***Change 2010 - 2009***
1st quarter	41,365	45,144	*(8.4)%*
2nd quarter	47,041	40,838	*15.2%*
3rd quarter	48,661	36,859	*31.7%*
4th quarter	47,997	36,955	*29.7%*
Year total	185,064	159,796	*15.8%*

Although sales in the 1st quarter of 2010 had declined by 8.4% in comparison with the first quarter of 2009, the figures reveal the first signs of recovery with sales growth of 11.9% when compared against the 4th quarter of 2009. Thereafter, the recovery becomes more apparent with revenue close to €47 million in each of the subsequent three quarters.

6.3 Profitability of Continuing Operations

On the basis of this increased business activity and the measures taken in 2009 enabling rationalization of fixed costs, Radiall achieved a profit from continuing operations of €9,654,000 (5.2% of revenue) against a loss in 2009 of €3,884,000 (-2.4% of revenue).

The €13.5 million increase to profit from continuing operations is mainly explained by revenue growth and an improved gross margin, with external expenditure and payroll costs increasing significantly less in relation to revenue than in 2009.

Following recognition of non-current expenditure of €296,000, operating profit reached €9,358,000.

6.4 Non-Current Expenses and Provisions

During 2010, non-current expenditure recorded was associated with outstanding costs related to the public share buyback operation and the BSAAR (redeemable equity warrants) issue performed in February 2010, and with the revaluation of commitments related to the 2009 workforce adjustment plan, incorporating the French pension reforms of 2010.

(in thousands of euros)	**2010**	**2009**
Non-current personnel expenses and provisions	149	2,873
Expenses and provisions for tangible fixed assets	0	1,530
Expenses and provisions for intangible fixed assets	0	2,389
Other expenses and provisions for non-current expenditure	147	810
Total	**296**	**7,602**

6.5 Headcount

CHANGE IN HEADCOUNTS	December 31, 2010	December 31, 2009	*Change 2009 - 2008*
France	**1,335**	1,182,	*153*
Europe (excluding France)	**40**	41	*-1*
North America	**514**	399	*115*
Asia	**513**	588	*-75*
Total	**2,402**	**2,210**	***192***

** Includes temporary staff and service providers in Mexico*

As a consequence of business growth, the headcount rose by 8.7% in 2010, mainly in France and North America. The increased headcount mainly involves temporary staff, while the total number of fixed-term and indefinite contracts went down by 2.5%, or 46 persons.

In order to prepare for the Group's future growth, research and development expenditure remained high at €15.6 million, representing 8.4% of revenue, and was concentrated on technological innovation required to support customers, the standardization of new applications and development of the product range.

6.6 Net Profit (loss) 2010

After charging an expense of €1,845,000 for cost of net financial borrowings, a profit of €10,000 for other income and expenses, and an income tax expense of €2,659,000, the Group recorded a net profit for 2010 of €4,864,000 (+2.6% of revenue) against a net loss of €13,224,000 in 2009.

6.7 Financing Capacity and Cash Flow Generation

Against a backdrop of growth and profits, financing capacity has risen to €18.5 million in 2010 against €3.5 million in 2009.

Despite growth in business activity, the working capital requirement decreased by €1.4 million during the year, due to successful continuous improvement programs involving stock rotation and trade receivables, and also attributable to the reintroduction of supplier credit terms as a consequence of larger volume stock purchases.

After taking into account the change in working capital requirement in addition to tax and interest expense, cash flow generated by the business in 2010 amounts to €15.9 million.

Industrial investments, which amounted to €15.8 million in 2008 and €5.8 million in 2009, reached €8.2 million in 2010, or 4.4% of revenue. This expenditure mainly involves investments associated with customer projects, or improvement of industrial capacity in preparation for the future.

In 2010, this amount includes investment in a leasing operation on a new building of 2,152 m^2 (net surface area) at the Voreppe site, amounting to €2.1 million, in the second half of the year. This building was commissioned in December 2010 as part of the transfer of business from the Voiron site (Isère) to Voreppe.

From January 29 to February 18, 2010, following a public share buyback operation and other subsequent share buyback programs, the Company proceeded to buy back its own stock for a total amount of €21.8 million.

Taking into account these buyback operations and the above-referenced leasing operation, cash flow expenditure related to financing operations amounts to a total of €22.8 million for the year.

In spite of these financing operations and because of cash flow generated by business activities, the negative change to cash flow during for the year was limited to €12.7 million, bringing net cash to €53.6 million at the end of 2010 compared with €66.3 million at the end of 2009 and €54.2 million at the end of 2008.

Long-term financial borrowings increased from €43,788,000 as at December 31, 2009 to €46,156,000 as at December 31, 2010.

In 2010, the Company pursued a policy of partial foreign exchange hedging to cover itself against the risk of devaluation of foreign exchange assets, in particular dollars (USD).

After allocation of the 2010 income, equity amounts to €120,527,000.

6.8 Statutory results

Revenue for 2010 grew by 25%, amounting to €122,513,000, of which just over half is related to inter-company flows.

Operating income recorded a profit of €1,574,000 compared with a loss of €11,819,000 in 2009.

Financial income for 2010 reached €861,000 compared with €2,816,000 in 2009, the decline resulting from lower dividends and fewer financial products than in 2009. A net profit of €2,305,000 was recorded for the period, compared with a loss of €11,271,000 in 2009.

At December 31, 2010, equity amounted to €83,670,000 and net cash declined from €54,663,000 to €39,933,000.

KEY FIGURES (in thousands of euros)	**December 2008**	**December 2009**	**December 2010**	***Change 2010 / 2009***
Revenue	**127,302**	**97,996**	**122,513**	***25.0%***
Operating profit/(loss)	(1,946)	(11,819)	1,574	*n.s.*
Operating margin	(1.5)%	(12.1)%	1.3%	
Net financial income	5,494	2,817	861	*(69.4)%*
Current income	3,548	(9,002)	2,435	*n.s.*
Non-recurring income	744	(3,044)	98	*n.s.*
Income tax	824	775	(228)	*n.s.*
Net profit (loss)	**5,116**	**(11,271)**	**2,305**	***n.s.***
Equity capital	119,460	104,824	83,670	*(20.2)%*
Net cash	42,829	54,663	39,933	*(27)%*

** Cash + Investment securities + Treasury shares – Current bank overdrafts.*

6.9 Bond issue

On July 18, 2007, the Radiall Group issued Bonds with Redeemable Equity Warrants (OBSAAR) which were the subject of an operating note dated June 18, 2007, approved by the AMF under no. 07-199 and detailed in the Management Report for the year ended December 31, 2007. It should be noted that this bond issue amounts to €39,478,000 and is repayable in 2012.

6.10 Post Balance Sheet Elements

The Group specifies that no significant post balance sheet events have taken place subsequent to closure of the annual accounts at December 31, 2010 and prior to the date of the Supervisory Board's meeting to approve said annual accounts.

6.11 Outlook for 2011

In the context of the business recovery seen in 2010, the Group progresses into 2011 with a pleasing outlook for most sectors and a development strategy aimed at expanding market share.
Our strategy in the future will seek to consolidate and accelerate the development of our business, alone, in partnership or through external growth, in specific targeted sectors.

Geographically, our potential in Asia and particularly in China, remains high since the full range of components and technology that we are able to offer are not yet present in those regions.

In 2011, the Group aims to reach levels of sales and profits close to those we achieved before the 2009 financial crisis. This outlook is conditional upon the continued stability of the current economic environment, Euro/USD exchange rates and prices of raw materials.

6.12 Main Risk Factors and Hedging

Radiall is a diversified international group operating in multiple sectors.

The main risks listed are as follows:

6.12.1 Impairment of Assets

This risk mainly concerns three items on the statement of financial position: fixed assets, inventories and trade receivables.

In terms of fixed assets, the risk relates to impairment due to under-use of the machine or the equipment being unsuitable. To reduce this risk, and in accordance with IFRS requirements, there is a systematic annual review of any indications of impairment in factories and any possible adjustments are recorded.
For inventories, slow rotations and obsolete equipment are reviewed on a quarterly basis. A provision is made for the difference in relation to the market price or the risk of scrappage, if necessary.

Finally, the customer portfolio is rigorously monitored by the Credit Management department and, for the majority of European and Asian entities, credit insurance has been underwritten with a reputable insurer. Moreover, all of the Radiall Group's sites are covered by a multi-risk industrial insurance policy covering against accidental destruction of production resources.

6.12.2 Operating Losses

As well as insuring the Group against serious incidents (fire, flooding, etc.), the insurance policy also covers operating losses.

Operating losses also include exchange rate risk on commercial transactions. Radiall, which generates approximately 55% of its revenue outside the Euro zone, has a selective hedge policy to cover Euro/Dollar flows, taking into account the high cost of premiums and the risks of fluctuations in dollar encashments. As at the end of 2010, the Group has on its books several Euro/Dollar options contracts exercisable in 2011 for a total of $12.2 million.

Finally, Radiall has underwritten insurance policies to cover the consequences of any incident in which its civil liability is incurred due to the actions of its employees or faults caused by its products. These policies cover all situations where the financial consequences of the loss could not be met by the Group.

6.12.3 Strategic Error or Losing Strategy

From 2005 and continuing in 2007, this last major risk was the subject of a coordinated project involving all members of the Management Committee. This project lead the parties present to validate the Group's strategic policies and put in place sensors for their deployment.

The conclusions drawn by the project team required a review given the new economic environment and economic crisis in evidence since the end of 2008. It was not possible to draw conclusions from the strategic study in 2010 or to evaluate the consequences for business operations; consequently, the Company aims to perform these tasks in 2011 by conducting an updated risk analysis.

6.13 Information on Payment Terms for Suppliers

The payment terms for suppliers are generally 45 days from the end of the month.

Pursuant to Article D. 441-4 of the Commercial Code, the schedule for French supplier invoices as at December 31, 2010 comprises amounts payable in less than 30 days totaling €6.8 million and amounts payable between 30 and 45 days totaling €1.5 million.

6.14 Technological Report, Research and Development

(in thousands of euros)	**2010**	2009	2008
Research and development costs*	15,605	14,955	14,936
% of revenue	8.4%	9.4%	7.5%

** Gross expenditure before Research Tax Credits and excluding subsidies.*

During 2010, Radiall has sustained a high level of Research and Development expenditure in order to prepare for its future development and sustain its capacity for innovation.

In financial terms, the parent company, as well as the two French subsidiaries, Radiall Systems and D-Lightsys, recorded a Research Tax Credit, based on eligible projects, amounting to €1,074,000.

6.15 Shareholders' Handbook

Change in shares

(in euros)	Highest	Lowest	Latest	Net profit per share (Group)*
2005 *	70.40	53.05	69.75	4.82
2006	105.00	68.05	98.20	8.68
2007	115.99	90.00	91.00	5.87
2008	91.45	35.05	47.00	3.56
2009	48.50	34.01	43.10	- 6.40
2010	**80.10**	**60.49**	**71.50**	**2.24**

** Net profit per share in accordance with IFRS.*

Main features of share buyback operations carried out in 2010

On January 6, 2010 the Supervisory Board decided to buy back 545,450 Radiall shares from its shareholders (approximately 25% of its share capital) as part of (i) a share buyback offering with a view to canceling the shares purchased, in application of the provisions of Articles L. 225-204 and L. 25-207 of the Commercial Code, and (ii) a simplified buyback offering carried out as part of the share buyback program, in application of Article L. 225-209 of the Commercial Code, approved by the Combined General Shareholders' Meeting of May 27, 2009.

The conditions of the offering filed on January 11, 2010 with the AMF and open from January 29 to February 18, 2010, were as follows:

- share buyback for 545,450 Radiall shares at €63 per share;
- a simplified tender offer on all of the 225,582 Radiall share subscription or purchase warrants at a price of €4.90 for each BSAAR class A and €1.75 for each BSAAR class B

On completion of the operation, 333,607 shares were contributed, that is 15.29% of the Company's equity. From February 26, 2010, combined family holdings retain 88.72% of the Company's capital. In addition, RADIALL acquired 31,306 BSAAR and 32,670 BSAAR class B warrants, as part of the public offer, that is, more than 90% of BSAAR warrants held by the public.

On February 26, 2010, the AMF published the Offer results:

- 247,564 RADIALL shares were contributed as part of the public share buyback;
- 86,043 RADIALL shares were contributed as part of the simplified tender offer;
- 26,150 BSAAR class A and 27,564 BSAAR class B were contributed as part of the simplified tender offer for BSAAR warrants.

It is appropriate to note that the Company also acquired the following securities on the market:

- 5,156 BSAAR class A and 5,106 BSAAR class B,
- 1,076 BSAAR class A and 1,076 BSAAR class B as part of the share buyback program.

Consequently, upon completion of these acquisitions, excluding the buyback program and liquidity agreement concerning the shares, the Company held:

- 333,607 RADIALL shares
- 32,382 BSAAR class A and 33,746 BSAAR class B

The Executive Board meeting of March 10, 2010 took note of the public offer results and decided to cancel the shares and BSAAR class A and B warrants bought back.

On completion of these operations, and following cancellation of the bought back securities, the Company's equity comprised 1,848,124 shares, distributed as follows:

- Combined family holdings: 1,601,947 shares, that is, 86.68% of shares and 93.34% of voting rights;
- Treasury stock: 38,335 shares, that is, 2.07% of shares;
- Public and others: 207,842 shares, that is, 11.25% of shares and 6.66% of voting rights;

Capital Structure

	Dec 31, 2010		Dec 31, 2009	
	% shares	% voting rights	% shares	% voting rights
Société d'Investissement Radiall *	32.6	35.4	27.6	32.1
Hodiall *	51.4	55.6	43.5	50.4
Pierre Gattaz	2.7	2.9	2.2	2.6
Public and others **	13.3	6.1	26.6	14.9

* *Holdings grouping together the interests of the Gattaz family in Radiall. These holdings, as well as members of the Gattaz family, declare that they act jointly (Notice no. 95-3290 published by SBF - Bourse de Paris dated November 17, 1995)*

As at December 31, 2010, Radiall held 6,436 shares, i.e. 0.35% of the capital and 30,826 registered shares, i.e. 1.7%.

Stock Option Plans as at December 31, 2010

There was no stock option plan in operation during the 2010 year.

Stock Options Granted to the 10 Leading Non-Corporate Officer Employees and Options Exercised by the Latter

No options were granted during the year by the issuer or any company included in the scope of allocation of options.

Likewise, no option held by the issuer and the previously mentioned companies was exercised during 2010.

Stock options exercised during the year by each Corporate Officer.

No Corporate Officer exercised any stock options during 2010.

Share Transactions by Executives

In accordance with the provisions of article 223-26 of the AMF Regulations and the provisions of Article 225-100 of the Commercial Code, the Executive Board states that during 2010, as part of the RADIALL public share buyback operation of February 2010, Mr. Pierre Gattaz, Chairman of the Executive Board, has sold 7,858 BSAAR class A and 7,858 BSAAR class B warrants to RADIALL SA, at the public offer price.

Dividends Distributed During the Last Five Years (in euros)

Year	Number of shares	Net dividend *(in euros)*
2005	2,217,960	0.92
2006	2,218,160	1.12
2007	2,230,477	1.30
2008	2,181,947	0.95
2009	1,848,124	0.75

For information purposes, the share capital was converted into euros, without reference to a nominal value.

Proposal to the Ordinary General Shareholders' Meeting for 2010

The Executive Board proposed to the Ordinary General Shareholders' Meeting the distribution of a dividend of €0.85 per share and to allocate the company's profit as follows:

Retained earnings brought forward	€434,268.96
- Profit for the period	€2,305,434.42

Retained earnings carried forward	
Allocation of income:	€2,739,703.38
General Reserve brought forward	€43,306,617.45
- Dividends	€1,570,905.40
at €0.85 per share	------------------------------------
General reserve after distribution	€41,735,712.05

The dividends will be paid out on June 3, 2011.

Delegation of Powers to the Executive Board for Capital Increases are in Progress

The Shareholders' Meeting of June 8, 2010 granted power to the Executive Board, by delegation, to perform one or more capital increases, for a duration of 12 months counting from the date of this meeting.

7. CORPORATE GOVERNANCE AND INTERNAL CONTROL

➢ **Introduction: Statutory Duties**

Pursuant to Article L. 225-68 of the Commercial Code, in the present report, the Chairman of the Supervisory Board details the conditions for preparing and organizing the Board's work and the control procedures currently in force or which are in the process of being introduced within your company.
Moreover, following the publication of the Middlenext corporate governance code for small and medium-sized companies in December 2009, the Company has decided to comply with this code.

This report was compiled using the IT systems managed by the Finance Department, the Internal Audit Department, and all internal policies and procedures.

7.1 Preparation and Organization of the Supervisory Board's Work - Corporate Governance

7.1.1 Administrative and Management Bodies of Radiall SA

Radiall SA is a public limited liability company having opted for a two-tier form of management with a Supervisory Board and an Executive Board.

The Supervisory Board permanently monitors the management of the Company by the Executive Board and grants prior authorization for operations by the Executive Board requiring said authorization.

The Executive Board has the widest powers with respect to third parties to act in the Company's name in all circumstances, subject to the powers expressly reserved, by law, for the Supervisory Board and Shareholders' Meetings.

The limits on the powers of the Executive Board established in Article 18 of the Bylaws surpass the statutory limitations. This Article states that all purchases, exchanges, and sales of businesses or property, the formation of companies, or any contribution to companies that have already been formed or to be formed, as well as any acquisition of interests in said companies must have prior authorization from the Supervisory Board. These limitations are invalid against third parties.

Moreover, in its meeting on March 27, 2007, the Supervisory Board fixed the amounts below which its prior authorization would not be required to create sureties.
The Supervisory Board has Internal Rules which provide for the use of communication means such as videoconferencing. The Internal Rules were modified following studies performed by the working group during 2006. The updated Internal Rules were presented during the meeting of the Supervisory Board on March 27, 2007, which ratified all modifications proposed.
The Executive Board, like the Supervisory Board, meets at least once a quarter and presents a quarterly business report to the Supervisory Board in accordance with the statutory requirements.

Given the size of the company, the Supervisory Board and the Executive Board do not have any special committees.

Composition and Functioning of the Administrative Bodies

- **Supervisory Board**

The Supervisory Board comprises five (5) members, two (2) of which are independent.

The Company has taken note of the entry into force of Law no. 2011-103 of January 27, 2011, regarding balanced representation of men and women on Boards of Directors and Supervisory Boards and regarding professional equality in general, pursuant to which, in companies whose shares are traded on a regulated market, the proportion of Directors or of Supervisory Board members of either sex may not be less than 20% on completion of the first Ordinary General Shareholders' Meeting subsequent to January 1, 2014.

At the present time, the Supervisory Board of Radiall has one female member, Roselyne Gattaz, out of a total of five members; consequently, the 20% proportion has been attained.

The members of the Supervisory Board are convened to meetings by the Chairman or his agent by any means appropriate, including verbally.

The Board met five times in 2010.

On average, meetings are attended by two thirds of members.

"Majority" Members:	Mr. Yvon Gattaz, Chairman Ms. Roselyne Gattaz, Member Mr. Bruno Gattaz, Vice Chairman
Independent Members:	Mr. Marc Ventre, Member Mr. Didier Lombard, Member

Mr. Marc Ventre was appointed on December 7, 2010.
Mr. Robert Papin withdrew from Board membership on December 7, 2010.

Directors satisfying the definition and criteria in the Middlenext corporate governance code for small and medium sized enterprises of December 2010 are considered independent.

Information on the members of the Supervisory Board and the list of their offices are provided in the 2010 Management Report.

Content of the Supervisory Board Meetings:

The Supervisory Board's main areas of intervention in 2010 were:

- Review of the financial statements and approval of the Management Report
- Changes to the members of the Supervisory Board
- Compensation of the Chairman of the Supervisory Board
- Discussion of the Executive Board's quarterly business reports
- Review of the regulated agreements
- Approval of the stock option plan report
- Changes in the Group's structure and interests
- Reduction in share capital within the scope of the share buyback program
- Discussion on internal control procedures
- External growth or disinvestment projects
- Discussion on the granting of a subsidy to a subsidiary
- Modifications to the Articles of Association concerning the conditions for holding meetings of the Executive Board and Supervisory Board
- Authorizations granted to the Executive Board to create sureties and guarantee subsidiaries' commitments
- Authorization of cash flow agreements or the provision of services within the Group
- Investment authorization
- Authorization of funding for investment in a Leasing Agreement
- Authorization of disposal of plots of land
- Establishment of price for public transactions on company securities

- **Executive Board**

The Executive Board comprises the following two (2) members:

- Mr. Pierre Gattaz, Chairman;
- Mr. Guy de Royer, Member and Group Financial Director.

Information on the members of the Executive Board and the list of their offices are provided in the 2010 Management Report.

The Executive Board is convened by the Chairman or two of its members. The Executive Board met seven (7) times in 2010. All members were present at meetings.

Content of the Meetings of the Executive Board:

The Executive Board's main areas of intervention in 2010 were:

- Establishing the quarterly business report,
- Establishing the financial statements, interim documents, and the Management Report,
- Convening the General Shareholders' Meeting,
- Discussing the stock option plans, purchase of shares, and allotment of free shares,

- Issuing the stock option plan report,
- Issuing the list of regulated agreements,
- Modifications to the bylaws concerning the conditions for holding meetings of the Executive Board and Supervisory Board,
- Reduction in share capital within the scope of the share buyback program,
- External growth or disinvestment projects,
- Request for authorization from Supervisory Board to create sureties and to guarantee subsidiaries' commitments,
- Investment authorization,
- Authorization of funding for investment in a Leasing Agreement,
- Authorization of disposal of plots of land,
- Establishment of price for public transactions on company securities,

- **Operational Departments Committee**

The Executive Board relies heavily on the Operational Departments Committee (ODC) to define and deploy the Group's strategy and to manage the company. The ODC, which comprises all members of the Executive Board, meets once a fortnight.

Composition of the ODC as at December 31, 2010

- Mr. Pierre Gattaz, Chairman of the Executive Board,
- Mr. Denis Aubourg, Director of Sales,
- Mr. Dominique Buttin, Director of the Aeronautic, Defense & Instrumentation Division,
- Mr. Eric Charlery, Director Asia Zone,
- M. André Hartmann, Director of Human Resources and Support Services,
- Mr. Frédéric Perrot, Director of the Telecom, Automotive & Industrial Division,
- Mr. Guy de Royer, Member of the Executive Board and Group Financial Director.

6.16 Internal Control Procedures

In accordance with the commitments made to the AMF during 2008, Radiall chose to use the Reference Framework for internal control published in 2006 by a Working Group, sponsored by the AMF. This framework is currently being set up by the Group.

7.2.1. Definition of Internal Control and Purpose of the Report

The internal control defined and implemented at Radiall is a device that aims to ensure:

- compliance with laws and regulations,
- application of the policies and guidelines fixed by the Executive Board and the Operational Departments Committee,
- proper functioning of internal processes, in particular those which safeguard assets,
- reliability of financial information.

And to contribute to the control of activities, the efficacy of operations, and the efficient use of Company resources in general.

One of the objectives of the internal control system is to prevent and control risks from the company's activities and the risks of errors or fraud, in particular in the accounting and financial fields.

Like any control system, it cannot provide a foolproof guarantee that these risks are completely eliminated.

- *Purpose of the report*

This report describes the internal control and risk management policies in place within the Radial Group, which includes the parent company and the consolidated companies.

6.16.1 Organization of Internal Control

7.2.2.1 Radiall's Values and Charter

The values of integrity, ethics, exemplarity, and skills have been major preoccupations of the Group for many years, driven by the Chairman of the Supervisory Board, who was one of the founders of the ETHIC movement (Human-sized Industrial and Commercial Company).

Radiall's charter focuses on three goals:
- Customer satisfaction, in order to exist,
- Personal fulfillment of human resources, in order to build,
- Prosperity for the company, in order to last.

And seven values:

- Ethics: acting with integrity and respecting our commitments,
- Excellence: being the best in our business,
- Anticipation: preventing risks and planning change,
- Financial discipline: defending a key freedom - financial independence,
- Innovation: advancing with new ideas,
- Adaptability: knowing how to evolve to win,
- Globalization: adapting to international demands.

The Radiall Charter, which can be accessed on the Group's Internet and intranet sites, is included in the Internal Rules displayed on all of the Group's sites and is communicated to all new employees during the *Magellan* induction seminar or in the welcome handbook. This Charter is supplemented by the NICT Charter (New Information and Communication Technologies), which informs employees of their rights and obligations and aims to raise awareness of IT security issues.

There are also "Manager Guidelines in France," which describe the main values expected of Managers and serve as a basis for annual progress reviews.

6.16.1.1 Those Responsible for Internal Control

The ODC is responsible for internal control and meets every two weeks.

Radiall is also subject to numerous external controls by certain customers, particularly in the military, aeronautic, space, automotive, and telecommunications sectors. These audits cover technical and financial matters and certain aspects of risk control.

At Group level, internal control is coordinated by the operational and functional departments whose duties are as follows:

- **The Finance Department**

It groups together the following functional activities:

- ***Accounting:*** *prepares Radiall SA's financial statements, tax statements, and consolidated financial statements.*

- ***Management Control:*** *prepares a monthly management report and ensures the reliability of financial information. It is the guarantor of the budget process. It has competence and authority within a dual divisional/geographic organization.*

- ***Internal Audit:*** *the internal auditor helps implement the provisions of the LSF (French Financial Security Law) and performs any audits throughout the Group requested by General Management. A new Internal Audit Charter was established and an Audit Schedule is presented annually to the Supervisory Board, meeting as the Audit Committee.*

- ***Treasury Department:*** *balances financial flows and manages the investment of the parent company's surpluses (in risk free capital supports). It is also responsible for hedging the Group's foreign exchange risk.*

- ***Legal Department:*** *acts as the Legal Secretariat of Radiall SA, advises the operational departments on drawing up and respecting contractual commitments, and manages litigations. It also manages and optimizes the Group's insurance program. It keeps abreast of changes in French, European, and international law, and provides permanent legal watch. It also ensures that the Company respects its obligations as a listed company and in particular in terms of legislation, following the transposition of European directives into French law.*

- ***Credit Management:*** *collects Radiall's debts, monitors the credit insurance cover for the Group's entities, and handles pre-litigation matters.*

- ***Insurance:*** *develops and implements a comprehensive worldwide insurance policy to cover all insurable risks.*

- ***Financial Communication:*** *publishes press releases and all financial information in compliance with existing legislation. It manages dealings with the AMF, EURONEXT, and financial analysts.*

These activities are performed internally or subcontracted to the HODIALL company, the Radiall Group's holding management company, with which it has a service provision agreement.

- **The Information Systems Department**

It defines the general policy for IT systems in terms of the technical infrastructure and software used.

It is responsible for the operation of the central systems and manages user access, as well as helping develop new applications. It is also responsible for the security of the Group's IT network.

- **The Human Resources Department**

It is involved in human resources policy and, in particular, the definition of the payment policy and changes to the Group's headcount.

- **Group Quality Department**

The Radiall Group has developed a total quality strategy through different certifications (in particular ISO 9001 and 14000, EN/AS9100, and ISO TS16949); the Group Quality Department is responsible for setting up, monitoring, and implementing this strategy in all the Group's subsidiaries.

7.2.2.3. The Parent Company's Legal and Operational Control Over its Subsidiaries

This control is assured by effective presence at all Board of Directors' meetings held in accordance with the local rules in each country.

Subsidiaries have relatively broad managerial autonomy to achieve their budgetary objectives. But they are obliged to observe Group procedures (recruitment, investments, etc.). In addition, certain key functions remain tightly controlled by head office (see 'Those responsible for internal control').

There was no significant change in the Company's legal and operational control over its subsidiaries in 2010.

7.3 Risk Management

7.3.1 General Policy

➢ *Defining and Implementing Strategy*

The Radiall Group has developed a risk management policy to achieve its targets concerning performance, optimization of operations, compliance with laws and regulations in force, and customer satisfaction. The Group has continued its policy of balancing its portfolio of business activities.

The company's strategy and priority targets have been defined by the ODC and set out in a five-year plan.

7.3.2 Risk Assessment

➢ *Mapping Major Risks*

In 2004, the Internal Audit Department mapped the major risks, with the three main risks being analyzed in the management report (operating losses, impairment of asset value, and strategic error or losing strategy). It compiled a list of the major generic and specific risks in the Company's sector, also indicating their nature: industrial, strategic, human, and financial. It held interviews with members of Management, asking them to assess the major risks based on a predefined scale in terms of impact, frequency, effect on the Group's income, headcount, and assets, and to weigh up these risks in order to identify the main ones. The risks were then listed in hierarchical order and analyzed by the ODC. Further reviews and analyses are planned for 2011 to update the hierarchy of major risks and to set up appropriate action plans and designate persons responsible for each risk.

➢ *Mapping Operational Risks*

Radiall did not carry out any audit related to operational risk in 2010. Certain risks will be looked at when the major risk analysis planned for 2011 is performed.

7.3.3. Key Elements of the Company's Internal Control System

- *Budgeting Process*

The budgeting process is one of the pillars of Radiall's internal control system, since it involves all of the Group's functions and key personnel. It analyzes risks per activity and sets the performance targets to be achieved. Staff targets are also set based on budgetary assumptions.

Summaries of budgeting sessions enable the Group's product/customer/market and industrial and research and development policies to be established, as well as investment plans and areas for development.

The budget is prepared monthly for the Group's monthly reporting purposes.

- *Delegation of Signing Authority*

Radiall SA and its main subsidiaries all have a formalized delegation system supervised by the Executive Board and applies in particular to purchase and investment commitments, recruitment, the signing of commercial contracts, bank transactions, and all ISO processes (production, quality, commercial, etc.).

An automated workflow system is accessible on the intranet to increase efficiency and control of the delegation process for investment and recruitment.

During 2009 and 2010, existing bank delegations were reviewed and modified for most Group entities with the support of the Internal Auditor.

During 2009, and with a view to increasing the efficiency and control of operational management, general guidelines for the delegation of authority for management were distributed, as well as a Customer Credit procedure. In 2010, a system of individual delegation of authority was set up for key functions, based on these general guidelines. The system will be implemented in 2011.

- *Assessment of the Quality Management System (QMS)*

One of the key aspects of operational internal control is documentation and ensuring that line operators are familiar with it. A knowledge database is updated and available on the intranet. The Group's policy of training internal quality auditors means that internal and external audits are regularly performed to ensure the control of the procedures and efficiency of the processes.

The QMS is assessed each year by the Group's entities to ensure that it is relevant, adequate, and that it is able to achieve the targets set.

7.3.4. Prevention Tools

➢ *IT Systems Infrastructure*

At the heart of the Group's IT system is an ERP, currently available on the market, which centrally links most of the Group's entities. This software is installed on a single central computer hosted by a reputable external service provider ensuring continuous access and the necessary backups.

The Group prefers centralized management of accesses to different operating systems. Security measures are in place to control the use of email, the ERP, and all shared servers in general. An ERP backup plan is tested annually.

➢ *The Group's Insurance Policy*

Radiall is generally concerned with limiting its financial risks. Radiall has therefore set up a coverage policy transferring risks which the Group would not be able to support to insurance companies or to banks.

The Group has underwritten worldwide insurance policies for property damage (including operating losses), civil liability (both general and for products) and damage during transport. The Group has also underwritten specific cover for customer risk, the risk of gradual or accidental pollution in sensitive areas, aeronautical risks, and certain risks relating to certain categories of personnel.

Finally, the Group regularly uses forward or options contracts to cover part of its foreign `exchange risk.

7.3.5 Internal Control of Preparation of the Parent Company's Financial and Accounting Information

7.3.5.1 Organization of Accounting

This is structured around a Central Accounts Department based at Head Office and factory accounts departments. Their work is overseen by the Accounts Director whose main duty is to ensure compliance with accounting standards (IFRS in particular) in force within the Group.

Central accounting is managed by a Head Accountant, who is responsible for the following tasks: trade receivables, trade payables, cash flow, pay, consolidation and reconciliation of inter-company flows, general accounts, tax returns and relations with the authorities.

The factory accounts departments mainly deal with supplier invoices (goods, services, and fixed assets). They report to the Central Accounts Department.

In the main, the principle of the separation of functions (recording/payment) is respected.

7.3.5.2 Organization of Accounting and Financial IT systems

Accounting is an integral part of the ERP and is based on one single chart of accounts which is used for the entire Group. All general accounting entries relating to income statements and certain balance sheets are linked to analytic entries to establish the monthly management report.

At January 1, 2011, Radiall Shanghai, a subsidiary selected as a pilot for the Group, successfully launched the SAP financial accounting module. In 2011, Group auditors will assess the performance and integrity of this new information system.

7.3.5.3 Procedures for Consolidating the Financial Statements:

The financial statements are consolidated using software that is widely available on the market and which runs on a client/server. An employee responsible for the consolidation reports directly to the Head Accountant. These employees receive regular training on regulatory changes and the functions of the IT tool.

Radiall performs four consolidations a year on March 31, June 30, September 30, and December 31 of each year. Each company in the Group receives a detailed consolidation schedule to plan and shorten lead times.

Before being integrated and checked in the consolidation software, the entities enter their standard document into a standardized spreadsheet, which has a consistency verification control, thus guaranteeing the quality of the data supplied. A critical review is performed and the consolidation department can check that the documents are consistent with local figures by remotely accessing the subsidiaries' ERP accounting systems.

The reliability of reporting data has been improved and the time required for closing the accounts shortened as a result of the updating of the statutory consolidation and management processes, as well as the roll out of multidimensional consolidation software in 2007. The performance and efficiency of this new tool were assessed internally at the end of 2008. The report on this audit highlighted areas for improvement concerning the security and traceability of data and said improvements were the subject of action plans in 2009.

7.3.5.4 Monitoring Provisions

At least twice a year, for accounts closing on June 30 and December 31, General Management and the Finance Department review all provisions recorded on the different companies' statements of financial position.

These provisions are adjusted based on the available information and relevant estimates made while constantly respecting the principle of prudence.

7.3.5.5 Relations with the Statutory Auditors

The separate and consolidated financial statements are subject to a full audit to December 31 and a limited review to June 30. Preparation, progress, and recap meetings are regularly held with the two audit firms.

To improve efficiency, one of the Statutory Auditors is also the local auditor for the main subsidiaries.

The Group uses the network of one of the Statutory Auditors for its international audit requirements in particular.

An audit plan is discussed annually with the Statutory Auditors. This helps direct certain work in special risk areas.

7.3.6 Compensation of Executives - Corporate Officers

The Company considers that the recommendations of the MIDDLENEXT corporate governance code for small and medium sized enterprises on the compensation of executive corporate officers of listed companies are in line with its corporate governance policy.

A large number of the recommendations have therefore already been implemented within the Group.

The compensation of executives is fixed based on the market benchmarks within the sector in which we operate.

2011 ACTION PLANS

The Radiall Supervisory Board, concerned with permanently improving the Group's internal control, communicated its recommendations to the Executive Board for the 2011 year.

The recommendations focus on the following actions:

- Finalize the new accounting procedures for recording industrial cost of sales and for assessing intercompany transfer prices, with a view to establishing uniform procedures between the different Group sites.

- Continued review of the delegation of banking and operational authorities and their written formalization for the Group's main directors.

- Update the Group's hierarchy of major risks and confirm the corresponding managerial responsibilities, thereby ensuring that these risks are monitored and anticipated.

- Analyze the situation and location of intellectual property (patents in particular) with the aim of optimizing their protection and management.

Signed in Rosny-sous-Bois, April 12, 2011

Yvon Gattaz
Chairman of the Supervisory Board

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8. STATUTORY AUDITORS' REPORT ON INTERNAL CONTROL

Pursuant to Article L. 225-235 of the Commercial Code, on the report of the Chairman of the Supervisory Board of Radiall SA

Year ended December 31, 2010

In our capacity as RADIALL SA's Statutory Auditors, and under the provisions of Article L. 225-325 of the Commercial Code, we are presenting you with our report on the Chairman of the Supervisory Board's report on your Company pursuant to Article L. 225-68 of the Commercial Code for the year ended December 31, 2010.

The Chairman must compile a report on the internal control and risk management procedures existing in the Company and provide the other information required by Article L.225-68 on corporate governance. This report must be submitted to the Supervisory Board for its approval.

We are responsible for:

- informing you of any comments we have on the information contained in the Chairman's report concerning the internal control procedures relating to the preparation and processing of accounting and financial information, and
- certifying that the report includes the other information required by Article L. 225-68 of the Commercial Code although we are not responsible for verifying the accuracy of this other information.

We have performed our work in accordance with the professional standards applicable in France.

Information on the Internal Control Procedures relating to the Preparation and Processing of Accounting and Financial Information

Professional standards require that we perform our audit in order to assess the truthfulness of the information provided in the Chairman of the Supervisory Board's report on internal control procedures used in the preparation and processing of accounting and financial information. This audit involves:

- examining the internal control procedures used in preparing and processing the accounting and financial information underlying the information presented in the Chairman's report and existing documentation;
- examining the work which enabled this information and existing documentation to be compiled;
- deciding whether the major deficiencies in the internal control relating to the preparation and processing of accounting and financial information we identified during our audit were appropriately reported in the Chairman's report.

On the basis of our audit we have no observations to make on the information provided on the Company's internal control procedures relating to preparing and processing the accounting and financial information presented in the Chairman of the Supervisory Board's report established under the provisions of Article L. 225-68 of the Commercial Code.

We certify that the Chairman of the Supervisory Board's report includes the other information required by Article L. 225-68 of the Commercial Code.

Signed in Paris and Courbevoie, May 6, 2011

The Statutory Auditors

FIDUS	FRANCIS BERNARD
MAZARS	SIMON BEILLEVAIRE

9. ENVIRONMENTAL MANAGEMENT REPORT

9.1 Introduction

Article 116 of Law no. 2001-420 of May 15, 2001 on the New Economic Regulations (NRE) introduces the obligation for French companies listed on a regulated market to describe “how the Company takes the social and environmental impact of its business activity into account,” in its annual report. The environmental information that must be mentioned has been set out in several decrees.

The requirements set out in the “Grenelle 2” Environmental Law of July 12, 2010, will require that greenhouse gas emissions be quantified more comprehensively in the years to come as well as requiring the provision of data on Sustainable Development.

This Environment Report is based on the business activity in RADIALL’s industrial sites.

It is compiled from 2010 data on:

- Environmental impacts of the business activities,
- Measures taken to limit these impacts,
- Prevention of emergencies,
- Targets for subsidiaries.

9.2 Impacts

9.2.1 – Consumption of Resources in France

The consumption of water, raw materials, and energy on RADIALL’s five French industrial sites is negligible. This is due to the type of business activity performed on those sites.

9.2.2 - Water

Water consumed for industrial use reached approximately 9,775 m^3 during the period, representing an increase compared with the previous year, due to more vigorous business activity. 3,400 m^3 of artesian water is drawn from a single source.

The water is mainly used for surface treatment at the Voreppe site, tribofinishing at the Voiron and Dôle sites, and washing at the Dôle site.

Efficient cooling systems are in place to eliminate open circuits.

9.2.3 - Energy

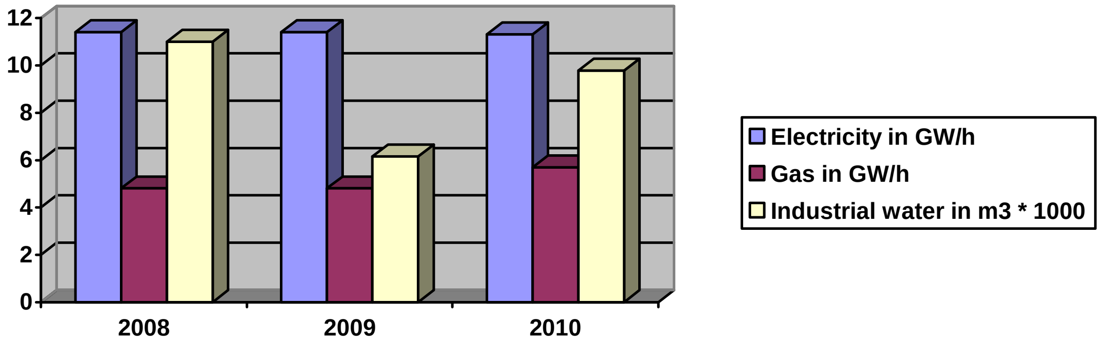
Energy consumption totaled 17 GWh including 5.7 GWh of gas for heating and 11.3 GWh for electricity. These consumption levels have remained virtually stable in comparison with previous years, the limited increase being associated with weather conditions.

Renewable energies are not yet taken into account on the different industrial sites.

9.2.4 – Raw Materials

The main raw materials used on the sites are copper alloys, plastics, and teflons. The sites also use numerous chemical products, such as solvents, oils and metals used to cover finished products. Chemical products are stored in containment tanks and personnel receive regular training on handling them correctly.

The Voreppe site has a safety adviser to provide guidance on transportation of dangerous materials; the adviser drafts an annual report which is submitted to site management.



9.2.5 – Use of Land

Land use is restricted to buildings and car parks. The land is not used for material waste deposits, sludge spreading or waste water disposal.

Containment tanks have been fitted under the factory machinery at Voiron.

Oil separators were installed when the parking areas were built in accordance with the applicable legislation.

No internal or external pollution has been recorded on the different sites.

The construction of a machining workshop on the Voreppe site has resulted in slightly more intensive use at that site.

9.2.6 – Air Emissions

The most significant emissions are those generated by the gas boilers used for heating which, essentially, produce carbon dioxide and nitrogen oxides.

CO_2 emissions derived from natural gas used for heating represented 1,300 metric tons, the increase being due to harsher winter weather.

The boilers are maintained and inspected to keep these emissions to a minimum. Yield calculations are carried out for boilers with output in excess of 400 kW.

Less than 10 metric tons of chlorinated (trichloroethylene, dichloromethane) and non-chlorinated (hydrofluoroether, acetone, alcohol) cleaning solvents are used, which account for a few tens of kilos of emissions.

Emissions from extractions from surface treatment baths (acid, cyanide) are insignificant in terms of quantities but their impact is more significant. A plan to separate and treat these emissions is scheduled for 2010 in conjunction with the authorities.

9.2.7 – Water Discharges

The Voreppe site is the most environmentally significant site. It has a detoxification plant to treat waste water from the surface treatment unit.

Discharges are in the region of 10 m^3 per day.

Measurements are taken daily and sent to the authorities to monitor the discharge of pollutants (cyanide, metals, and COD).

Between 1 and 5 m^3 is discharged per day from three machining sites as a result of tribofinishing.

High capital expenditure was incurred on the Voreppe site in 2009 to reduce the risks of pollution, with the introduction of an evapoconcentrator to avoid any polluting discharges caused by surface treatment. Final adjustments were made to that equipment in 2010 and the results will be seen in the coming year.

There are plans to treat tribofinishing waste water at the Dôle site in 2011.

9.2.8 – Industrial Waste

- *All the sites combined produced around 388 metric tons of non-hazardous industrial waste (NHIW), a slight decrease compared with 2009.*

This waste comprises paper, cardboard, scrap metal, shavings, scrap plastic, and waste from the Company restaurants, and is processed by approved waste collectors.

On average, 47% of this waste was recycled, which represents an improvement compared to 2009.

- *A total of 202 metric tons of hazardous waste (HW) is produced, up by 32%.*

This waste is generated by the surface treatment process: highly concentrated cyanide and metallic baths, soluble oils, and solid waste from machining centers are processed externally by approved contractors.

About 30 metric tons of metal hydroxide sludge from water treatment at Voreppe and residual water from tribofinishing is produced. This waste is partially recycled and then stored in approved landfill sites.

There is no liquid or solid discharge into the soil.

9.2.9 – Other Emissions:

Internal noise measurements were performed under the supervision of the Health and Safety and the Working Conditions Committees and the company doctors on each site.

RADIALL received no complaints concerning noise pollution or odors.

The Regional Directorate for the Environment (DREAL) has been requested to update its prefectoral approval of the Voreppe site to reflect the transfer of the mechanical treatment unit for metals from Voiron to the Voreppe site.

9.3 Environmental Measures

Each site has a continuous improvement plan.

These plans contain corrective and preventive measures, which are the result of audits or monitoring of legislative changes.

In 2010, these actions enabled:

- finalizing the implementation of independent cooling circuits,
- installation of an evapoconcentrator on the Voreppe site which will eventually enable a zero-emissions target to be achieved.

All of the RADIALL sites with surface treatment are certified to ISO 14001 for their environmental management system.

The Voreppe site has been certified since May 2001 and its certification was renewed for the third time in 2010.
The ISO 14001 certificate was also obtained and renewed for the Shanghai and Bangalore sites.

The Château-Renault site also set up an Environmental Management System in accordance with the ISO 14001 standard.

The main subcontractors are questioned and audited on their ability to respect the environment, notably waste collectors. Some of these subcontractors are also ISO 14001 certified.

The most significant environmental investments undertaken in 2010 concern completion and installation of the evapoconcentrator at the Voreppe site.

Each site has an Environment Manager. He is in charge of monitoring improvements, receiving and applying new legislative constraints, and retrofitting.

Personnel are kept informed through notice boards as well as through monthly or team meetings.

RADIALL did not pay any compensation for pollution, and no claims for damages were brought against the Company in 2010. Action plans are currently underway, working with the authorities, to ensure compliance with regard to certain waste products.

Emergency plans to restrict possible pollution have been set up and tested when possible (accidental spillages, fire drills, etc.).

Plans for establishments listed as high-risk (ETARE) have been established with the departmental emergency services for Voreppe and Isle d'Abeau.

2011 Forecasts

In accordance with RADIALL's policy, the capital expenditure planned for 2011 continues to be implemented and should reach approximately €470,000. This will concern the treatment of atmospheric emissions from the Voreppe site as well as the installation of a treatment unit for tribofinishing waste water at the Dôle site.

9.4 Targets for subsidiaries

The Group's Environmental Policy for the subsidiaries involves the following points:

- Compliance with the applicable legislation,
- Commitment to preventing pollution through improved waste management,
- Promoting respect of the environment among staff,
- Improving the purifying quality of the water treatment plants.

The environmental features of the Shanghai factory are as follows:

Water consumption is recorded at 13,469m^3, including 6,516 m^3 for industrial waste water. Electricity consumption is 1.8 GWh. Consumption of energy and of water has remained stable.

204 metric tons of industrial waste was generated in 2010, of which a significant portion was recycled.

The environmental management system is certified to ISO 14001 standard.

Training and awareness on the environment and safety remained a priority in 2010 and more than 100 people received training.

The environmental features of the Bangalore factory are as follows:

Consumption of water for industrial use reached 180 m^3, representing a 17% decrease. Electricity consumption remained stable at 0.28 GWh.

Hazardous industrial waste amounted to 0.3 metric tons.

Improvement plans have been implemented through noise control measures. Improvements to fire alarms and electrical equipment are planned for the future.

The environmental management system is certified to ISO 14001 standard.

The environmental features of the RADIALL factory in the United States are as follows:

Very low industrial water consumption (3 m^3). Electricity consumption is 1 GWh. Consumption of water and of electricity is low as the site does not have any high-consumption industrial machines or tools.

The site generates around 557 m^3 of waste, with a 28% recovery rate.

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10. Staff Management Report

10.1 Worldwide

10.1.1 Breakdown of the Total Group Headcount

	Europe	America	Asia	TOTAL
Salaried staff as at December 31, 2010	1,149	238	397	1,784
Permanent staff as at December 31, 2010 (of which part time)	1,082 *101*	238 *0*	163 *0*	1,483 *101*
Fixed term as at December 31, 2010	67	0	234	301

Change over 5 years of staff on permanent/fixed-term contracts

	Europe	America	Asia	TOTAL
2010	**1,149**	**238**	**397**	**1,784**
2009	1,152	235	443	**1,830**
2008	1,238	273	464	**1,975**
2007	1,230	246	435	**1,911**
2006	1,097	288	400	**1,785**

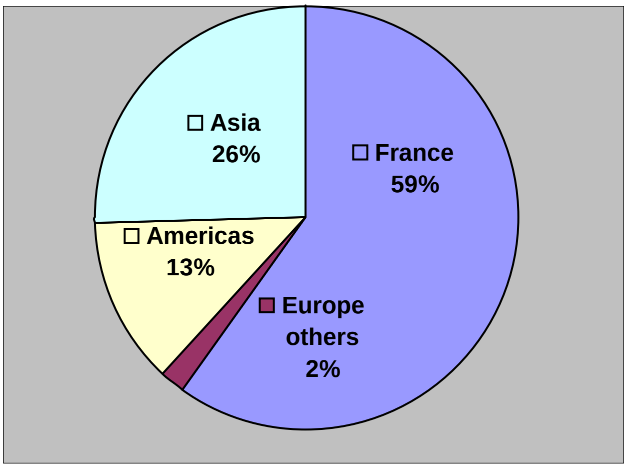
Temporary staff and Service Providers (yearly average)

	Europe	America	Asia	TOTAL
TOTAL	**150**	**254**	**141**	**545**
Service providers	3	223 *(Mexico/Brazil)*	1	**227**
Temporary staff	147	31	140	**318**

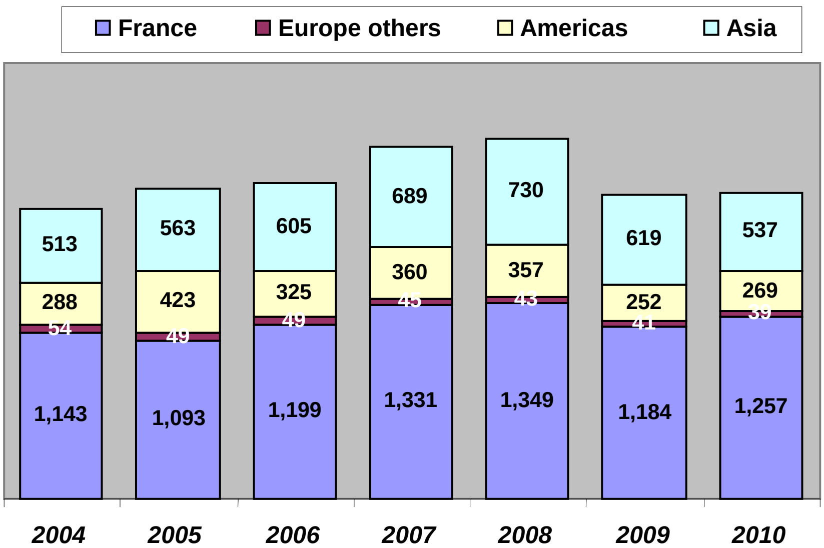
Change over 5 years of temporary staff and service providers

	Europe	America	Asia	TOTAL
2010	**150**	**254**	**141**	**545**
2009	77	206	178	**461**
2008	159	284	268	**711**
2007	194	189	254	**637**
2006	152	184	254	**590**

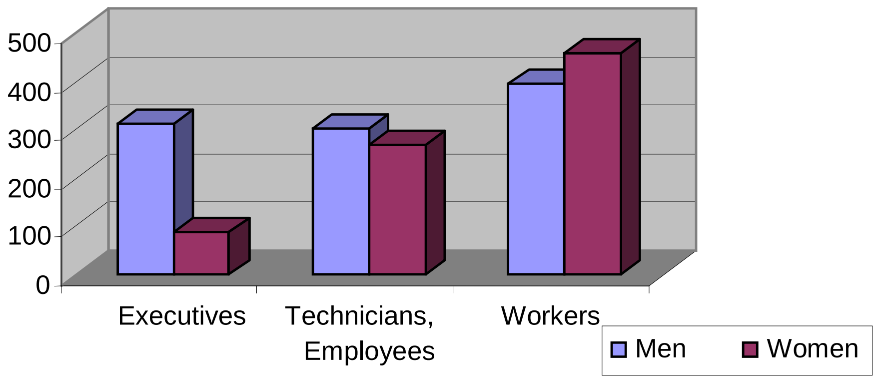
Geographic distribution of total headcount (permanent/fixed-term/avg temporary staff):



Change of total headcount (permanent/fixed-term/avg temporary staff):



Men/Women by Work Category



Women represented 49% of the Group's salaried headcount as at December 31, 2010.

Each establishment has presented a report of comparative studies on male/female gender equality to its respective Works Committee. These measures were also brought up at the Mandatory Annual Negotiations with trade union representatives.

10.1.2 Changes in permanent and fixed-term contracts over the period

	France	Europe *(excl. France)*	America	Asia	TOTAL
Recruits	98	2	34	59	193
Departures	99	4	31	105	239
TOTAL	- 1	- 2	3	- 46	- 46
Permanent	- 26	-2	3	1	- 24
Fixed-term	25	0	0	- 47	- 22

10.2 France Over the Scope of Consolidation

The following information involves all of RADIALL's activities in France:

		Salaried headcount Dec 31, 2010	Salaried headcount Dec 31, 2009	*Change*
	Rosny-sous-Bois (93)	71	71	*0*
	Château-Renault (37)	290	289	*1*
Radiall SA	Saint-Quentin Fallavier (38)	198	186	*12*
	Voiron (38)	74	99	*- 25*
	Voreppe (38)	345	319	*26*
D-Lightsys	Rosny-sous-Bois (93) and Saint-Quentin Fallavier (38)	6	7	*-1*
Radiall Systems	Limoges (87)	4	4	*0*
IDMM	Dôle (39)	122	136	*-14*
		1,110	**1,111**	***-1***

10.2.1 Breakdown of the Changes in Permanent and Fixed-Term Contracts over the Period

	Permanent	Fixed-term	TOTAL
Resignation	24	1	**25**
Redundancy for economic reasons	7		**7**
Agreed early termination of contract	9		**9**
Redundancy for other reasons	2		**2**
Death	1		**1**
Retirement	16		**16**
End of trial period	2	2	**4**
End of contract		22	**22**
Conversion into permanent contract		13	**13**
Total France	**61**	**38**	**99**

Internal Geographic Mobility

France towards France	France towards abroad
23	3

10.2.2 Headcount Reduction and Job Preservation Plans

In 2010 a staffing reorganization was carried out at RADIALL SYSTEMS anticipating closure of the Limoges establishment in 2011. This restructuring led to the elimination of one post and geographic relocation of two other posts. It should be noted that at the beginning of 2011, offers of staff relocation and internal transfer were declined, which led to three assisted redundancies with reclassification leave during the 1st quarter of 2011.

It should also be noted that an establishment in France was eliminated (Voiron).

All the personnel from that site were transferred to the nearby Voreppe site following its enlargement.

Finally, the reorganization plan for the IDMM subsidiary, launched at the end of 2009, was implemented during 2010 and led to seven assisted redundancies with reclassification leave.

10.2.3 Work Accidents

	No. of work accidents	Average contribution rate to the work accident insurance
2010	**15**	**1.56%**
2009	19	1.49%
2008	29	*1.49%*
2007	18	*1.56%*
2006	11	*1.38%*

10.2.4 Health and Safety

Each establishment in France has a Hygiene, Safety and Working Conditions Committee (CHSCT). Management holds ordinary quarterly meetings with members of the CHSCT and the various parties concerned with health and safety matters, to discuss health and safety conditions. A report is presented to CHSCT members giving an overview of health, safety and working conditions and setting out actions undertaken during the year elapsed to safeguard health and safety and to improve working conditions for employees, as is an annual program for occupational risk prevention and improved working conditions.

10.2.5 Annual payroll

	2010	2009	2008
Gross Radiall SA	€29,233,794	€30,469,800	€31,120,501
Gross Radiall Systems	€186,636	€232,091	€220,609
Gross D-Lightsys	€303,187	€292,823	€265,807
Gross IDMM	€3,240,061	€3,276,694	€3,339,386

10.2.6 Staff Remuneration

The Mandatory Annual Negotiations for 2010 were conducted in each establishment and resulted in a salary review of 3.2%, broken down as follows: 1.3% general increase, 1.6% individual increase and 0.3% increase for seniority.

10.2.7 Labor Relations and Collective Agreements

Each establishment in France has a Works Committee and official staff Representatives.

The management of each establishment holds a monthly meeting with these parties. At a business level, management meets with the Central Works Committee at least twice a year at an ordinary meeting.

Social welfare matters are managed by each establishment's Works Committee which has its own specific budget for this purpose.

10.3 Radiall SA

10.3.1 Working Hours

The organization of working hours is governed by the Company-wide "ARTT" Agreement entered into in 2000. Employees have employment contracts for 213 days per annum for executives, and for others, an actual average working week of 35 hours, with annual modulation if necessary, and widespread practice of "flexitime" as applied in the industrial facilities.

A Time Savings Account (CET) system is in place for managing leave or reduction of working hours leave. This saving allows for later withdrawal in time or in money.

10.3.2 Absenteeism Rate

The absenteeism rate is calculated on the basis of the following absences: illness, accidents at work or while traveling to or from work, maternity, care for sick children, paid or unpaid authorized or unauthorized absences, strikes, individual training leave.

	Average absenteeism rate
2010	**4.31%**
2009	4.64%
2008	4.82%
2007	4.31%
2006	3.83%

10.3.3 Profit Sharing and Interest

The profit-sharing agreement in force will give rise to a distribution of €232,509 (0.80% of reference salaries) for Radiall SA personnel.

10.3.4 Employment and Insertion of Disabled Workers

The company has an obligation to employ disabled workers equivalent to 58 employment units. In 2010, with 43.83 employment units allocated to disabled workers and having used sub-contracted services provided by the Employment Assistance Services (*Etablissements et Services d'Aide par le Travail*), the Company made a mandatory financial contribution of €48,960 to compensate the outstanding employment units.

10.3.5 Training

The objective of staff training at Radiall is the development of skills. To that end, the Company prioritizes:

- all actions that enable personnel to achieve a higher level of qualification or to develop their professional skills,
- All actions that promote the employability of personnel in line with changes in the job market, in technology and in work organizations.

- **Trainees**

Number of trainees	429
Number of interns :	647
Number of intern hours :	9,789

- **Training Budget**

The total expenditure for the year allocated to the Radiall SA training plan, in addition to contributions and obligatory payments, represented 2.09% of the wage bill, i.e. €611,751.

- **Training Beneficiaries**

	in % of the number of persons trained	*In % of training hours (within or outside working hours)*
Executives	*34%*	*38%*
TSS	*33%*	*37%*
Workers	*33%*	*25%*

- **Training Areas**

	in % of expenditure	***in % of hours***
Job techniques	*41%*	*40%*
IT and office	*8%*	*6%*
Management and communication	*22%*	*21%*
Quality management	*1%*	*1%*
Languages	*23%*	*24%*
Safety	*5%*	*8%*

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II. CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Position as at December 31, 2010

(in thousands of euros)	Note	Dec 31, 2010	Dec 31, 2009
Intangible assets	Note 5	9,964	9,941
Goodwill	Note 5	9,223	8,440
Property, plant, and equipment	Note 6	60,581	59,507
Other Non-Current Financial Assets	Note 7	332	578
Deferred tax assets	Note 17	1,949	1,894
balance sheet date		**82,049**	**80,360**
Inventories	Note 8	43,267	39,171
Trade accounts receivable	Note 9	31,876	25,934
Other receivables	Note 10	8,228	9,304
Income tax	Note 17	3,013	2,594
Cash and cash equivalents	Note 11	53,560	66,286
CURRENT ASSETS		**139,943**	**143,289**
TOTAL ASSETS		**221,992**	**223,649**
Capital		2,817	3,326
Additional paid-in capital		11,929	11,929
Consolidated reserves		96,879	132,927
Foreign exchange differences		439	(4,295)
Net income, Group share		4,240	(13,715)
Non-controlling interests		4,223	4,468
Equity Capital	**Note 12**	**120,527**	**134,640**
Deferred tax liabilities	Note 17	5,500	4,748
Long-term financial debts	Note 14	46,157	43,788
Non-current provisions	Note 13	6,114	5,872
NON-CURRENT LIABILITIES		**57,771**	**54,408**
Short-term financial debts	Note 14	1,238	1,530
Trade payables		20,248	11,659
Other debts	Note 15	20,195	19,710
Current provisions	Note 13	708	853
Income tax		1,306	849
CURRENT LIABILITIES		**43,695**	**34,601**
TOTAL Equity AND LIABILITIES		**221,992**	**223,649**

Consolidated Income Statement as at December 31, 2010

(in thousands of euros)	Note	Dec 31, 2010	Dec 31, 2009
REVENUE	**Note 4**	**185,064**	**159,796**
License royalties		352	374
Other operating income		(86)	(88)
INCOME FROM ORDINARY ACTIVITIES		**185,331**	**160,082**
Materials		(56,839)	(45,272)
Change in work-in-progress and finished goods inventories		2,312	(6,880)
Personnel expenses	Note 18	(75,463)	(70,892)
External charges		(32,277)	(28,343)
Taxes		(3,042)	(2,990)
Other operating income and expenses	Note 20	1,275	1,452
Impairment of balance sheet date	Note 21	(8,798)	(8,886)
Impairment of current assets and provision expenses aux provisions	Note 22	(2,844)	(2,155)
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**9,654**	**(3,884)**
Profit (loss) from continuing operations as % of revenue		*5.22%*	*(2.43%)*
Other operating income and expenses	**Note 23**	**(296)**	**(7,602)**
OPERATING INCOME		**9,358**	**(11,486)**
Operating income as % of revenue		*5.06%*	*(7.19)%*
Cash income		256	759
Gross borrowing cost		(2,101)	(2,031)
NET BORROWING COST		**(1,845)**	**(1,272)**
Other financial income and expenses	Note 24	10	(68)
Income tax expense	Note 17	(2,659)	(397)
NET INCOME		**4,864**	**(13,224)**
Income from non-controlling interests		624	491
Net income, Group share		4,240	(13,715)
Earnings per share (in euros)	Note 12	2.24	(6.40)
Diluted earnings per share (in euros)	Note 12	2.24	(6.40)

Statement of Overall Consolidated Income

(in thousands of euros)	**December 31, 2010**	**December 31, 2009**
Net profit (loss) for the period	**4,864**	**(13,224)**
Recognition of actuarial gains and (losses) in equity capital (net of tax)	(154)	(262)
Gains (losses) resulting from the fair value valuation of hedging instruments (net of tax)	346	(1,205)
Foreign exchange differences	5,173	(1,530)
Total income and expenses recorded directly in equity capital	**5,365**	**(2,997)**
Total income and expenses recognized over the period	**10,229**	**(16,221)**
Attributable to		
- Radiall SA's shareholders	*9,166*	*(16,560)*
- Non-controlling interests	*1,063*	*339*

Cash Flow Statement

(in thousands of euros)	**Dec 31, 2010**	**Dec 31, 2009**
Net profit (loss) for the period, Group share	**4,240**	**(13,715)**
Share of non-controlling interests in consolidated income	624	491
Amortization and depreciation	8,798	8,886
Net change in provisions	(310)	454
Unrealized gains and losses for changes in fair value	78	33
Cost of stock options		2
Capital gains/losses on disposals	116	68
Interest expense	2,101	2,031
Income tax expense	2,659	397
Allowances entered under other operating income and expenses	149	4,816
Cash flow	**18,455**	**3,465**
Change in inventories	(2,959)	15,342
Change in trade receivables	(5,218)	10,159
Change in trade payables	10,251	(7,336)
Change in other assets and liabilities	(708)	3,423
Change in working capital requirement	**1,366**	**21,588**
Interest paid	**(1,769)**	**(1,730)**
Tax paid	**(2,197)**	**(310)**
Cash flow from operating activities (A)	**15,855**	**23,013**
Acquisition of intangible assets	(236)	(165)
Acquisition of property, plant, and equipment	(7,487)	(5,904)
Acquisition of Non-Current Financial Assets	(79)	(31)
Disposal of property, plant, and equipment	612	463
Disposal of non-current financial assets	320	187
Cash flows from investment operations (B)	**(6,870)**	**(5,450)**
Dividend paid to Radiall's shareholders	(1,358)	(2,033)
Dividend paid to minority shareholders	(1,247)	(1,253)
Purchase and sale of treasury shares (cf. note 12)	(21,677)	114
Cash from borrowings	2,359	170
Repayment of bond issues	(916)	(2,041)
Cash flows from financing activities (C)	**(22,839)**	**(5,043)**
Impact of changes in exchange rates (D)	**1,128**	**(399)**
Change in cash flow (A+B+C+D)	**(12,726)**	**12,121**
Cash at the beginning of the period	**66,286**	**54,163**
Cash at the end of the period	**53,560**	**66,286**

The reconciliation between the gross cash amount in the statement of financial position and the net cash amount in the above table is as follows:

(in thousands of euros)	December 31, 2010	December 31, 2009
Other negotiable securities	22,443	42,991
Cash	31,125	23,310
Gross cash assets	53,568	66,301
Provision for depreciation of negotiable securities	(8)	(15)
Net cash assets	53,560	66,286
Overdrafts and short-term credit lines	0	0
Net cash	53,560	66,286

Change in Equity

(in thousands of euros)	Number of shares	Capital	Additional paid-in capital	Consolidated reserves	Foreign exchange differences	Group share	Non-controlling interests	Total equity
December 31, 2008	**2,181,947**	**3,326**	**11,929**	**136,327**	**(2,917)**	**148,665**	**5,422**	**154,087**
Income and expenses recorded in equity capital				(1,467)	(1,378)	(2,845)	(152)	(2,997)
Cancellation of treasury shares	(216)			(16)		(16)		(16)
Loss				(13,715)		(13,715)	491	(13,224)
Dividends				(2,033)		(2,033)	(1,253)	(3,286)
Treasury shares				114		114		114
Undertaking to purchase non-controlling interests (cf. note 14)							(40)	(40)
Cost of stock option programs				2		2		2
December 31, 2009	**2,181,731**	**3,326**	**11,929**	**119,212**	**(4,295)**	**130,172**	**4,468**	**134,640**
Income and expenses recorded in equity capital				192	4,734	4,926	439	5,365
Loss				4,240		4,240	624	4,864
Dividends				(1,358)		(1,358)	(1,247)	(2,604)
Reduction in capital (cf. note 12)	(333,607)	(509)		(21,250)		(21,759)		(21,759)
Treasury shares				83		83		83
Undertaking to purchase non-controlling interests (cf. note 14)							(61)	(61)
December 31, 2010	**1,848,124**	**2,817**	**11,929**	**101,119**	**439**	**116,304**	**4,223**	**120,527**

Notes to the Consolidated Financial Statements as at December 31, 2010

NOTE 1 - GENERAL PRESENTATION

Radiall is an industrial group specializing in the design, development, and manufacture of electronic components and is a renowned player on its markets: telecommunications, military and aeronautic applications, automotive. The Group's strong international outlook means that it is present on the five continents through its subsidiaries and an active network of agents and distributors.

Radiall's revenue is not influenced by any seasonal activity.

The consolidated financial statements were approved by Radiall's Supervisory Board on April 12, 2011.

NOTE 2 - ACCOUNTING PRINCIPLES

2.1 - Principles used to Prepare the Financial Statements

The consolidated financial statements were prepared in accordance with international accounting standards (IFRS) and IFRIC interpretations in effect at December 31, 2010.

The IFRS information in these financial statements was prepared using the historical cost principle with a few exceptions for various assets and liabilities where the specific provisions stipulated in the IFRS have been applied (namely financial assets evaluated at fair value by profit or loss).

The Group has implemented the IAS 32 and IAS 39 standards from January 1, 2005.

The accounting principles applied by the Group are identical to those which were used to prepare the Group's financial statements on December 31, 2009, apart from the following standards, amendments, and interpretations which have applied since January 1, 2010.

Standards, Amendments, and Interpretations that Came into Force on January 1, 2010

- Revised standards IFRS 3R "Business combinations" and IAS 27R "Consolidated and Separate Financial Statements".

The main accounting changes as a result of the revision of standards IFRS 3 and IAS 27 are notably as follows:

- recognition of acquisition costs, such as consulting fees;
- fair value remeasurement of the equity interest held prior to control being obtained;
- goodwill determined only at the acquisition date;
- measurement of non-controlling interests either at fair value or their share in the fair value of the identifiable assets and liabilities acquired;
- adjustment of earnouts and deferred tax assets acquired, generally in profit or loss;

- changes in the percentage of the parent company's interest in any subsidiary that does not lead to a loss of control are accounted as transactions between shareholders in equity capital. These transactions have no impact on the income statement or goodwill.

In the event of a purchase of the non-controlling interests, any difference between the carrying amount of the minority interest recognized in the statement of financial position and the fair value of the assets acquired must be recognized directly in equity capital and is granted to the Group’s shareholders. In 2010, the Group did not purchase any additional non-controlling interests.

In the absence of guidance, the Group recorded fixed or conditional commitments to purchase non-controlling interests prior to the application date of IFRS 3R and IAS 27R (i.e. January 1, 2010) under financial debt for the fair value of the commitment. The Group recognized the value of the commitment in excess of the amount of non-controlling interests under goodwill. Any subsequent changes to the debt recorded as part of the commitment given is recorded as an adjustment to goodwill.

- The amendment to IAS 39 concerning items eligible for hedging, amendments to IFRS 2 relating to group cash-settled transactions, IFRIC 12 "Service Concession Arrangements", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 16 "Net Investment Hedge in a Foreign Operation", IFRIC 17 "Distribution of Non-cash Assets to Owners" and IFRIC 18 "Transfers of Assets from Customers".

These amendments and interpretations have had no impact on the Group’s results, or on its financial position.

The impacts of the draft standards and interpretations that are being studied by the IASB and IFRIC have not been taken into account for these financial statements and cannot be reasonably estimated on December 31, 2010.

2.2 - First Adoption of IFRS

The Group’s first financial statements to be prepared in accordance with the IFRS standards were the financial statements at December 31, 2005 with a transition date to January 1, 2004. The IFRS 1 standard provided exceptions to the retrospective application of the IFRS standards to the transition date. The exceptions adopted by the Group are as follows:

- business combinations prior to January 1, 2004 are not restated;

- foreign exchange difference constituted to January 1, 2004 is no longer recognized as a separate component of financial position and will not be subsequently included in the income when the foreign entity leaves the consolidation;

- share-based payments and similar payments: in accordance with IFRS 1, the Group decided to only apply IFRS 2 to the equity instruments granted after November 7, 2002, the rights to which had not yet been acquired on December 31, 2004.

The Group has not adopted the other exemptions possible under IFRS 1. In particular, the Group has not used the option of valuing certain tangible and intangible assets at their fair value in the opening statement of financial position.

2.3 - Consolidation Methods

The companies in which Radiall directly or indirectly exercises exclusive control are globally consolidated. Companies over which Radiall exercises a notable influence are accounted for by the equity method. There are no companies under joint control within the scope of the consolidation.

2.4 - Conversion of the Financial Statements of Foreign Subsidiaries

The consolidated financial statements are prepared in euros. The financial statements of subsidiaries using a different functional currency are converted into euros:

- at the closing exchange rate for the statement of financial position items;
- at the average rates of the period for the income statement entries.

Foreign exchange differences resulting from applying these rates are recorded in equity capital under "foreign exchange differences".

2.5 - Foreign Currency Transactions

The accounting and valuation of foreign currency transactions are defined in IAS 21 "Changes in foreign currency rates". By applying this standard the Group's companies convert foreign currency denominated transactions into the operating currency at the average rate for the month of the transaction.

Receivables and debts in foreign currencies are converted at the rates for these currencies on the reporting date. The unrealized foreign exchange gains or losses resulting from this conversion are recorded in the income statement under "*other operating income and expenses*" or "*other financial income and expenses*" depending on the nature of the flows or the receivables and debts to which they relate.

The foreign exchange losses and gains resulting from the conversion of transactions or receivables and intragroup debts in foreign currencies or their elimination are recorded in the income statement unless they come from long-term intragroup financing operations which can be considered as capital operations: they are then recorded under equity capital in "foreign exchange differences."

The accounting of foreign exchange hedging instruments is set out in note 16.2 of these notes.

The main closing rates used are shown in the table below (showing the exchange value of one euro in the foreign currency unit).

	Year ended December 31, 2010		Year ended December 31, 2009	
	Closing rate	Average rate	Closing rate	Average rate
USD	1.336	1.327	1.441	1.39
CNY	8.822	8.981	9.84	9.52
GBP	0.861	0.858	0.888	0.891
HKD	10.386	10.308	11.17	10.80
JPY	108.650	116.455	133.16	130.23
INR	59.758	60.632	67.04	67.31

2.6 - Use of Estimates

The valuation of certain balances in the statement of financial position or the income statement when preparing the consolidated financial accounts requires the use of assumptions, estimations, or appraisals. This applies to the valuation of tangible and intangible assets, determining the amount of provisions for risks and charges, provisions for inventory write-downs, and deferred tax assets. These assumptions, estimations, or appraisals are established on the basis of information or the situations existing on the date of preparing the financial statements, which may turn out to be different in the future.

2.7 - Research and Development Costs

Research and study costs are not capitalized. Development costs must be accounted as fixed assets when the Company can show:

- its intention, and financial and technical capacity to carry the development project through to its term;
- that it is probable that the future financial benefits resulting from the development costs will go to the company; and
- that the cost of this asset can be reliably valued.

Development costs are amortized in accordance with the quantities of products delivered based on the initial contracts.
Other research and development costs are recorded as expenses for the year during which they were incurred.

2.8 - Goodwill

Goodwill is the difference between the acquisition price plus related costs for the securities of the consolidated companies and the Group's share in the fair value of their assets and liabilities on the date the interests are taken.

Goodwill is accounted in the operating currency of the acquired entity. Goodwill is not amortized but is annually tested for impairment. Any potential depreciation loss is included under "other operating income and expenses" in the income statement.

2.9 - Other Intangible Assets

The other intangible assets acquired include patents, licenses, trademarks, customer portfolios, and computer software.

Intangible assets are amortized using the straight line method over their estimated useful life:

- licenses, patents: contractual term not exceeding 10 years;
- trademarks: not amortized when the lifespan is undefined: in this case they are tested annually for impairment;
- customer portfolio: duration determined on the acquisition without exceeding 20 years;
- software: 4 to 8 years.

2.10 - Property, Plant, and Equipment

In accordance with the IAS 16 "Property, Plant, and Equipment" standard, the gross value of property, plant, and equipment corresponds to their acquisition or production cost. It is not subject to any reevaluation.

Equipment subsidies are recorded by deducting the gross value of the assets they are received for.

Maintenance and repair costs are recorded as expenses when they are incurred unless they significantly increase the performance of the assets in terms of capacity, improvement of the quality or the lifespan.

Assets that are financed through leasing, as defined by the IAS 17 "Leases" standard are recorded as assets for the discounted value of future payments or the market value if this is lower. The corresponding debt is recorded under financial liabilities.

The depreciable base for property, plant, and equipment is the acquisition cost reduced if necessary, by the estimated residual value. The residual values are zero except in special cases.

Borrowing costs are excluded from the acquisition costs of assets.

Property, plant, and equipment are amortized using the straight line method over their estimated useful life:

• buildings	20 years
• plant and equipment	3 to 20 years
• computer hardware	3 to 4 years
• other property, plant and equipment	3 to 15 years

2.11 - Depreciation of Fixed Assets

According to IAS 36 “Impairment of assets,” impairment tests are performed on tangible and intangible assets as soon as indications of impairment appear. This test is performed at least once a year on assets with an indefinite life span, a category that is limited to goodwill and trademarks in the Group.

If the net carrying amount of these assets becomes higher than the highest amount of their value in use or sale value, the difference is recorded as depreciation. The value in use is based on the discounted future cash flows that these assets will generate. The methodology used to estimate the recoverable value of the Group’s assets with an indefinite life span is presented in paragraph 5.2. The sale price of the asset is calculated by referring to recent similar transactions or valuations by independent experts with a view to sale.

2.12 - Financial Assets and Liabilities

Financial assets include non-current financial assets, current assets representing accounts receivable, debt securities and investment securities, including derivative instruments and cash.

Financial liabilities include borrowings, other financing and bank overdrafts, derivative instruments and operating debts.

The valuation and accounting of financial assets and liabilities are defined by the IAS 39 “Financial Instruments: Recognition and Measurement” standard.

2.12.1 - Recognition and Measurement of Financial Assets

Assets available for sale

Assets available for sale include equity securities and investment securities. Equity securities represent the Group’s interests in the capital of non-consolidated companies. They appear in the statement of financial position at their acquisition cost which the Group considers to represent their fair value, in the absence of an active market. Impairment is recorded if they suffer a lasting fall in value in use. The value in use is calculated in accordance with the financial criteria that is the most appropriate to each company’s particular situation. The criteria usually adopted are: the percentage of the equity capital and profitability outlook.

Loans and receivables

This category includes receivables from controlled entities, other loans, and receivables. These instruments are accounted at their amortized value calculated using the effective interest rate (EIR). Their carrying amount includes the outstanding capital owed, the non-amortized part of the acquisition cost and over or under valuations. Recoverable value tests are performed as soon as there are indications that they could be below the assets' carrying amount, and at least on every accounts closing. The impairment is recorded in the income statement under "other financial income and expenses."

Trade Receivables and Other Short-Term Receivables

Trade receivables are recognized at their nominal value. A provision for depreciation is recorded if their asset value, based on the probability of their collection, is below their recorded value.

Cash and cash equivalents

The "Cash and cash equivalents" line includes liquidities as well as money market investments which are immediately available, and whose value is not subject to fluctuations in share prices. Money market investments are valued at their market value on the reporting date, and changes in value are recorded as "cash income". The net cash in the cash flow statement also includes bank overdrafts and short-term credit lines.

2.12.2 - Recognition and Measurement of Financial Liabilities

Financial payables

Financial debts are recognized at their nominal value, net of associated issue costs which are recorded incrementally in the financial income up to maturity in accordance with the effective interest rate method. If the change in value of the debt due to interest rate exposure is hedged, the hedged amount of the debt and the associated hedging instruments appear in the statement of financial position at their market value on the reporting date. The effects of their reevaluation are recorded in "gross borrowing cost" for the period. The changes in the value of the derivative instruments are recorded in the financial income, if there is no hedging relationship, or for the ineffective part of the hedge.

OBSAAR (Bonds with redeemable equity warrants)

Bonds with redeemable equity warrants are composite borrowings with an option component (Radiall SA redeemable equity warrants) giving the warrant holder the option to convert them into the issuer's equity instruments (the "option component") and a financial debt to the bondholder (the "debt component"). The option component is separated from the debt component, and is recorded in equity capital. The deferred tax debt arising from the difference between the accounting base for the debt component and the tax base for the convertible bond is entered as a reduction in equity capital. The debt component is valued on the issuance date on the basis of the fair value for an analogous debt without the option component (the fair value is calculated from discounted future cash flows at the market rate for a similar instrument without conversion option) and is accounted at the amortized cost using the effective interest rate method. The carrying amount of the option component is then calculated by deducting the fair value of the debt from the fair value of the convertible bond issue overall. This value is not revalued after the initial accounting. The issue costs that are not directly allocated to the debt component or equity capital are spread between the debt and equity parts on the basis of their respective accounting values.

2.12.3 - Recognition and Measurement of Derivative Instruments

Derivative instruments are valued at their fair value. Except for the exceptions detailed below, the change in the fair value of derivative instruments is always recorded as a cross-entry in the income statement. Derivative instruments can be designated as hedging instruments in a fair value or future cash flows hedging relationship:

- a fair value hedge covers exposure to the value of any asset or liability changing due to variations in interest rates;
- a future cash flow hedge covers changes in the value of future cash flows attached to existing or future assets or liabilities.

Hedging accounting applies if:

- the hedging relationship was clearly defined and documented on the date that it was implemented;
- the effectiveness of the hedging relationship is demonstrated from the outset and whilst it lasts.

Applying hedging accounting has the following consequences:

- for fair value hedges of existing assets or liabilities, the hedged portion of these elements is valued in the statement of financial position at its fair value. The change in this fair value is recorded as a counterpart in the income statement where it is offset by symmetrical changes in the fair value of the hedging financial instruments depending on its effectiveness;
- for future cash flow hedges, the effective portion of the change in fair value of the hedging instruments is directly recorded as a counterpart to equity capital, as the change in the fair value of the hedged portion of the hedged asset is not recorded in the statement of financial position. The change in value of the ineffective portion is accounted as “other financial income and expenses.” The amounts recorded in equity capital are symmetrically recognized in the income statement using the accounting method for the hedged items

If there is no hedging relationship, the change in fair value of these hedging instruments is recorded in the income statement in the “other financial income and expenses” entry.

At this stage, the Group has decided to adopt the fair value principle for all foreign currency hedging instruments by recording the change in fair value of these instruments between two periods, thus foregoing hedging accounting.

2.13 - Inventories

In accordance with the IAS 2 “Inventories” standard, inventories are valued at their lowest cost and their net realization value. The cost of inventories is calculated using the weighted average cost method, and incorporates direct and indirect production charges on the basis of a normal level of business activity. Borrowing costs are not included in the cost of inventories.

Inventory write-downs are usually recorded due to product obsolescence or based on sale prospects.

2.14 - Tax

In accordance with the IAS 12 “Income tax” standard, deferred taxes are recorded on all temporary differences between the carrying amounts of the assets and liabilities and their tax values, and on tax losses using the liability method.

The tax rate used to calculate the deferred tax is the rate known on the reporting date. The effects of changes in rates are recorded for the period when the decision to make this change was taken. Tax savings made from tax losses carry forwards are recorded as deferred tax assets and are, if necessary written down, and only the amounts which are likely to be used are carried in statement of financial position assets.

Deferred tax assets and liabilities are not discounted. Provisions are entered for the tax owed on the distributable reserves of subsidiaries for the amount of the tax envisaged.

2.15 - Treasury Shares

All the Group’s treasury shares are recorded at their acquisition cost, and are deducted from equity capital. The proceeds from the sale of treasury shares is recorded directly in equity capital.

2.16 - Provisions

In accordance with the IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” standard, a provision is recognized if the Group has an obligation towards a third party, which it is probable or certain will result in an outflow of resources to this third party without any at least equivalent compensation in return. For restructuring, an obligation is constituted as soon as the restructuring has been announced, with a detailed plan, or has started to be implemented.

2.17 - Pensions and Related Commitments

In compliance with the IAS 19 “Employee Benefits” standard, the sums paid by Radiall to its employees are valued in accordance with the defined contribution plan or the defined benefit plan.

The Group’s only obligation regarding defined contribution plans is to pay the premiums. The corresponding expense is accounted in the income for the year.

The Group's obligations regarding defined benefit plans concerns future amounts. Commitments are valued using the projected unit credit method. According to this method, each period of service results in an additional unit of benefit rights and each of these units is valued separately in order to obtain the final obligation. This final obligation is then discounted.

These calculations mainly include:

- an assumption of the retirement date;
- a financial discounting rate;
- an inflation rate which is incorporated into the discounting rate and the salary revaluation rate;
- assumptions of increases in salaries and staff turnover.

These evaluations are made every year except if changes to the assumptions require more frequent estimations.

The cost of discounting and the expected return from assets are recognized as a employee benefits expense.

According to the revised IAS 19 standard adopted by the Group in 2006, the net cumulated actuarial gains and losses for the year are immediately recognized in the provision for pensions and related benefits to offset the reduction or increase in shareholder's equity in the statement of recognized income and expenses. (See note 2.1 Principles used to Prepare the Financial Statements).

2.18 - Revenue

In accordance with the IAS 18 “Revenues” standard, sales of connectors are accounted as revenue on the date that the risks and benefits connected with ownership are transferred. This usually corresponds to the date of delivery.
The discounts granted to customers are accounted under the “Other operating income” entry.

2.19 - Non-Current Expenses and Income

Non-current expenses and income correspond to expenses and income outside the Group's daily operations. This column records the impact of major events likely to distort the operational performance and does not include any operating and recurring expenses.

Non-current expenses and income include the following:

- non-recurring and significant income from the sale of: plant, property, and equipment and intangible assets, equity securities, other non-current financial assets and securities, and other assets;
- impairment of equity securities, loans, goodwill, trademarks, or on other assets;
- certain provisions;
- reorganization and restructuring expenses or provisions.

2.20 - Option Plans

Share options are granted to the Group's executives and some of its employees. Under IRFS 2 "Share-Based Payments" standard, options are valued on the date they are granted. The Group uses the "Black & Scholes" mathematical model to value them. Changes in value after their grant date will not impact this initial evaluation.

The value of the options depends on their expected lifespan, which the Group estimates correspond to their period of fiscal unavailability. Their value is recorded under personnel expenses using the straight-line method, between the grant date and the maturity date (the rights acquisition period) with a cross-entry in equity capital.

2.21 - Earnings per Share

Earnings per share are calculated on the weighted average number of shares in circulation during the year after deducting the treasury shares that reduce equity capital.

The earnings per share after dilution is established on the basis of the weighted average number of shares before dilution increased by the weighted average number of shares that would result from exercising the existing options or any other dilutive instrument during the year. In this calculation, the funds collected for these options are assumed to be earmarked for buying Radiall's shares at the market price.

2.22 - Territorial Economic Contribution from 2010

The 2010 Finances Law, passed on December 30, 2009, abolished the subjection of French fiscal entities to the business tax from 2010 and replaced it with the Territorial Economic Contribution (CET), which includes two new contributions:

- Company land tax (CFE) based on the real estate rental values of the current business tax;
- the value-added contribution (CVAE), based on the added value resulting from individual financial statements.

The Group enters business tax under operating expenses.
The Group has concluded that the aforementioned fiscal change mainly consists of an alteration in the method of calculating the local French tax, without any overall change in its nature. The Group therefore considers that there is no reason to treat the CVAE and the CFE differently to business tax in the financial statements. These two new contributions have therefore been entered under operating expenses, without any change compared to that used for business tax.

NOTE 3 - SCOPE OF CONSOLIDATION

3.1 - Change in the Scope

On April 8, 2010 the dissolution of Radiall Venture Capital by a "Transmission Universelle de Patrimoine", a universal transfer of assets, to IDFI was pronounced with a retrospective accounting effect on January 1, 2010. On the same date, the corporate name of IDFI was changed to Radiall Ventures.

On June 1, 2009, Radiall USA took over its sister company AEP. The two American subsidiaries Radiall USA and AEP are wholly owned by the Group.

These internal transactions had no impact on the Group's consolidation scope.

3.2 - List of Consolidated Companies

Fully Consolidated Companies	Country	Geographic Zone	% of interest	% of control
Radiall SA	France	France	100%	100%
Radiall Ventures	France	France	100%	100%
Industrie Doloise de Micro-Mécanique	France	France	100%	100%
D-Lightsys	France	France	95%	95%
Radiall Systems	France	France	95%	95%
Radiall Ltd.	Great Britain	Europe	100%	100%
Radiall GmbH	Germany	Europe	100%	100%
Radiall BV	Netherlands	Europe	100%	100%
Radiall AB	Sweden	Europe	100%	100%
Radiall Elettronica Srl.	Italy	Europe	100%	100%
Radiall America Inc.	United States	Americas	100%	100%
Radiall USA (previously Jerrik)	United States	Americas	100%	100%
Radiall do Brasil	Brazil	Americas	99%	99%
Radiall Electronics (Asia) Ltd.	Hong Kong	Asia	55%	55%
Radiall International Ltd.	Hong Kong	Asia	100%	100%
Radiall India Ltd.	India	Asia	90%	90%
Nihon Radiall KK	Japan	Asia	100%	100%
Shanghai Radiall Electronics Co. Ltd.	China	Asia	76%	80%

NOTE 4 - SEGMENT INFORMATION

4.1 - Business Sectors and Geographic Zones

Under IFRS 8, Segment information is the internal information reviewed and used by the main operational decision-makers, which rests both on a business sector and four geographic zones.

Radiall's predominant activity is manufacturing connectors and related components for electronic applications. Radiall therefore considers that it operates in one single business sector. Radiall's geographic sectors are divided into four: France, Europe outside France, the Americas, and Asia. The information in note 4.3 is established on the basis of the geographic location of the customers.

The Group's performances are evaluated on the basis of data from this business sector and these business zones.

4.2 - Information According to Subsidiaries' Location

(in thousands of euros) as at December 31, 2010	France	Europe outside France	Americas	Asia	Elimination	Total
Revenue (outside Group)	60,959	31,540	57,200	35,365		185,064
Interzone sales	73,158	1,165	8,718	21,477	(104,519)	0
Total	134,117	32,705	65,918	56,842	(104,519)	185,064
Other operating income and expenses	296					296
Operating income	4,268	1,140	7,453	4,607	(8,110)	9,358
balance sheet date	77,374	787	64,133	6,792	(67,037)	82,049
Current assets	112,417	9,987	19,260	29,259	(30,980)	139,943
Non-current liabilities	(57,223)	(38)	(4,330)	(1,341)	5,148	(57,784)
Current liabilities	(47,840)	(4,895)	(9,163)	(12,496)	30,712	(43,682)
Capital used	107,021	7,831	59,346	16,736	(60,762)	130,172
Investments	6,582	50	769	414		7,815
Depreciation and amortization expenses	(6,002)	(55)	(1,979)	(762)		(8,798)

(in thousands of euros) as at December 31, 2009	France	Europe outside France	Americas	Asia	Elimination	Total
Revenue (outside Group)	57,685	24,872	47,171	30,067		159,796
Interzone sales	51,155	1,339	4,418	15,749	72,661	0
Total	108,840	26,211	51,590	45,816	(72,661)	159,796
Other operating income and expenses	(5,568)	(238)	(1,151)	(645)		(7,602)
Operating income	(11,883)	312	1,187	2,338	(3,440)	(11,486)
balance sheet date	81,100	814	57,287	6,733	(65,574)	80,360
Current assets	124,793	10,476	17,197	25,186	(34,363)	143,289
Non-current liabilities	(54,740)	(29)	(4,037)	(1,001)	5,887	(53,920)
Current liabilities	(44,127)	(3,430)	(11,101)	(9,552)	33,121	(35,089)
Capital used	107,021	7,831	59,346	16,736	(60,762)	130,172
Investments	4,992	6	715	387		6,100
Depreciation and amortization expenses	(6,418)	(62)	(1,572)	(833)		(8,885)

4.3 - Revenues According to Customers' Locations

(in thousands of euros)	December 31, 2010		December 31, 2009	
France	36,718	19.8%	35,241	22.0%
Other countries in Europe	44,167	23.9%	37,813	23.7%
Americas	57,200	30.9%	47,172	29.5%
Asia and Rest of the World	46,979	25.4%	39,570	24.8%
Total	**185,064**	**100%**	**159,796**	**100%**

NOTE 5 - GOODWILL AND INTANGIBLE ASSETS

5.1 - Change in Goodwill

(in thousands of euros)	Goodwill
December 31, 2009	**8,440**
Commitment to purchase non-controlling interests *(c.f. note 14)*	**241**
Depreciation	
Foreign exchange	**542**
Friday, December 31, 2010	**9,223**

5.2 - Breakdown of Goodwill at Year End

	December 31, 2010	December 31, 2009
Radiall Shanghai	1,347	1,208
Radiall USA	4,484	4,157
Radiall India	1,604	1,287
D-Lightsys	393	393
Radiall Systems	0	0
IDMM	1,395	1,395
TOTAL	9,223	8,440

The goodwill that was allocated to AEP CGU was transferred in 2009 to Radiall USA CGU following the merger of the two American subsidiaries.

Methodology used to estimate the recoverable value of goodwill and other assets with an indefinite lifespan

Goodwill impairment tests are performed at the cash generating unit level (CGU). A CGU is the smallest identifiable group of assets, the continuous use of which generates cash flows that are largely independent of the inflows of cash generated by other assets or groups of assets. The CGUs identified in the group are legal entities.

The recoverable value of the CGUs is calculated from the value in use using the cash flow forecasts. The key assumptions used are:

- Sales growth
- Gross margin rates
- Discounting rates
- Growth rate adopted over the period of the plans

The rates of sales growth are calculated from the market analysis performed internally and from the external information available. Growth rates are fixed at 2% after five years.

For the AEP CGU, the royalty method is used to calculate the basis of the recoverable value of the unit to be determined.

The gross margin rates are established on a historical basis adjusted in accordance with the Group’s budget.

The discounting rates after tax applied to these forecasts for each geographic zone are calculated in accordance with the average weighted cost of capital for the sector. The rates used for 2010 are as follows:

- China: 11.6%
- India: 14%
- United States: 10.6%
- Europe: 10.2%

The data used for the discounted forecasted cash flow method come from annual budgets and multi-year plans prepared by the management teams. The plans are five-year projections. In addition, a terminal value is added which corresponds to the capitalization to infinity of the cash, which results from the last year of the plan.

Brands are considered assets with an indefinite life span. As a result, they must be subject to an impairment test on an annual basis. To perform this test, brands are tested as an isolated asset by calculating their fair value. The value of the AEP brand was calculated using the royalty method. According to this method, the brand's value is estimated at the discounted value of the royalties that the Group would have had to pay.

Sensitivity of the Recoverable Values:

For the Radiall USA and Radiall Shanghai CGUs, the Group considers unlikely a change in the valuation parameters that would result in the recoverable value of this CGU matching its carrying amount. For example, a discounting rate above 200 base points to that used would not result in entering an impairment.

Any downward (revenue growth rate, gross margin rate, growth rate to infinity) or upward (discounting rate) variation by one point in the assumptions retained has no impact on the recoverable value of goodwill and other assets with indefinite life spans.

For the Radiall India, D-Lightsys and IDMM CGUs, the sensitivity of the impairment tests to a change in the main assumptions was analyzed. The assumption that is most sensitive to change is the discount rate:

● For the Radiall India CGU, a 3-point increase in the discount rate, i.e. a WACC rate of 17%, would make the CGU's carrying amount equal to its recoverable value.

● For the IDMM CGU, a 1.1-point increase in the discount rate, i.e. a WACC rate of 11.3%, would make the CGU's carrying amount equal to its recoverable value.

● For the D-lightsys CGU, a 17-point increase in the discount rate, i.e. a WACC rate of 27.2%, would make the CGU's carrying amount equal to its recoverable value.

5.3 - Change in Net Carrying Amount of Other Intangible Assets

Gross value ***(in thousands of euros)***	**Research costs**	**Patents, licenses**	**Other intangible assets**	**Total intangibles**
December 31, 2009	**344**	**10,371**	**7,144**	**17,859**
Purchases		236		236
Disposals		(100)		(100)
Foreign exchange		401	505	906
Other		167	(118)	49
December 31, 2010	**344**	**11,075**	**7,531**	**18,950**

Amortization and depreciation ***(in thousands of euros)***	**Research costs**	**Patents, licenses**	**Other intangible assets**	**Total intangibles**
December 31, 2009	**(99)**	**(6,124)**	**(1,695)**	**(7,918)**
Allocations:	(86)	(841)	(110)	(1,037)
Disposals		89		89
Foreign exchange		(133)	(106)	(239)
Other			119	119
December 31, 2010	**(185)**	**(7,009)**	**(1,792)**	**(8,986)**
Net value 2009	**245**	**4,247**	**5,449**	**9,941**
Net value 2010	**159**	**4,066**	**5,739**	**9,964**

Other intangible assets include the AEP brand (indefinite life span), which is valued at €5 million after the amortization of €972,000 recorded for the 2009 year. This amortization mainly resulted from the Group's decision to reduce the range of products marketed under this brand.

There are no other intangibles with an indefinite life.

NOTE 6 - PROPERTY, PLANT, AND EQUIPMENT

6.1 - Change in Net Carrying Amount

Gross value ***(in thousands of euros)***	**Land**	**Buildings**	**Plant and equipment**	**Other fixed assets**	**Fixed assets in progress**	**Total**
December 31, 2009	**1,169**	**29,088**	**95,741**	**7,548**	**3,204**	**136,750**
Purchases	9	2,399	3,577	497	1,485	7,967
Disposals	(9)	(424)	(4,570)	(377)		(5,340)
Foreign exchange	20	460	2,095	177	1	2,753
Other		128	671	16	(980)	(165)
December 31, 2010	**1,189**	**31,651**	**97,514**	**7,901**	**3,710**	**141,965**

Amortization and depreciation ***(in thousands of euros)***	**Land**	**Buildings**	**Plant and equipment**	**Other assets**	**Assets under construction**	**Total**
December 31, 2009	**0**	**(15,556)**	**(56,110)**	**(5,577)**	**0**	**(77,243)**
Allocations:		(1,250)	(5,779)	(736)		(7,765)
Disposals		407	3,894	286		4,587
Foreign exchange		(131)	(710)	(123)		(964)
December 31, 2010	**0**	**(16,530)**	**(58,705)**	**(6,150)**	**0**	**(81,385)**
Net value 2009	**1,169**	**13,532**	**39,631**	**1,971**	**3,204**	**59,507**
Net value 2010	**1,189**	**15,122**	**38,809**	**1,751**	**3,710**	**60,581**

6.2 - Leasing Agreements for Fixed Assets

(in thousands of euros)	Land	Buildings	Plant and equipment	Other assets	Total
Net value 2009	342	4,622	3,920	0	8,884
Net value 2010	**351**	**6,450**	**3,383**	**0**	**10,184**

By decision at the Supervisory Board meetings of December 7 and December 29, 2010, the Group entered into a leaseback agreement on a new building covering 2,152 m² in net surface area at the Voreppe site in Isère. This asset is recorded in the consolidated financial statements at its gross value of €2.1 million at December 31, 2010. The agreement signed with the lessor provides for financing over 12 years, with an option to purchase the asset at the end of the agreement for a symbolic €1.

6.3 - Information on Other Depreciation of Assets

Other depreciation relates to inventories and trade receivables (Notes 8 and 9).

NOTE 7 - OTHER NON-CURRENT FINANCIAL ASSETS

Change in the Net Carrying Amount of Other Non-Current Financial Assets

Net values *(in thousands of euros)*	Loans and receivables
December 31, 2009	**578**
Purchases	78
Disposals	(3)
Repayment	(356)
Foreign exchange	35
December 31, 2010	**332**

NOTE 8 - INVENTORIES

8.1 - Change in Inventories

(in thousands of euros)	December 31, 2010	December 31, 2009
Raw materials and supplies	30,589	28,704
In progress goods and services	5,492	4,404
Intermediate and finished products	13,530	13,241
Gross values	**49,611**	**46,349**
Depreciation of raw materials and supplies	(4,448)	(4,832)
Depreciation of in progress goods and services		(93)
Depreciation of finished products	(1,896)	(2,253)
Depreciation	**(6,344)**	**(7,178)**
Net value	**43,267**	**39,171**

The company scrapped inventories for €3,647,000 in 2010 (cf. note 13.1).

NOTE 9 - TRADE RECEIVABLES

(in thousands of euros)	December 31, 2010	December 31, 2009
Trade receivables	32,672	26,557
Depreciation	(796)	(623)
Depreciation as %	2.4%	2.3%
Net values	**31,876**	**25,934**

All receivables have a due date of less than one year. The aged balance for trade receivables is presented in note 16.1.

NOTE 10 - OTHER RECEIVABLES

(in thousands of euros)	December 31, 2010	December 31, 2009
Tax and social security receivables	5,266	6,001
Prepaid expenses	1,901	2,472
Other miscellaneous receivables	1,061	831
Total	**8,228**	**9,304**

NOTE 11 - CASH AND CASH EQUIVALENTS

(in thousands of euros)	December 31, 2010	December 31, 2009
Investments maturing in less than 3 months	22,443	42,991
Cash	31,125	23,310
Provision for depreciation of negotiable securities	(8)	(15)
Cash assets	53,560	66,286
Overdrafts and short-term credit lines	0	0
Net cash	**53,560**	**66,286**

NOTE 12 - EQUITY CAPITAL

12.1 - Composition of Share Capital

As at December 31, 2010, the Company's share capital totaled €2,817,454.94, comprising 1,848,124 shares without nominal value. Double voting rights are attached to registered shares which have been held for at least four years.

On January 6, 2010 the Supervisory Board decided to buy back 545,450 Radiall shares from its shareholders (approximately 25% of its share capital) as part of (i) a share buyback offering with a view to canceling the shares purchased, in application of the provisions of Articles L. 225-204 and L. 25-207 of the Commercial Code, and (ii) a simplified buyback offering carried out as part of the share buyback program, in application of Article L. 225-209 of the Commercial Code, approved by the Combined General Shareholders' Meeting of May 27, 2009.

The conditions of the offering filed on January 11, 2010 with the AMF and open from January 29 to February 18, 2010, were as follows:

- The purchase of 545,450 Radiall shares at a price of €63 per share
- A simplified tender offer on all of the 225,582 Radiall share subscription or purchase warrants at a price of €4.90 for each BSAAR class A and €1.75 for each BSAAR class B.

At its meeting on March 10, 2010 following the share buyback offerings, the Executive Board reviewed the results of the offerings and decided to cancel the shares and BSAAR class A and B purchased. The impact on share capital came out at €508,582.05 and on reserves at €20,509,000.

During the 2010 year, the Executive Board canceled 110,885 BSAAR class A and 112,249 BSAAR class B on the market, with a total impact on reserves of €741,000.

12.2 - Share Subscription Options

No stock option plan was in effect during the 2010 year.

12.3 - Treasury Stock

The Group purchased Radiall shares after authorizations given by the Ordinary Shareholders' Meetings. The portion of the share capital held changed as follows:

(in number of shares)	December 31, 2010	December 31, 2009
Held at the start of the period	38,335	40,695
Purchases of shares	338,858	4,860
Sales of shares	(6,324)	(7,004)
Cancellations during year	(333,607)	(216)
Held at the end of the period	37,262	38,335
For market making	6,436	8,335
Held for various objectives	30,826	30,000

The acquisition costs of the shares and the income from disposing of them were allocated to the consolidated equity capital.

As part of the share buyback offering authorized at the Supervisory Board meeting of January 6, 2010, the company purchased 333,607 shares out of a total of 565,450 Radiall shares at €63 per share. These shares were canceled by decision of the Executive Board at its meeting on March 10, 2010.

12.4 - Earnings per Share

	December 31, 2010	December 31, 2009
Group share of income, in euros	4,239,657	(13,714,999)
Number of shares (weighted average) outstanding over the period	1,931,526	2,181,731
Number of treasury shares (weighted average) over the period	38,095	40,515
Number of shares held	1,893,431	2,141,360
Earnings per share, in euros	2.24	(6.40)

12.5 - Diluted Earnings per Share

	December 31, 2010	December 31, 2009
Net profit (loss) for the period, Group share, in euros	4,239,657	(13,714,999)
Weighted average number of ordinary shares outstanding over the period	1,893,431	2,141,360
Dilution effect:		
Stock options awarded for “stock option” plans		
Weighted average number of ordinary shares adjusted for the diluted earnings per share	1,893,431	2,141,360
Net diluted profit (loss) per share, in euros	2.24	(6.40)

12.6 - Dividend Proposed

The Executive Board meeting held on April 12, 2011 proposed a dividend of €0.85 per share. This dividend will be submitted to the shareholders at the Combined Shareholders’ Meeting to be held on May 27, 2011.

NOTE 13 - PROVISIONS

13.1 - Change in Current Asset Provisions

(in thousands of euros)	Dec 31, 2009	Allocations:	Uses	Unused reversals	Change in scope	Foreign exchange difference	Dec 31, 2010
Trade receivables provisions	623	193	(49)			29	796
Inventory write-down provisions	7,178	2,631	(3,647)			182	6,344
Total current asset provisions	**7,801**	**2,824**	**(3,696)**			**211**	**7,140**

13.2 - Change in Current and Non-Current Provisions

(in thousands of euros)	Dec 31, 2009	Allocations:	Uses	Unused reversals	Transfer	Actuarial variations	Foreign exchange difference	Dec 31, 2010
Restructuring provisions	1,390	149	(772)					767
Retirement indemnities	4,412	483	(22)			231		5,104
Other non-current provisions	70	168			(10)		15	243
Non-current provisions	**5,872**	**800**	**(794)**		**(10)**	**231**	**15**	**6,114**
Technical and commercial risks	200							200
Other risks	652	135	(192)	(110)	10		13	508
Current provisions	**853**	**135**	**(192)**	**(110)**	**(10)**		**13**	**708**

The provision for restructuring mainly concerns Radiall SA.
Provisions for career severance indemnities of €5,104,000 include those of Radiall SA for €4,920,000 and €184,000 for the other subsidiaries.

13.3 - Pension Commitments

Assumptions used for Lump-Sum End of Career Severance Indemnities

	December 31, 2010	December 31, 2009
Retirement age		
- Born before 1951	60	60
- Born between 1951 and 1956	63	63
- Born after 1956	65	65
Salary increase rate	2.80%	2.84%
Discounting rate	3.2%	3.7%
Turnover		
- from 16 to 39 years	5.38%	5.37%
- from 40 to 49 years	2.15%	2.30%
- from 50 to 54 years	0.54%	0.50%
- from 55 to 65 years	0.00%	0.00%
Mortality table	TF 00-02	TF 00-02

The information in this note only applies to Radiall SA, IDMM, and D-Lightsys. There are no significant end of career commitments in the Group's other subsidiaries. The departure is always considered to be on the employee's initiative.

Concerning the turnover rate, to anticipate a gradual move in the retirement rate, a differential was used based on the employee's age bracket depending on the generation, and not an average retirement age.

The average turnover is 3.04 %, which is consistent with the actual rate observed over the past five years.

In 2010, two points should be noted:

- Following an amendment to the metal workers collective bargaining agreement applicable to Radiall Group employees in France, a new scale is now in effect, which has increased the Group's commitment for retirement indemnities. In application of IAS 19, the impact of this change in plans is spread over the average remaining vesting period on a straight line basis in the consolidated financial statements. The balance to be amortized at December 31, 2010 was €1.3 million.

The plan assets as at December 31, 2009 were paid off during the year, as the Group made no voluntary payments in 2010.

Past Service Cost

(in thousands of euros)	December 31, 2010	December 31, 2009
Past service costs at start of period	4,695	4,746
Past service cost during the year	258	278
Benefits paid during year	(302)	(430)
Actuarial losses (gains) generated during the year	231	380
Amortization of the change in plans	44	0
Reduction in scheme	0	(491)
Financial costs for the year	178	210
Past service cost at end of year	**5,104**	**4,695**

Hedging Assets

(in thousands of euros)	December 31, 2010	December 31, 2009
Fair value of assets at the start of year	281	741
Expected return on assets	0	13
Actuarial gain (losses) generated on assets during the year	0	(13)
Benefits used during the year	(281)	(461)
Employer contributions	0	0
Change in scheme	0	0
Fair value of assets at year end	**0**	**281**

Amounts Recognized in the statement of financial position and Income Statement

(in thousands of euros)	December 31, 2010	December 31, 2009
Liability recognized in the statement of financial position	5,104	4,412
Past service cost during the year	258	278
Financial costs for the year	178	210
Amortization of the change in plans	44	
Expected return on assets	3	(11)
Expenses entered in the income statement	**483**	**477**
Actuarial losses (gains) recognized in equity capital	231	393

(in thousands of euros)	December 31, 2010	December 31, 2009
Liabilities at the start of the year	4,412	4,005
Transfer		0
Change in scope		0
Expenses entered in the income statement	483	477
Actuarial losses (gains) recognized in equity capital in equity capital	231	393
Benefits paid during the year	**22**	**30**
Reduction in scheme		**(491)**
Liabilities at year end	**5,104**	**4,412**

NOTE 14 - FINANCIAL DEBTS

December 31, 2010 ***(in thousands of euros)***	**Current**	**Non-current**		
	< 1 year	**from 1 to 5 years**	**More than 5 years**	**Total**
Repayable loans		575		575
Bond issue	686	38,774		38,774
Other financial debts		1,248		1,248
Lease financing agreements	553	1,185	4,375	5,560
Cash advances				
Total	**1,238**	**41,782**	**4,375**	**46,157**
Debts in EUR	1,238	40,534	4,375	44,909
Debts in USD				
Debts in other currencies		1,248		1,248
Total	**1,238**	**41,782**	**4,375**	**46,157**

Thursday, December 31, 2009 ***(in thousands of euros)***	**Current**	**Non-current**		
	< 1 year	**from 1 to 5 years**	**More than 5 years**	**Total**
Repayable loans		914		914
Bond issue	664	38,187		38,187
Other financial debts		1,010		1,010
Lease financing agreements	866	574	3,103	3,677
Cash advances				
Total	**1,530**	**40,685**	**3,103**	**43,788**
Debts in EUR	1,530	39,740	3,103	42,843
Debts in USD				
Debts in other currencies		945		945
Total	**1,530**	**40,685**	**3,103**	**43,788**

The increase in debts on lease financing agreements is related to the financing obtained for the lease on the building at the Voreppe site.

Bond Issue:

On July 18, 2007, the Radiall Group issued Bonds with Redeemable Equity Warrants (OBSAAR) that were the subject of an operating note dated June 18, 2007, approved by the AMF under no. 07-199. The nominal value of the total issue, in July 2007, was €39,478,000.

The characteristics of this issue are as follows:

Number of bonds issued:	**37,597**
Nominal value in euros/issue price (in euros):	**1,050**
Issue price (in euros):	**1,050**
Total nominal value of issue (in euros):	**39,477,900**
Interest rate (annual payment in arrears):	***“12 month Euribor – 0.63%”***
Number of bonds redeemed during the year:	**0**
Number of bonds outstanding to be redeemed as at December 31, 2010:	**37,597**
Planned redemption date:	**July 18, 2012**

A total of 7.6% of the bonds issued were subscribed by the public and the balance by Crédit du Nord, BNP Paribas, and Calyon. Three BSAAR (Redeemable Equity Warrants) class A and three BSAAR class B are attached to each bond.

As these banks did not wish to conserve the BSAAR attached to the OBSAAR subscribed by them, they assigned 19,872 BSAAR to the Company’s shareholders for €0.01 per block, 48,036 BSAAR to the Company’s executives and corporate officers and 140,574 BSAAR to Hodiall. The balance of the BSAAR (17,106) was kept by some subscribers of OBSAAR.

The amount of the €39,478,000 issue is divided, after charging costs of €462,000, into a debt component of €37,456,000 and an equity capital component of €1,560,000 before tax, i.e. 1,050,000 net of deferred taxes.

The interest for the period January 1 to December 31, 2010 represents a charge entered into the consolidated financial statements of €1.9 million.

The BSAAR class B were listed for trading on the Euronext Paris market on July 20, 2009 under the code ISIN FR0010485474, while the BSAAR class A were listed for trading on July 19, 2010 under the code ISIN FR0010485474.

The main features of the Redeemable Equity Warrants are as follows:

Main features of the BSAAR	BSAAR class A	BSAAR class B
Exercise price	€126	€121
Exercise parity	1 new share with dividend rights for 1 BSAAR class A	1 new share with dividend rights for 1 BSAAR class B
Term	7 years	4 years
Exercise period	from July 19, 2010 to July 18, 2014 inclusive	from July 20, 2009 to July 18, 2011 inclusive

<u>BSAAR buyback program</u>

At its meeting on January 6, 2010, the Supervisory Board decided to implement the BSAAR and share buyback program.

Following the simplified tender offer, whose conditions were filed on January 11, 2010 with the AMF, the company purchased the following number of BSAAR:

- 32,382 BSAAR class A
- 33,746 BSAAR class B

At its meeting on March 10, 2010, the Executive Board reviewed the results of the tender offers and decided to cancel the shares and BSAAR class A and B purchased.

At its meetings on August 31 and October 7, 2010, the Executive Board canceled a total of 78,503 BSAAR class A and 78,503 BSAAR class B.

At December 31, 2010, there remained 1,906 BSAAR class A and 542 BSAAR class B outstanding.

Commitments to buy out non-controlling interests

At the end of 2010, the minority shareholder in Radiall India Ltd holds 10% of this company's shares. Radiall holds a call option over these shares and the minority shareholder a put option.

The put option can be exercised within five years from September 2007.

The call option is exercisable at any time between September 2012 and September 2014. An agreement provides for Radiall purchasing these shares on the basis of a calculation determined by the parties.

In accordance with the Group's accounting principles, this commitment, recorded in the Group's consolidated financial statements as at December 31, 2010, results in the recognition of a financial debt for the fair value of the commitment, offsetting the reduction in the non-controlling interests and goodwill corresponding to the difference between the value of the commitment and these non-controlling interests.

The amount of this commitment totaled €1,247,000 at December 31, 2010, up €302,000 compared to December 31, 2009, and is accounted under "Other financial debts" in this note.

The share of the income payable to Radiall India's non-controlling interests on December 31, 2010 was restated, which reduced the goodwill by €61,000 (cf. note 5.1).

NOTE 15 - OTHER DEBTS

(in thousands of euros)	December 31, 2010	December 31, 2009
Down payments on orders	410	443
Tax and social security debts	13,881	11,782
Debts to fixed assets suppliers	998	518
Derivative instruments	2,522	2,964
Miscellaneous debts	453	1,441
Accruals	1,931	2,562
Total	**20,195**	**19,710**

NOTE 16 - FINANCIAL INSTRUMENTS

16.1 - Management of Financial Risks

Radiall is exposed to a wide range of financial risks. The main risks are foreign exchange risk, credit risk, and to a lesser extent, interest rate risk. Foreign exchange risks and interest rate risks are centrally managed by the Group.

All the Group's financial transactions are only contracted with partners with a first class rating from a specialized agency.

Foreign Exchange Risk

The foreign exchange risk mainly comes from the purchases and sales realized by the Group's subsidiaries in currencies other than their functional currency.

The assets, liabilities, income, and expenses of the Group's operational entities are recorded in various currencies, mainly the euro, the US dollar and Chinese currency (CNY). The Group's financial statements are presented in euros. The assets, liabilities, income, and expenses that are not recorded in the euro must be converted into the euro at the applicable exchange rate for inclusion in the Group's consolidated financial statements.

The Group only uses derivative instruments to cover its exposure to the financial risks connected with its sales activity and financial position. This policy prevents it from taking or authorizing its subsidiaries to take speculative positions on the market. In general, subsidiaries are not authorized to use derivative instruments.

Sensitivity to Fluctuations in Exchange Rates

The impacts on the Group's sales and equity capital (foreign exchange difference) following a 10% fall in all the currencies against the euro are shown in the table below. A 10% rise in exchange parity would have an inverse effect of the same amount.

(in thousands of euros)	**2010**
Revenue	(9,870)
Impact on equity capital (foreign exchange difference)	(4,403)

Credit Risk

The Credit Management department manages credit risk, which ensures that debt collection procedures are respected and coordinates credit limits for international customers. Credit insurance has been taken out with a renowned insurer for the majority of the European and Asiatic entities.

Aged Balance for Trade Receivables

(in thousands of euros)	December 31, 2010	December 31, 2009
Not outstanding	28,535	22,849
Outstanding:		
- for 30 days	2,569	2,220
- 31 to 60 days	545	543
- 61 to 90 days	161	150
- 91 to 180 days	66	174
Total	**31,876**	**25,934**

There are no other significant unpaid financial assets as at December 31, 2010.

Financial Exposure

The Group's general policy is for its subsidiaries to purchase, sell, borrow, and invest mainly in the same currency as their functional currency in order to reduce their financial exposure to fluctuations in exchange rates.

Interest Rate Risk

The Group's exposure to fluctuations in interest rates is mainly due to its borrowings. The Group uses interest rate swaps to reduce this risk.

Sensitivity to Movements in Interest Rates

As at December 31, 2010 the variable rate financial debts mainly correspond to bonds with redeemable equity warrants (OBSAAR), whose interest rate is based on the "12 month Euribor" rate.

The risk of an unfavorable change in interest rates during the period of the bond issue is fully covered by a fixed rate hedge against the variable rate until the maturity date.

Short-term receivables and debts are not exposed to interest rate risk.

Liquidity Risk and Capital Structure Risk

The Group seeks to reduce its financial structure risks to a maximum and favors self financing for its expansion whenever possible and only has recourse to borrowings when strictly necessary.

In 2007 Radiall issued €39.5 million of OBSAAR to finance one or more future acquisitions within its strategic goals. This hybrid vector was chosen because it offers low cost of borrowings, with the possibility of increasing the Group's equity capital in the future.

The financial management's targets and objectives have remained the same for numerous years.

16.2 - Instruments Linked to Managing Foreign Exchange Risk as December 31, 2010

	Nominal value *(in thousands of*	Market value *(in thousands of euros)*
Accumulator (USD seller)	12,150	(233)
Total	**12,150**	**(233)**

In its business, Radiall is mainly exposed to foreign exchange risk on the euro/dollar parity. In order to hedge these positions in line with its foreign exchange policy, the Company trades in derivatives, either accumulators or knockout barrier options, used to hedge and optimize all or part of Radiall Group's excess cash position in US dollars. At December 31, 2010, these instruments in US dollars totaled $12,150,000 to be converted at monthly staggered maturities from January to May 2011 according to US dollar/euro conversion rates from 1.3240 to 1.3780 and knockout barriers based on a total difference between $0.15 and $0.20.

16.3 – Instruments Linked to Managing Interest Rate Risk as at December 31, 2010

(in thousands of euros)	Nominal value	Market value
Interest rates swaps Variable/Variable	800	(1)
Interest rates swaps Variable/Fixed	40,000	(2,268)

Radiall has set up the following operations for its interest-rate risk hedging policy:

- for the maturities of the real-estate lease agreements contracted by Radiall SA for the extension of the Château-Renault site:
  - interest rates swap conditions on a nominal amount of €800,000 until January 1, 2012. Radiall is a payer of “12 month Euribor” (with a 3% ceiling if 12 month Libor is below 4.65%) compared to 3 month Euribor.
  - the notional amount is amortized by €200,000 per year using the straight line method. The notional amount totaled €250,000 on December 31, 2010.
  - the market value is - €1,177.

- for the maturity dates for the OBSAAR bond issue contracted by Radiall SA at the nominal rate of “12 month Euribor – 0.63%”:
  - o Radiall used derivative financial instruments to manage the variable interest for the OBSAAR issue in July 2007 (“12 month Euribor – 0.63%”). Radial has set up the necessary procedures and documentation to justify the recognition of an effective hedge within the meaning of the IAS 39 standard.

Radiall concluded the following with several financial institutions at the start of 2008:

- A first interest rate swap contract until July 18, 2012, for a nominal, non-amortizable amount of €20 million: Radiall is a receiver of the variable “pre-fixed 12 month Euribor” and payer of the fixed rate of 4.395% a year. The market value on December 31, 2010 was - €1,151,913.
- A second interest rate swap contract until July 18, 2012, for a nominal, non-amortizable amount of €20 million: Radiall is a receiver of the variable “pre-fixed 12 month Euribor” and payer of the fixed rate of 4.34% a year. The market value on December 31, 2010 was - €1,116,523.

These transactions hedge the cash flows relating to the OBSAAR bond issue.

The change in the fair value of these derivative financial instruments was established between the date they were taken out and December 31, 2010 and recognized in equity capital. As at December 31, 2010, the fair value for both of these swaps was negative €2,268,000. The corresponding deferred tax asset entered totals €757,000.

16.4 - Summary of Financial Instruments

(in thousands of euros)	**December 31, 2010**	**December 31, 2009**
Assets	0	0
Liabilities	(252)	(170)
Total foreign exchange risk	**(252)**	**(170)**
Assets	0	0
Liabilities	(2,270)	(2,789)
Total interest rate risk	**(2,270)**	**(2,789)**
Total assets	0	0
Total liabilities	(2,522)	(2,959)
Total (net)	**(2,522)**	**(2,959)**

16.5 - Statement of financial position for each Category of Financial Instrument

(in thousands of euros)	Dec 31, 2010		Breakdown by category of instrument				
	Carrying amount	**Fair value**	**Assets available for sale**	**Loans and receivables**	**Debts at depreciated cost**	**Fair value per earnings**	**Hedging financial instruments**
FINANCIAL ASSETS							
Balance sheet date							
Other non-current financial assets	332	332		332			
TOTAL	**332**	**332**		**332**			
Current assets							
Trade accounts receivable	31,876	31,876		31,876			
Other receivables	8,228	8,228		8,228			
Cash and cash equivalents	53,560	53,560				53,560	
TOTAL	**93,664**	**93,664**		**40,104**		**53,560**	
FINANCIAL LIABILITIES							
Non-current financial debts							
Long-term financial debts	46,157			1,822	44,335		
TOTAL	**46,157**			**1,822**	**44,335**		
Current debts							
Short-term financial debts	1,238				1,238		
Trade payables	20,248			20,248			
Other debts	20,195			17,673			2,522
TOTAL	**41,681**			**37,921**	**1,238**		**2,522**

(in thousands of euros)	Dec 31, 2009		Breakdown by category of instrument				
	Carrying amount	**Fair value**	**Assets available for sale**	**Loans and receivables**	**Debts at depreciated cost**	**Fair value per earnings**	**Hedging financial instruments**
FINANCIAL ASSETS							
Balance sheet date							
Other non-current financial assets	578	578		578			
TOTAL	**578**	**578**		**578**			
Current assets							
Trade accounts receivable	25,934	25,934		25,934			
Other receivables	9,304	9,304		9,304			
Cash and cash equivalents	66,286	66,286				66,286	
TOTAL	**101,524**	**101,524**		**35,238**		**66,286**	
FINANCIAL LIABILITIES							
Non-current financial debts							
Long-term financial debts	43,788			1,924	41,864		
TOTAL	**43,788**			**1,924**	**41,864**		
Current debts							
Short-term financial debts	1,530				1,530		
Trade payables	11,659			11,659			
Other debts	19,710			16,746			2,964
TOTAL	**32,899**			**28,405**	**1,530**		**2,964**

NOTE 17 – INCOME TAX

17.1 - Analysis of the Income tax expense

The income tax expense breaks down as follows:

(in thousands of euros)	December 31, 2010	December 31, 2009
France	(565)	(79)
Abroad	(1,731)	(943)
Tax payable	(2,296)	(1,022)
France	87	698
Abroad	(450)	(73)
Deferred tax	(363)	625
Tax revenue (expense)	**(2,659)**	**(397)**

17.2 - Reconciling Theoretical and Effective Taxation

The reconciled items are:

(in thousands of euros)	December 31, 2010	December 31, 2009
Profit (loss) before tax	7,523	(12,826)
Theoretical tax at the rates in force in each country	(1,963)	4,545
Impacts of non-deductible charges and non-taxable revenues	122	(538)
Effect of changes in tax rate	(114)	0
Deferred taxes not recognized on losses during the period	(1,394)	(4,972)
Research tax credit	587	369
Reduced rate taxation	315	120
Other	(212)	79
Total	**(2,659)**	**(397)**

17.3 - Net Deferred Tax Position

(in thousands of euros)	December 31, 2010	December 31, 2009
Deferred tax assets	1,949	1,894
Deferred tax liabilities	(5,500)	(4,748)
Net deferred taxes	(3,551)	(2,854)

17.4 - Main Deferred Consolidated Tax Assets and Liabilities

(in thousands of euros)	December 31, 2010	December 31, 2009
Effect of tax loss carryovers	10,356	7,970
Fiscal effect of temporary differences connected with:		
- Goodwill		(2)
- Other balance sheet date	(8,843)	(9,852)
- Inventories	493	846
- Other current assets	(143)	(282)
- Provision for contingencies	3,180	2,728
- Other debts	(1,130)	548
- Other	(132)	162
Tax impact of temporary differences	(6,575)	(5,852)
Gross deferred tax assets (liabilities)	3,781	2,118
Provision for depreciation of deferred tax assets	(7,332)	(4,972)
Net deferred taxes	(3,551)	(2,854)

The depreciation of deferred tax assets mainly concerns the group losses from the tax integration in France.

Deferred taxes on losses can be carried forward without limit.

Non-current deferred tax assets mainly comprise deferred taxes on Radiall SA’s excess depreciation and deferred taxes recognized for RADIALL USA's intangible assets.

17.5 - Breakdown of Current Tax in Statement of financial position Assets

(in thousands of euros)	December 31, 2010	December 31, 2009
Corporate taxes *(advance payments and tax credits)*	3,013	2,594
Total	3,013	2,594

NOTE 18 - HEADCOUNT AND PERSONNEL EXPENSES

(in thousands of euros)	**December 31, 2010**	**December 31, 2009**
External staff	8,236	4,763
Salaries	47,247	47,515
Salary expenses	19,980	18,612
Stock options	0	2
Total	**75,463**	**70,892**
France	53,702	50,470
International	21,761	20,422
Total	**75,463**	**70,892**

(average headcount)	**December 31, 2010**		**December 31, 2009**	
	Internal	**External**	**Internal**	**External**
France	1,100	147	1,155	73
International	686	396	742	383
Total	**1,786**	**543**	**1,897**	**456**

NOTE 19 - RESEARCH AND DEVELOPMENT COSTS

(in thousands of euros)	**December 31, 2010**	**December 31, 2009**
Non-capitalized costs	15,605	14,955
Amortization of capitalized development costs	86	47
Total expenses incurred	**15,691**	**15,002**

NOTE 20 - OTHER OPERATING INCOME AND EXPENSES

(in thousands of euros)	**December 31, 2010**	**December 31, 2009**
Foreign exchange revenue	218	279
Revenue from asset disposals	75	(68)
Subsidies	910	1,219
Other revenues and expenses	72	22
Total	**1,275**	**1,452**

NOTE 21 – DEPRECIATION OF BALANCE SHEET DATE

Depreciation of balance sheet date only applies to amortization and depreciation expenses for intangible and tangible assets.

NOTE 22 - DEPRECIATION OF CURRENT ASSETS AND PROVISION EXPENSES

(in thousands of euros)	December 31, 2010	December 31, 2009
Write-down of inventories	(2,631)	(1,699)
Depreciation of current assets	(82)	(144)
Provisions for contingencies	(131)	(312)
Total	**(2,844)**	**(2,155)**

In 2010, the write-downs of inventories were mainly incurred for Radiall SA and Radiall USA.

NOTE 23 - NON-CURRENT EXPENSES AND PROVISIONS

Non-current expenses were booked in 2010 which covered the remaining expenses from the public share and BSAAR buyback in February 2010 and the reevaluation of commitments relating to the 2009 staff restructuring plan in application of the pension reform introduced in France in 2010:

(in thousands of euros)	December 31, 2010	December 31, 2009
Non-current personnel expenses and provisions	149	2,873
Expenses and provisions for tangible assets	0	1,530
Expenses and provisions for intangible assets	0	2,389
Other expenses and provisions on non-current expenses	147	810
Total	**296**	**7,602**

NOTE 24 - OTHER FINANCIAL INCOME AND EXPENSES

(in thousands of euros)	December 31, 2010	December 31, 2009
Foreign exchange gain on intragroup financing	122	11
Other financial income	10	106
Total other financial income and expenses	**132**	**117**
Foreign exchange loss on intragroup financing		(103)
Negotiable security depreciation expenses	(3)	0
Financial instruments expenses	(78)	(33)
Other financial expenses	(41)	(49)
Total other financial expenses	**(122)**	**(185)**
Total	**10**	**(68)**

NOTE 25 - AUDITORS' FEES

(in thousands of euros)	MAZARS				FIDUS			
	Amount net of tax		As %		Amount net of tax		As %	
	2010	2009	2010	2009	2010	2009	2010	2009
Audit								
- Statutory Auditors, certificates, separate and consolidated financial statements								
Radiall SA	129	124	37%	39%	50	49	68%	68%
Fully consolidated subsidiaries	146	139	42%	45%	23	23	32%	32%
- Other services directly connected to the Statutory Auditors' duties								
Radiall SA	4	0	1%					
Fully consolidated subsidiaries	8	0	2%					
Sub-total	**287**	**263**	**82%**	**84%**	**73**	**72**	**100%**	**100%**
Other compensation								
Legal, tax, social	35	49	10%	16%				
Other advisory duties	23	0	8%					
Sub-total	**58**	**49**	**18%**	**16%**				
TOTAL	**345**	**312**	**100%**	**100%**	**73**	**72**	**100%**	**100%**

NOTE 26 - OFF-BALANCE SHEET COMMITMENTS AND OTHER INFORMATION

The commitments for managing foreign exchange and interest rate risks are described in note 16 on financial instruments.

26.1 - Commitments Relating to Lease Financing Agreements

(in thousands of euros)		December 31, 2010	December 31, 2009
Real estate	Expiry <= 1 year	476	273
	Between 1 and 5 years	1,185	683
	More than 5 years	4,375	3,103
	Total	**6,036**	**4,059**
Other assets	Expiry <= 1 year	77	593
	Between 1 and 5 years	0	77
	More than 5 years	0	0
	Total	**77**	**670**

The increase in real estate commitments is related to the financing obtained for the lease on the building at the Voreppe site.

The main lease financing agreement concerns Radiall USA, which set up a lease agreement in November 2008 for the extension to the Obregon site in Mexico. The agreement was concluded between Immobiliaria Trento, SA DE CV and Sonora S. Plan, SA DE CV.

The term of the lease is 10 years and firstly provides the possibility of withdrawing from the contract at the end of the fifth year in return for the payment of a penalty, and secondly, the possibly of acquiring the said premises when the contact expires or renewing the lease for an additional 10 year term.

In this lease, Radiall USA jointly with its parent company, Radiall America Inc. granted a guarantee to the lessor, Immobiliaria Trento, SA DE CV, to guarantee Sonora S. Plan, SA DE CV's undertakings under this lease for the premises that the Company occupies exclusively.

26.2 - Commitments Relating to Ordinary Non-Terminable Lease Financing Agreements

(in thousands of euros)		December 31, 2010	December 31, 2009
Real estate	Expiry <= 1 year	1,776	1,662
	Between 1 and 5 years	5,314	4,993
	More than 5 years	5,469	6,131
	Total	**12,559**	**12,786**
Other assets	Expiry <= 1 year	214	256
	Between 1 and 5 years	173	210
	More than 5 years	6	6
	Total	**393**	**472**

NOTE 27 - INFORMATION ON RELATED PARTIES

27.1 - France Télécom and its Subsidiaries (FT)

Mr. Lombard has been a director of Radiall since May 2003. Moreover, he was the Chairman of France Telecom until February 11, 2011.

The amount of Radiall's transactions with France Telecom, which occurred within the scope of its normal business activity and under normal market conditions, is not considered to be significant.

27.2 - Hodiall and Société d'Investissement Radiall (SIR)

At December 31, 2010, Radiall's capital is held 51.4% by Hodiall, versus 43.5% in 2009, and 32.6% by SIR, versus 27.6% in 2009. These companies have considerable influence on the Group and affiliated companies linked to Radiall.

The transactions between Hodiall and Radiall are governed by a service provision agreement. This contract provides that Hodiall agrees to supply Radiall with its assistance and services in the following areas: Group strategy, financial and tax services, management and financial communication, corporate management, legal assistance, legal secretariat, administrative services, and insurance program management.

The amount Hodiall invoiced Radiall for these services, and Radiall's debt to Hodiall at the balance sheet date, is shown below:

(in thousands of euros)	December 31, 2010	December 31, 2009
Amount invoiced by Hodiall to Radiall	650	700
Radiall's debt to Hodiall at the balance sheet date	218	1,008

There were no transactions between SIR and Radiall for 2010 and 2009.

27.3 - Sums Paid to members of the Operational Departments Committee (ODC)

The total benefits paid by the Group to the members of the ODC in 2010 and 2009 were as follows:

(in thousands of euros)	December 31, 2010	December 31, 2009
Salaries and other short-term benefits *(including employers' charges)*	1,686	1,871
Share-based payments	0	0
Total	1,686	1,871
Average headcount	7.2	8.5

27.4 - Sums Paid to Members of the Supervisory Board and Executive Board

The amount of attendance fees and indemnities paid to members of the Supervisory Board and Executive Board totaled €137,628 for 2010 and €134,139 for 2009.

NOTE 28 - POST BALANCE SHEET EVENTS

No post balance sheet event took place between December 31, 2010 and the date of the Supervisory Board meeting held to approve the financial statements.

2. THE STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2010

Dear Shareholders

In performance of the mission which was entrusted to us by your Shareholders' Meeting, we present you with our report for the year ended December 31, 2010 on:

- The audit of Radiall's consolidated financial statements, as appended to this report,
- The justification for our assessments
- The specific verification stipulated by law

The consolidated financial statements were approved by your Executive Board. We have to express an opinion on these accounts based on our audit.

I - Opinion on the Consolidated Financial Statements

We performed our audit in accordance with the professional standards applicable in France. These standards require the use of tests to obtain reasonable assurance that the consolidated financial statements do not include any significant misstatements. An audit involves taking samples or any other method of selection to check the amounts and the information appearing in the consolidated financial statements, the elements to justify these amounts, and the information in the consolidated financial statements. It also involves assessing the accounting principles used, the significant estimations made and the overall presentation of the accounts. We consider that the information we collected is sufficient and appropriate for basing our opinion.

We certify that the consolidated financial statements for the year are accurate and genuine with respect to the IFRS as adopted in the European Union and give a true and fair picture of the assets, financial position, and results of the Group comprising the persons or entities included in the consolidation.

II - Justification for the Assessments

With regard to Article L. 823-9 of the Commercial Code concerning the justification for our opinion, we inform you of the following information:

We evaluated the Company's accounting approach for valuing the goodwill, intangible assets, accounts receivable and inventories, as described in notes 2.8, 2.9, 2.12, and 2.13 of the notes to the consolidated financial statements. Our work involved assessing the reasonable nature of the data and assumptions on which they are based, and verifying the Company's calculations. As described in notes 2.8, 2.11, and 5.2 of the notes to the consolidated financial statements, your company performs an impairment test of the goodwill and the intangible assets with an indefinite life span, on each reporting date. We examined the conditions for implementing this impairment test, the cash flow forecasts, and the assumptions used. We also checked the adequacy of the information in the notes.

These assessments formed part of our audit of the consolidated financial statements overall, and contributed to forming the opinion expressed in the first part of this report.

III - Specific Verification

We also performed a specific check on the information given in the Group's management report, in accordance with the professional standards applicable in France.

We have no comments to make on the accuracy and consistency with the consolidated financial statements.

Signed in Paris and Courbevoie, May 6, 2011

The Statutory Auditors

FIDUS

FRANCIS BERNARD

MAZARS

SIMON BEILLEVAIRE

III. STATUTORY FINANCIAL STATEMENTS

1. STATUTORY FINANCIAL STATEMENTS

Statement of financial position as at December 31, 2010 – Radiall SA

Assets *(in thousands of euros)*	December 31, 2010			December 31, 2009
	Gross	Amort. & Depr.	Net	
Fixed assets				
Intangible assets	**5,081**	**4,291**	**790**	**864**
Research and development costs	344	185	159	245
Patents, licenses	244	242	2	33
Software	4,423	3,794	629	586
Goodwill	70	70		
Property, plant, and equipment	**82,914**	**58,566**	**24,348**	**24,936**
Land	435		435	444
Buildings	15,921	11,551	4,370	4,622
Plant and equipment	58,331	43,305	15,026	15,634
Other assets	4,678	3,710	968	1,051
Assets under construction	3,301		3,301	2,879
Advance payments	248		248	306
Non-current financial assets	**34,377**	**4,522**	**29,855**	**34,196**
Participating interests	32,748	4,522	28,226	32,732
Other fixed securities	6		6	6
Other Non-Current Financial Assets	1,623		1,623	1,458
Total fixed assets	**122,372**	**67,379**	**54,993**	**59,996**
Current assets				
Inventories and work in progress	**32,425**	**4,606**	**27,819**	**25,352**
Raw materials and supplies	20,817	3,414	17,403	15,638
In progress goods and services	2,710		2,710	2,454
Intermediate and finished products	8,898	1,192	7,706	7,260
Trade accounts receivable	**24,765**	**32**	**24,733**	**15,438**
Other assets	**14,438**		**14,438**	**21,724**
Down payments on orders	64		64	93
Other receivables	12,865		12,865	20,382
Prepaid expenses	515		515	1,048
Foreign exchange differences	994		994	201
Cash	**39,947**	**8**	**39,939**	**54,770**
Treasury shares	374		374	362
Negotiable securities	22,411	8	22,403	42,321
Cash	17,162		17,162	12,087
Total current assets	**111,575**	**4,646**	**106,929**	**117,284**
Total assets	**233,947**	**72,025**	**161,922**	**177,280**

Statement of financial position as at December 31, 2010 – Radiall SA

Liabilities *(in thousands of euros)*	**December 31, 2010**	**December 31, 2009**
Equity capital		
Capital	2,817	3,326
Additional paid-in capital from issues, mergers, and contributions	21,897	21,897
Legal reserve	339	339
Statutory and contractual reserves	43,307	65,914
Retained earnings	434	11,705
Profit (loss) for the period	2,305	(11,271)
Regulated provisions	12,570	12,914
Total equity	**83,669**	**104,824**
Provisions		
For risks	1,316	661
For charges	5,686	5,622
Total provisions	**7,002**	**6,283**
Payables		
Financial payables	**41,813**	**44,457**
Bond issue	39,611	39,618
Bank borrowings	559	649
Financial debts	1,643	4,190
Trade payables	**15,738**	**10,238**
Other debts	**13,699**	**11,478**
Down payments on orders	53	24
Tax and social security debts	10,087	8,334
Payables on fixed assets	867	201
Other debts	1,678	2,723
Unrealized foreign exchange gains	1,015	196
Total payables	**71,251**	**66,173**
Total liabilities	**161,922**	**177,280**

Income Statement as at December 31, 2010 – Radiall SA

(in thousands of euros)	2010	2009
Operating income		
Sales of goods	121,692	97,287
Sales of services	821	709
Revenue	**122,513**	**97,996**
Inventoried goods	457	(4,183)
Production for own use	250	334
Operating subsidies	479	795
Write-back of depreciation, provisions, and transfers of expenditure	2,661	2,204
Other income	5,312	4,184
Total operating income	**131,672**	**101,330**
Operating expenses		
Purchase of materials and supplies	52,761	31,829
Change in inventories	(1,400)	4,519
Other external purchases and charges	25,697	22,313
Taxes	3,051	3,443
Salaries	31,004	32,123
Social-security contributions	12,936	12,557
Allocations:		
- to depreciation and amortization of fixed assets	4,377	4,911
- to provisions on current assets	316	343
- to provisions for risks and charges	815	723
Other expenses	541	388
Total operating expenses	**130,098**	**113,149**
Operating income	**1,574**	**(11,819)**
Financial income		
Financial income	5,111	7,100
Foreign-exchange gains	1,858	849
Total financial income	**6,969**	**7,949**
Financial expenses		
Financial expenses	4,659	4,060
Foreign-exchange losses	1,449	1,072
Total financial expense	**6,108**	**5,132**
Financial income	**861**	**2,817**
Earnings before tax	**2,435**	**(9,002)**
Non-recurring income	6,412	4,241
Non-recurring expenses	6,314	7,285
Non-recurring income	**98**	**(3,044)**
Corporate income tax (credit)	228	(775)
Net profit (loss) for the period	**2,305**	**(11,271)**

Notes to the Individual Financial Statements

NOTE 1. MATERIAL EVENTS

Due to a recovery in business over the year, Radiall SA recorded a profit of €2,305,000 for 2010.

There was an operating profit of €1,574,000 in 2010, compared with a loss of €11,819,000 in 2009.

The company launched a public share buyback offering in 2010, which enabled it to purchase a total of €21.8 million in treasury shares. Following this transaction, 333,607 Radiall shares and 110,885 BSAAR class A and 112,249 BSAAR class B were canceled.

NOTE 2. ACCOUNTING PRINCIPLES

Radiall's individual financial statements have been prepared in accordance with Accounting Regulatory Committee Regulation no. 99-03 of April 29, 1999 regarding France's amended Chart of Accounts.

2.1 - Principles and Methods of Evaluation

The basic method used for assessing the information given in the financial statements is the historical-cost method. Fixed assets which justify it are recognized at their contribution value at the entry date.

2.2 - Research and Development Costs

Research and study costs are not capitalized.

Development costs are recognized as fixed assets when the company can show:
- its intention, and financial and technical capacity to carry the development project through to its term;
- that it is probable that the future financial benefits resulting from the development costs will go to the company; and
- that the cost of this asset can be reliably valued.

Development costs are amortized in accordance with the quantities of products delivered based on the initial contracts.

Other research and development costs are recorded as expenses for the year during which they were incurred.

2.3 - Intangible assets

Intangible assets are amortized on a straight-line basis over a useful life of between 1 and 5 years.

2.4 - Property, Plant, and Equipment

Property, plant, and equipment are depreciated on a straight line basis over their useful lives:

• Buildings	10 to 20 years
• Plant and equipment	3 to 20 years
• Computer hardware	3 to 5 years
• Other property, plant and equipment	3 to 15 years

2.5 - Equity Securities

Equity securities are valued at their acquisition cost. If this amount is greater than the value-in-use, a provision for depreciation is made for the difference. The value-in-use is the share of shareholder's equity that the securities represent adjusted, if necessary, to take into account forecast developments and results.

2.6 - Inventories and Work in Progress

Inventories are valued at the lower of their cost and their net realization value. The cost of inventories is calculated using the weighted average cost method, and incorporates direct and indirect production charges on the basis of a normal level of business activity. Borrowing costs are not included in the cost of inventories. Inventory write-downs are usually recorded due to product obsolescence or based on sale prospects.

2.7 - Receivables and Payables

Receivables and payables are recognized at nominal value, and are revalued at the rate on the reporting date. Receivables are amortized through provisions if there is a risk of non-collection. The Company has taken out credit insurance to limit the risks from unpaid receivables.

2.8 - Negotiable Securities, Treasury Stock, and Net Cash

Net cash comprises treasury stock and negotiable securities net of provisions and cash, less overdrafts and short-term lines of credit.

Net negotiable securities and cash are valued at the lower of their purchase cost and their market value.

Treasury shares are held for market-making. The market value of these shares is based on the average share price from the previous month.

When these shares are held for cancellation or for various objectives, they are recorded in the statement of financial position under "Non-Current Financial Assets."

2.9 - Provisions for Risks and Charges

2.9.1. Provisions for Retirement Indemnities

Retirement indemnities due to French employees are valued based on an actuarial simulation.

Commitments are valued using the projected unit credit method. According to this method, each period of service results in an additional unit of benefit rights and each of these units is valued separately in order to obtain the final obligation. This final obligation is then discounted.

These calculations mainly include:

- An assumption of the retirement date,
- A financial discounting rate,
- Assumptions of increases in salaries and staff turnover,
- An inflation rate which is incorporated into the discounting rate and the salary revaluation rate.

These evaluations are made every year except if changes to the assumptions require more frequent estimations.

The cost of discounting and the expected return from assets are recognized as a employee benefits expense.

The management of these commitments is partially entrusted to an insurance company, with the remainder being recognized in provisions for risks and charges.

2.9.2. Other Provisions for Risks and Charges

These provisions are used to cover risks and charges that are probable due to events that have occurred or are occurring.

2.10 Financial Instruments

The Group uses insurance hedging or financial instruments to manage, reduce, or limit its exposure to the risk of changes in exchange rates or interest rates if necessary; losses and gains relating to these operations are recognized in financial operations.

NOTE 3. OTHER INFORMATION

In application of law no. 2004.391 of May 4, 2004 relating to professional training:

- The total number of training hours corresponding to employees' Individual Training Rights (DIF) totaled 98,420;
- The number of hours of training which were not requested totaled 97,660;
- No provision was recognized for DIF as at December 31, 2010.

3.1 – Post Balance Sheet Events

No post balance sheet event took place between December 31, 2010 and the date of the Supervisory Board meeting held to approve the financial statements.

NOTE 4. CHANGE IN PROPERTY, PLANT, AND EQUIPMENT

(in thousands of euros)	Dec 31, 2009	Purchases	Transfers	Disposals	Dec 31, 2010
Land	444			9	435
Buildings	15,693	213	129	114	15,921
Plant and equipment	58,747	1,831	668	2,915	58,331
Other assets	4,386	374	14	96	4,678
Assets under construction	2,879	3,294	(722)	2,150	3,301
Advance payments	306	198	(256)		248
Total	**82,455**	**6,976**	**(167)**	**5,284**	**82,914**

NOTE 5. CHANGE IN DEPRECIATION OF PROPERTY, PLANT, AND EQUIPMENT

(in thousands of euros)	Dec 31, 2009	Increase	Decrease	Dec 31, 2010
Buildings	11,071	557	77	11,551
Plant and equipment	43,113	2,897	2,705	43,305
Other assets	3,335	470	95	3,710
Total	**57,519**	**3,924**	**2,877**	**58,566**

In 2010, a provision for depreciation of plant and equipment was reversed in the amount of €463,000. It covers plant and equipment that was sold or scrapped over the year.
The remainder of the provision for the depreciation of plant and equipment stood at €354,000 at December 31, 2010.

NOTE 6. CHANGE IN NON-CURRENT FINANCIAL ASSETS

(in thousands of euros)	Dec 31, 2009	Increase	Decrease	Dec 31, 2010
Equity securities	35,141		2,393	32,748
Other Non-Current Financial	1,633	21,837	21,841	1,629
Gross total	**36,774**	**21,837**	**24,234**	**34,377**

Movements in Securities:

Following a capital reduction at the subsidiary RADIALL Limited by reducing the nominal value of shares, the investment in this subsidiary decreased by €2,393,000.

Movements in Other Securities:

In 2010, the company purchased 334,433 Radiall shares, of which 333,607 as part of the share buyback offerings. By decision of the Executive Board on March 10, 2010, 333,607 treasury shares were canceled.

As at December 31, 2010, the Company still held 30,826 treasury shares. The provision for depreciation made in 2009 totaling €169,000 was reversed in 2010 given the average share price of Radiall shares in December 2010.

Provisions for Depreciation of Non-Current Financial Assets:

(in thousands of euros)	Dec 31, 2009	Increase	Decrease	Dec 31, 2010
Provision for depreciation of equity securities	2,409	2,113		4,522
Provision for depreciation of treasury stock	169		169	0
Total	2,578	2,113	169	4,522

An additional provision of €2,112,000 was made for depreciation of Radiall Ventures (formerly IDFI) shares held by Radiall.

NOTE 7. CHANGE IN INVENTORIES

7.1 – Inventories

(in thousands of euros)	Dec 31, 2009	Dec 31, 2010	*Change*
Raw materials and supplies	19,270	20,817	*1,547*
In progress goods and services	2,454	2,710	*256*
Intermediate and finished products	8,843	8,898	*55*
Total gross values	**30,567**	**32,425**	***1,858***

7.2 - Provision for Inventory Write-Downs

(in thousands of euros)	Dec 31, 2009	Provisions	Reversals	Dec 31, 2010
Provisions for raw materials and supplies	3,632	300	518	3,414
Provisions for finished products	1,583		391	1,192
Total provisions	**5,215**	**300**	**909**	**4,606**

NOTE 8. TRADE ACCOUNTS RECEIVABLE

This line item corresponds to the amount of trade accounts and bills received. The bills totaled €636,000. These line items are due in less than one year.

NOTE 9. DETAIL OF OTHER RECEIVABLES

(in thousands of euros)	December 31, 2010			December 31, 2009		
	< 1 year	> 1 year	Total	< 1 year	> 1 year	Total
Corporate tax	30	915	945	1,420		1,420
Other receivables from the government	2,849		2,849	4,006		4,006
Subsidiary current accounts		8,800	8,800		14,363	14,363
Sundry accruals	271		271	593		593
TOTAL	**3,150**	**9,715**	**12,865**	**6,019**	**14,363**	**20,382**

The corporate tax receivable of €945,000 corresponds mainly to the research tax credit which is expected to be reimbursed in 2013.

Other receivables from the government amount to €2,849,000 and comprise VAT receivables (€1,252,000) and subsidies to be received (€1,590,000).

NOTE 10. INVENTORY OF NEGOTIABLE SECURITIES

Treasury shares according to the market-making agreement: €374,000 (6,436 shares). The valuation of the Radiall share at the average share price in December 2010 did not warrant the booking of a provision for impairment in 2010.

As at December 31, 2010, the unrealized capital gains on these shares totaled €48,000.

Certificate of deposit	:	€4,978,000
Investment in short-term mutual fund	:	€17,433,000
Provision for depreciation	:	€(8,000)
Total	**:**	**€22,403,000**

NOTE 11. CHANGE IN EQUITY CAPITAL

(in thousands of euros)	Dec 31, 2009	Increase	Decrease	Dec 31, 2010
Capital	3,326		509	2,817
Additional paid-in capital	21,897			21,897
Legal reserve	339			339
Statutory and contractual reserves	65,914	29	22,636	43,307
Retained earnings	11,705		11,271	434
Loss	(11,271)	2,305	(11,271)	2,305
Regulated provisions	12,914	2,044	2,388	12,570
Total equity	**104,824**	**4,378**	**25,533**	**83,669**

Dividends distributed by Radiall SA in 2010 and deducted from reserves totaled €1,357,000.

As at December 31, 2010 the Company's share capital totaled €2,817,454.94. It comprised 1,848,124 shares without nominal value. Double voting rights are attached to registered shares which have been held for at least four years.

On March 10, 2010 the Executive Board reduced the Company's share capital by canceling 333,607 treasury shares for a total of €508,582.05, with an impact of €20,509,000 on the share capital and reserves.

During the 2010 year, the Executive Board canceled 110,885 BSAAR class A and 112,249 BSAAR class B on the market, with a total impact on reserves of €741,000.

At December 31, 2010 there were no stock option plans in effect.

NOTE 12. SHAREHOLDING STRUCTURE

	Dec 31, 2010		Dec 31, 2009	
	% shares	% voting rights	% shares	% voting rights
- Société d'Investissement Radiall *	32.6	35.4	27.6	32.1
- Hodiall *	51.4	55.6	43.5	50.4
- Pierre Gattaz	2.7	2.9	2.2	2.6
- Public and others **	13.3	6.1	26.7	14.9

**Holding company combining the Gattaz families' interests in Radiall.*

***Shares directly or indirectly held by staff and representing less than 0.1% of the total.*

NOTE 13. PROVISIONS FOR RISKS AND CHARGES

13.1 – Change in Provisions

(in thousands of euros)	Dec 31, 2009	Increases	Reversals	No longer required	Dec 31, 2010
Exchange-rate risks	201	994	201		994
Technical and commercial risks	196	128	77	52	195
Miscellaneous risks	264		79	58	127
Total provisions for risks	**661**	**1,122**	**357**	**110**	**1,316**
Provisions for restructuring	1,389	149	772		766
Retirement indemnities	4,233	687			4,920
Total provisions for charges	**5,622**	**836**	**772**		**5,686**

13.2. Retirement Indemnities

ASSUMPTIONS	2010	2009
1) Retirement age:		
- Born before 1951	60	60
- Born between 1951 and 1956	63	63
- Born after 1956	65	65
2) Departure:	On the employee's initiative in all cases	On the employee's initiative in all cases
3) Salary increase rate:	2.80%	2.84%
4) Discounting rate:	3.2%	3.7%
5) Turnover:		
- from 16 to 39 years	5.38%	5.37%
- from 40 to 49 years	2.15%	2.30%
- from 50 to 54 years	0.54%	0.50%
- from 55 to 65 years	0.00%	0.00%
6) Mortality table:	TF-00-02	TF-00-02

NOTE 14. DEBT MATURITY SCHEDULE

(in thousands of euros)	Dec 31, 2010			Dec 31, 2009		
	< 1 year	> 1 year	Total	< 1 year	> 1 year	Total
Bond issue	133	39,478	39,611	140	39,478	39,618
Bank borrowings	559		559	649		649
Miscellaneous financial debts	21	28	49	246	128	374
Group current accounts		1,594	1,594		3,816	3,816
Accrued charges	887		887	401		401
Suppliers	15,718		15,718	10,038		10,038
Advance payments	53		53	24		24
Tax and social security debts	10,087		10,087	8,334		8,334
Other	1,269	1,424	2,693	1,271	1,648	2,919
Total	**28,727**	**42,524**	**71,251**	**21,103**	**45,070**	**66,173**

On July 18, 2007 the Radiall Group issued Bonds with Redeemable Equity Warrants (OBSAAR) which were the subject of an operating note dated June 18, 2007, approved by the AMF under no. 07-199.

The amount of this issue totaled €39,478,000.

The characteristics of this issue are as follows:

- Number of bonds issued 37,597
- Nominal value in euros/issue price (in euros)..1,050
- Issue price (in euros)..1,050
- Total nominal value of issue (in euros)...39,477,900
- Interest rate (annual payment in arrears) .... "12 month Euribor – 0.63%"
- Number of bonds redeemed during the year 0
- Number of bonds outstanding to be redeemed on December 31, 2010..........................37,597
- Planned redemption date ....July 18, 2012

A total of 7.6% of the bonds issued were subscribed by the public and the balance by Crédit du Nord, BNP Paribas, and Calyon. Three BSAAR class A and three BSAAR class B are attached to each bond.

As these banks did not wish to conserve the BSAAR attached to the OBSAAR subscribed by them, they assigned 19,872 BSAAR to the Company's shareholders for €0.01 per block, 48,036 BSAAR to the Company's executives and corporate officers and 140,574 BSAAR to Hodiall.

The balance of the BSAAR (17,106) was kept by some subscribers of OBSAAR.

The interest for the period January 1 to December 31, 2010 represents a charge of €1.5 million including the interest on the bond issue and interest paid on the swap used to hedge this bond issue. Costs related to the issue of this instrument are amortized over five years.

The BSAAR class B were listed for trading on the Euronext Paris market on July 20, 2009 under the code ISIN FR0010485474. The BSAAR class A were listed on July 19, 2010 under the code ISIN FR0010485474.

The main features of the Redeemable Equity Warrants are as follows:

Main features of the BSAAR	BSAAR class A	BSAAR class B
Exercise price	€126	€121
Exercise parity	1 new share with dividend rights for 1 BSAAR class A	1 new share with dividend rights for 1 BSAAR class B
Term	7 years	4 years
Exercise period	from July 19, 2010 to July 18, 2014 inclusive	from July 20, 2009 to July 18, 2011 inclusive

BSAAR buyback program

At its meeting on January 6, 2010, the Supervisory Board decided to implement the BSAAR and share buyback program.

Following the simplified tender offer, whose conditions were filed on January 11, 2010 with the AMF, the company purchased the following number of BSAAR:

- 32,382 BSAAR class A
- 33,746 BSAAR class B

At its meeting on March 10, 2010, the Executive Board reviewed the results of the tender offers and decided to cancel the shares and BSAAR class A and B purchased.

At its meetings on August 31 and October 7, 2010, the Executive Board canceled a total of 78,503 BSAAR class A and 78,503 BSAAR class B.

At December 31, 2010, there remained 1,906 BSAAR class A and 542 BSAAR class B outstanding.

NOTE 15. ELEMENTS RELATED TO AFFILIATED COMPANIES

(in thousands of euros)	**Dec 31, 2010**	**Dec 31, 2009**
Interests (gross amounts)	32,748	35,141
Trade accounts receivable	13,501	7,389
Other receivables and negative current accounts	8,800	14,497
Sundry financial debts (current accounts in credit)	(1,594)	(3,816)
Trade accounts payable	(2,795)	(2,469)
Other debts		(883)
Financial expenses	30	40
Financial income	4,490	5,208

NOTE 16. OFF-BALANCE SHEET COMMITMENTS

The Company has set up the following operations for its exchange-rate risk hedging policy:

	Nominal value *(in thousands of currency)*	**Market value** *(in thousands of euros)*
Accumulator (USD seller)	12,150	(233)
Total	**12,150**	**(233)**

In its business, Radiall is mainly exposed to foreign exchange risk on the euro/dollar parity. In order to hedge these positions in line with its foreign exchange policy, the Company trades in derivatives, either accumulators or knockout barrier options, used to hedge and optimize all or part of Radiall Group's excess cash position in US dollars. At December 31, 2010, these instruments in US dollars totaled $12,150,000 to be converted at monthly staggered maturities from January to May 2011 according to US dollar/euro conversion rates from 1.3240 to 1.3780 and knockout barriers based on a total difference between $0.15 and $0.20.

- **For the maturities of the real estate leasing contracts contracted by Radiall SA for the extension of the Château-Renault site:**
    - Interest rates swap conditions on a nominal amount of €800,000 until January 1, 2012. Radiall is payer of “12 month Euribor” (with a 3% ceiling if 12 month Libor is below 4.65%) compared to “3 month Euribor”;
    - The notional amount is amortized by €200,000 per year using the straight line method. The notional amount totaled €250,000 on December 31, 2010;
    - The market value is - €1,177.

- **For the maturity dates for the “OBSAAR” bond issue contracted by Radiall SA at the nominal rate of “12 month Euribor – 0.63%”:**
    - An interest-rate swap contract until July 18, 2012, for a nominal, non-amortizable amount of €20 million: Radiall is receiver of the variable “pre-fixed 12 month Euribor” and payer of the fixed rate of 4.395% a year. The market value as at December 31, 2010 was -€1,151,913.
    - A second interest-rate swap contract until July 18, 2012, for a nominal, non-amortizable amount of €20 million: Radiall is receiver of the variable “pre-fixed 12 month Euribor” and payer of the fixed rate of 4.34% a year. The market value as at December 31, 2010 was -€1,116,523.

Leasing commitments

(in thousands of euros)	< 1 year	from 1 to 5 years	> 5 years	Dec 31, 2010
Real estate leasing (C. Renault)	182	47		228
Real estate leasing (Voreppe)	280	951	1,452	2,683

The call option on the real estate lease for Château-Renault is a symbolic €1. Fees paid during the year totaled €237,000.

Radiall SA built a new building at the Voreppe site in 2010. In December 2010, the real estate complex was leased for €2,354,000.

Other Off-Balance Sheet Commitments

At end-2009, the minority shareholder of Radiall India Ltd held 10% of the company's shares. Radiall holds a call option over these shares and the minority shareholder a put option. The put option can be exercised within five years from September 2007.

The call option is exercisable at any time between September 2012 and September 2014. An agreement provides for Radiall purchasing these shares on the basis of a calculation determined by the parties.

NOTE 17. REVENUE

(in thousands of euros)	2010	2009
France	29,848	28,259
- With affiliated companies	321	158
- Other	29,527	28,101
International	92,665	69,737
- With affiliated companies	68,460	47,407
- Other	24,205	22,330
Total	**122,513**	**97,996**

NOTE 18. OTHER EXTERNAL PURCHASES AND CHARGES

Other external purchases and expenses increased by 15% on 2009, in particular due to the sharp rise in expenses related to temporary staff. The recovery in business in 2010 generated higher transportation expenses than in 2009.

NOTE 19. PERSONNEL EXPENSES, HEADCOUNT, AND PROFIT-SHARING

Average headcount changed as shown below:

	December 31, 2010	December 31, 2009
White-collar staff/Blue-collar staff	460	476
Technicians/Supervisors	280	303
Executives and general management	224	229
Total	**964**	**1,008**

NOTE 20. COMPENSATION OF CORPORATE OFFICERS

(in euros)	Post	Gross compensation [1] [2]	Attendance fees or indemnities [2]
Mr. Yvon Gattaz	Chairman of the Supervisory Board		115,628
Mr. Didier Lombard	Member of the Supervisory Board		8,000
Mrs. Roselyne Gattaz	Member of the Supervisory Board		4,000
Mr. Bruno Gattaz	Member of the Supervisory Board		4,000
Mr. Robert Papin	Member of the Supervisory Board		6,000
Mr. Marc Ventre	Member of the Supervisory Board		0
Mr. Pierre Gattaz	Chairman of the Executive Board	205,846	
Mr. Guy de Royer	Member of the Executive Board	172,130	
Total		**377,976**	**137,628**

[1] Over the term of office, including benefits in kind.

[2] Paid by Radiall SA.

NOTE 21. FINANCIAL INCOME

Financial income in 2010 mainly comprises dividends collected from subsidiaries totaling €4,324,000.

NOTE 22. NON-RECURRING INCOME AND EXPENSES

(in thousands of euros)	Dec 31, 2010	Dec 31, 2009
Non-recurring income from management operations	1	4
Income from sale of fixed assets	2,938	452
Reversal of provisions for risks	772	0
Reversal of provisions for depreciation of fixed assets	313	
Reversals of excess depreciation	2,388	3,785
Total non-recurring income	**6,412**	**4,241**
Non-recurring expenses for management operations	1,253	1,801
Net carrying amount of the fixed assets sold	2,858	744
Other non-recurring expenses	10	214
Allocation to excess depreciation	2,044	2,470
Allocation to provisions for restructuring plans and depreciation of fixed assets	149	2,056
Total non-recurring expenses	**6,314**	**7,285**

The income from the sale of fixed assets includes the sale of the land and building built at the Voreppe site (Isère) to the leasing bank for €2,354,000.

NOTE 23: CORPORATE TAX

In 2009 the Company recorded a research tax credit of €912,000. It also has tax loss carryovers which can be carried over indefinitely totaling €20,568,000.

Breakdown of income tax

(in thousands of euros)	**Before tax**	**After tax**
Current income	2,435	2,207
Non-recurring income	98	98
Corporate income tax	(228)	
Loss	**2,305**	**2,305**

In December 2007, Radiall SA opted for tax consolidation in France of Radiall SA (consolidating parent company) and the following French subsidiaries as from January 1, 2010: Radiall Ventures, Industrie Doloise de Micro-Mécanique, Radiall Systems and D-Lightsys.

The tax consolidation agreement between the parties provides for the subsidiaries to share the tax between themselves as if they had been taxed separately and there had been no consolidation. As at December 31, 2010 the Group consolidated by Radiall SA had cumulative tax losses which can be carried forward indefinitely amounting to €22,421,000.

In addition, as at December 31, 2010 Radiall SA had tax losses accumulated prior to the tax consolidation which can be carried forward indefinitely totaling €4,932,000. These losses are chargeable to the future profit (loss) of this entity.

As at December 31, 2010 Radiall SA had a tax loss of €939,000, excluding consolidation.

NOTE 24. ELEMENTS WHICH MAY REDUCE OR INCREASE THE AMOUNT OF TAXES PAYABLE IN THE FUTURE

(in thousands of euros)	Dec 31, 2009	Increase	Decrease	Dec 31, 2010
Regulated provisions and expenses to be re-consolidated later				
Excess depreciation	12,914	2,044	2,388	12,570
Investment subsidies				
Basis for future taxes	**12,914**	**2,044**	**2,388**	**12,570**
Future taxation (based on a tax rate of 33.33%)	4,305			4,190
Non-tax deductible expenses in the year				
Provisions and expenses temporarily not deducted	7,366	1,720	530	8,556
ORGANIC	162	202	162	202
Employee profit sharing				
Basis for taxes paid in advance	**7,528**	**1,922**	**692**	8,758
Future tax saving (based on a tax rate of 33.33%)	(2,509)			(2,919)

NOTE 25. RESEARCH AND DEVELOPMENT

No research and development expenses were incurred in 2010.

2. TABLE OF SUBSIDIARIES AND INTERESTS AS AT DECEMBER 31, 2010

At December 31, 2010

	Capital [1]	Retained earnings [1]	% Capital held	Carrying amount of securities		Revenue excl. tax FY 2010	Net profit (loss) 2010 [1]	Dividends collected by Radiall SA
				Gross	Net			
FRANCE								
Radiall Ventures *(Rosny-sous-Bois (93))*	975	59	100.00	6,597	2,819	0	(2,196)	0
FOREIGN								
Radiall GmbH *(Germany)*	486	427	100.00	229	229	16,294	630	383
Radiall Srl *(Italy)*	257	2,417	100.00	596	596	7,473	(154)	0
Radiall BV *(Netherlands)*	16	1,052	100.00	11	11	2,352	114	0
Radiall AB *(Sweden)*	33	10	100.00	47	47	447	54	0
Radiall America *(USA)*	11,602	18,927	100.00	13,526	13,526	0	4,509	0
Radiall Asia *(Hong Kong)*	29	43	55.00	18	18	3,001	812	490
Radiall do Brasil *(Brazil)*	288	(275)	99.87	754	10	0	(15)	0
Radiall Ltd. *(UK)*	259	1	100.00	2,128	2,128	6,139	134	194
Radiall India Ltd. *(India)*	396	2,690	90.00	2,450	2,450	8,300	370	0
Nihon Radiall KK *(Japan)*	410	345	100.00	397	397	2,659	160	0
Shanghai Radiall *(China)*	9,494	4,211	71.00	5,994	5,994	29,238	2,078	3,258
Radiall Int. Ltd. *(Hong Kong)*	1	802	100.00	1	1	13,644	516	0

[1] For foreign companies, amounts in local currencies have been converted at the closing rate for the relevant elements of the statement of financial position (Capital and reserves) and at the average rate for those on the income statement.

Main currencies used:

	Closing rate *(in euros)*	Average rate *(in euros)*
US Dollars	1.336	1.327
Hong Kong Dollars	10.386	10.308
Pound Sterling	0.861	0.858
Swedish Krona	8.966	9.547
Indian Rupee	59.758	60.632
Yen	108.650	116.455
Yuan	8.822	8.981
Brazilian Réal	2.218	2.334

3. NET FINANCIAL INCOME OF THE COMPANY OVER THE LAST FIVE YEARS

(in euros)	2006	2007	2008	2009	2010
Financial position at year-end					
a. Share capital	3,381,573	3,390,186	3,326,366	3,326,037	2,817,455
b. Number of shares issued	2,218,160	2,223,810	2,181,947	2,181,731	1,848,124
Comprehensive income from actual transactions					
a. Revenue excl. taxes	132,300,892	134,949,040	127,301,381	97,996,481	122,512,800
b. Profit (loss) before tax, interests, depreciation, amortization, and provisions	3,367,991	12,277,952	10,626,886	(4,545,469)	8,148,312
c. Corporate income tax	(323,934)	(197,969)	(823,849)	(774,909)	227,732
d. Profit (loss) after tax and before interests, depreciation, amortization, and provisions	3,691,925	12,475,921	11,450,732	(3,770,560)	7,920,580
e. Net profit (loss) for the period	3,247,262	9,661,707	5,116,430	(11,271,431)	2,305,434
f. Amount of earnings distributed	2,484,339	2,899,620	2,072,850	1,386,093	1,570,905*
Net earnings per share					
a. Earnings after tax and before depreciation, amortization, and provisions	1.66	5.52	5.09	(1.73)	4.29
b. Net profit (loss) for the period	1.46	4.34	2.34	(5.17)	1.25
c. Dividend paid per share	1.12	1.30	0.95	0.75*	0.85*
Personnel					
a. Employees (average headcount)	1,030	1,049	1,048	1,008	964
b. Total payroll costs	30,307,244	32,305,471	32,285,288	32,123,393	29,233,794
c. Sums paid as employee benefits	12,347,092	12,418,000	12,812,978	12,556,797	12,936,301

** Subject to the approval of the Ordinary General Shareholders' Meeting held to approve the financial statements for 2010.*

4. Statutory Auditors' Report on the Annual Financial Statements

Year ended December 31, 2010

Dear Shareholders

In performance of the mission which was entrusted to us by your Shareholders' Meeting, we present you with our report for the year ended December 31, 2010 on:

- The audit of Radiall's annual accounts, as appended to this report,

- The justification for our assessments,

- The specific checks and information stipulated by the law.

The annual accounts were approved by your Executive Board. We have to express an opinion on these accounts based on our audit.

I – Opinion on the Annual Accounts

We performed our audit in accordance with the professional standards applicable in France. These standards require the use of tests to obtain reasonable assurance that the annual accounts do not include any significant misstatements. An audit involves taking samples or any other method of selection to check the elements justifying the amounts and the information in the annual accounts. It also involves assessing the accounting principles used, the significant estimations made and the overall presentation of the accounts. We consider that the information we collected is sufficient and appropriate for basing our opinion.

We certify that the annual accounts for the year are accurate and genuine with respect to French accounting rules and principles, and give a true picture of the assets, financial position, and the results of the Company at the balance sheet date.

II - Justification for the Assessments

With regard to Article L. 823-9 of the Commercial Code concerning the justification for our opinion, we inform you of the following information:

We evaluated the Company's accounting approach for valuing the equity interests, inventories and work in progress, and accounts receivable, as described in notes 2.5, 2.6, and 2.7 of the notes to the financial statements. Our work involved assessing the reasonable nature of the data and assumptions on which they are based, and verifying the Company's calculations.

These assessments formed part of our audit of the annual accounts overall, and contributed to forming the opinion expressed in the first part of this report.

III - Specific Checks and Information

We also carried out the specific checks in accordance with the professional standards applicable in France.

We have no comments to make on the accuracy and consistency with the annual accounts of the information given in the Executive Board's management report and in the documents addressed to shareholders regarding the financial position and the annual accounts.

Regarding the information supplied in application of the provisions of Article L. 225-102-1 of the Commercial Code on the compensation and benefits paid to corporate officers as well as on the commitments made to them, we have checked that they agree with the accounts or with the data used to prepare the accounts and, if necessary, with the elements gathered by your company from companies controlling your company or controlled by it. Based on this work, we certify the accuracy and sincerity of this information.

In application of the law, we are confident that the various information relating to equity holdings and majority holdings and to the identity of holders of capital have been communicated to you in the management report.

Signed in Paris and Courbevoie, May 6, 2011

The Statutory Auditors

FIDUS

FRANCIS BERNARD

MAZARS

SIMON BEILLEVAIRE

5. Statutory Auditors' Special Report on Regulated Agreements and Commitments

Year ended December 31, 2010

Dear Shareholders

In our capacity as the Company's Statutory Auditors, we present our report on regulated party agreements and commitments to you.

We are responsible for informing you, based on the information given to us, of the basic characteristics and conditions of the agreements and commitments which have been disclosed to us or which we identified during our audit, without having to pronounce on their utility or merits or seek whether any other agreements or commitments exist. Under the terms of Article R. 225-58 of the Commercial Code, you must assess the benefit of concluding these agreements or commitments in order to approve them.

It is also our responsibility to provide you, where applicable, with the information required under Article R. 225-58 of the Commercial Code concerning the application during the year of agreements and commitments already approved at the Shareholders' Meeting.

We performed our audit by applying the standards we considered necessary with respect to the professional standards of the National Association of Statutory Auditors. These standards require us to check that the information given to us agrees with the documents it came from.

AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL AT THE SHAREHOLDERS' MEETING

Agreements and commitments authorized during the year

Pursuant to Article L. 225-88 of the Commercial Code we were informed of the following agreements and commitments which your Supervisory Board had authorized.

- **Subsidy for Industries Doloises de Micro-Mécanique (IDMM)**

  Agent involved: Pierre Gattaz

Your Company granted a subsidy to IDMM for commercial projects. A subsidy of €442,000 was paid for 2010.

This subsidy was authorized by your Supervisory Board on August 31, 2010.

- **Current account agreement with Radiall Ventures**

  Agent involved: Pierre Gattaz

Your Company granted Radiall Ventures (formerly IDFI) a current account advance of a maximum of €1 million expiring on December 31, 2012. The current account is remunerated at the annual “12 month Euribor + 0.5 point” rate. In 2010 through a rider signed on December 7, 2010, the maximum amount of this advance was set at €3,500,000. A new rider was signed on March 31, 2011, setting the maximum amount of this advance at €4,500,000.

On December 31, 2010, your Company held a receivable of €3,203,000 against Radiall Ventures for this advance and the interest invoiced in 2010 totaled €52,000.

This agreement was authorized by your Supervisory Board on December 7, 2010.

Agreements and commitments authorized since the balance sheet date

We inform you that we have been advised of no agreement or commitment authorized since December 31, 2010 that was granted prior authorization by the Supervisory Board.

Agreements and commitments without prior approval

Pursuant to Articles L. 225-90 and L. 823-12 of the Commercial Code we are notifying you that the following agreements and commitments were not granted prior authorization from your Supervisory Board.

We are responsible for informing you of the circumstances which resulted in the authorization procedure not being followed.

The procedure for prior authorization was not followed due to an omission by your company.

- **Current account agreement with IDMM**

  Agent involved: Pierre Gattaz

Following an agreement signed in 2007 and a rider signed in 2008, your Company granted IDMM a current account advance for a maximum amount of €5 million, expiring on December 31, 2012. The current account is remunerated at the annual “12 month Euribor + 0.5 point” rate.

Your Company signed a rider on December 21, 2010, setting the maximum amount of this advance at €5,500,000.

On December 31, 2010, the advance totaled €4,980,000 and the amount of interest invoiced in 2010 totaled €92,000.

We inform you that your Supervisory Board decided to authorize this agreement after the fact at its meeting on April 12, 2011.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED AT THE SHAREHOLDERS' MEETING

Agreements and commitments approved during previous years

a) which continued to apply during the last year

In application of Article R. 225-57 of the Commercial Code, we were informed of the application of the following agreements and commitments, which were already approved at the Shareholders' Meeting during previous years, continued to be performed during the last year.

- **Service agreement with IDMM**

  Agent involved: Pierre Gattaz

This company agreed to provide your Company with support services when locating its factory at Obregon in Mexico. Your Company paid a total of €118,000 excluding tax for this service in 2010.

- **Assistance and advice agreement with Hodiall**

  Agents involved: Pierre Gattaz, Guy de Royer

Hodiall supplies its assistance and advice to your Company for the following operations: Group strategy, financial and tax services, financial management and communication, corporate management, legal assistance, legal secretariat, administrative and management services for the insurance programs. A rider to this agreement was authorized following deliberation at the Supervisory Board meeting on December 9, 2008. Your Company paid a total of €650,000 excluding tax for these services in 2010.

- **Current account agreement with Hodiall**

  Agents involved: Pierre Gattaz, Guy de Royer

Your company signed an agreement with Hodiall making the excess cash of each party available to the other in the form of current account advances, remunerated depending on the needs and available cash of each, up to a maximum of one million four hundred thousand euros (€1,400,000) repayable in one single payment on December 31, 2015 at the latest.

On December 31, 2010, your Company had a debt of two hundred eighteen thousand euros (€218,000) and the amount of interest invoiced in 2010 totaled €7,000.

- **Assistance and advice agreement with Radiall Systems**

  Agent involved: Pierre Gattaz

Your Company supplies the following assistance and service to Radiall Systems SA for the following operations: financial and tax services, legal assistance, legal secretariat, supplying a project engineer, and logistic support. The annual amount of remuneration totaled €6,000 excluding tax.

b) which did not apply during the past year

We were also informed of the following ongoing agreements and commitments, which were already approved at the Shareholders' Meeting during previous years but did not apply during the past year.

- **Service agreement with IDMM**

  Agent involved: Pierre Gattaz

IDMM agreed to supply machining and appraisal services to your Company.

Your Company did not issue any invoices for this agreement in 2010.

- **Service agreement with Radiall USA**

  Agent involved: Pierre Gattaz

Your Company agreed to perform training for Radiall USA’s employees when locating its factory at Obregon in Mexico.

Your Company did not issue any invoices for this agreement in 2010.

Signed in Paris and Courbevoie, May 6, 2011

The Statutory Auditors

FIDUS	Francis Bernard
MAZARS	Simon Beillevaire

IV. MANAGEMENT BODIES AND SHAREHOLDERS' MEETINGS

1. DRAFT RESOLUTIONS FOR THE COMBINED SHAREHOLDERS' MEETING OF MAY 27, 2011

I – RESOLUTIONS OF THE ORDINARY SHAREHOLDERS' MEETING

First resolution: Approval of the individual financial statements for the year ended December 31, 2010

The Shareholders' Meeting, ruling under the conditions of quorum and majority stipulated for Ordinary Shareholders' Meetings, after having heard the reading of the Executive Board's management report and the Statutory Auditors' general report, approves the individual financial statements for the year ended on December 31, 2010 as prepared and presented, and the operations translated in these financial statements or summarized in these reports.

Consequently, the Shareholders' Meeting gives the members of the Executive Board and the Supervisory Board full and unreserved discharge for the execution of their mandate for the year.

Second resolution: Approval of the consolidated financial statements for the year ended December 31, 2010

The General Shareholders' Meeting, ruling under the conditions of quorum and majority stipulated for Ordinary Shareholders' Meetings, after having heard the reading of the Executive Board's management report for the Group, the report of the Chairman of the Supervisory Board and the report of the Statutory Auditors, approves the consolidated financial statements for the year ended on December 31, 2010 as prepared and presented, and the operations translated in these financial statements or summarized in these reports.

Consequently, the Shareholders' Meeting gives the members of the Executive Board and the Supervisory Board full and unreserved discharge for the execution of their mandate for the year.

Third resolution: Allocation of income

The Shareholders' Meeting, ruling under the conditions of quorum and majority stipulated for Ordinary Shareholders' Meetings, decides to allocate the profit (loss) for the 2010 year as follows:

Retained earnings brought forward	€434,268.96
Income for 2010	€2,305,434.42
Retained earnings after allocation of income	€2,739,703.38
General reserve brought forward:	€43,306,617.45
Distribution of dividends	€1,570,905.40 [1]
or €0.85 per share	
General reserve after distribution	€41,735,712.05

The amount of the general reserve after distribution was €41,735,712.05.

The Shareholders' Meeting, ruling under the conditions of quorum and majority stipulated for Ordinary Shareholders' Meetings, resolves to distribute a gross dividend of €0.85 (eighty-five cents) per share, or a total of €1,570,905.40 (one million, five hundred and seventy thousand, nine hundred and five euros and forty cents), the number of existing shares being 1,848,124 (one million, eight hundred and forty-eight thousand, one hundred and twenty-four).

The dividends will be paid out on June 3, 2011.

It should be noted that as the shares held by the Company do not entitle the holder to the dividend, the sum corresponding to the unpaid dividend on these treasury shares, during payment, will be allocated to the general reserve account.

It is also noted that:

- For the income tax, the dividend will be eligible, for beneficiaries meeting the required conditions, to the rebate provided for in Article 158-3 of the General Tax Code.

- The dividend, when paid to individuals not resident for tax purposes in France and whose shares or company interests are not registered in an equity savings plan, will have tax deducted at source for social-security contributions.

- The same beneficiaries, who also intend to opt for the flat-rate 19% income-tax rate, must inform the Company of this before the date of payment of the dividend.

[1] Subject to allocation to the general reserve of dividends of shares held by the Company at the time of payment.

The Shareholders' Meeting notes that the amount of dividends distributed and the total revenue of the share for the past three years were as follows:

Year	Number of shares	Net dividend (in euros)
2007	2,223,810	1.30
2008	2,181.947	0.95
2009	1,848,124	0.75

All the sums mentioned in the table above are eligible for the 40% allowance provided for in Article 158-3-2° of the General Tax Code.

Fourth resolution: Approval of the agreements specified in Articles L. 225-86 et seq. of the Commercial Code

The Shareholders' Meeting, ruling under the conditions of quorum and majority stipulated for Ordinary Shareholders' Meetings, after having heard the reading of the Statutory Auditors' special report on agreements referred to in Articles L. 225-86 et seq. of the Commercial Code, takes note of this report and approves the agreements presented in this report.

Fifth resolution: Authorization granted to the Executive Board to buy back Company shares

The Shareholders' Meeting authorizes the Executive Board, in accordance with Article L. 225-209 of the Commercial Code, to carry out any purchases or sales, on the stock exchange or off the market, of Radiall shares, up to a maximum of 10% of the share capital (184,812 shares) including in the form of a block(s) of shares, with the aim of:

- Continuing and, if necessary, amending the liquidity agreement signed on July 1, 2005 with ODDO MIDCAP or signing any identical contract with a provider of investment services, in accordance with the provisions of the code of ethics of the AMAFI recognized by the AMF.
- Using the shares purchased to facilitate or enable the purchase of a whole number of shares as part of operations to combine shares in the Company.
- Canceling shares in accordance with the conditions set by the law, in particular for optimizing the Company's general and financial management, subject to the adoption of the extraordinary eighth resolution presented below.
- Honoring the obligations relating to the issue of shares granting access to the share capital, share purchase option programs, the allocation of bonus shares to members of staff and corporate officers, the allocation or disposal of shares to employees as part of profit-sharing schemes, employee shareholding schemes, or company savings schemes.
- Keeping the shares purchased and using them in payment or exchange or otherwise for the company's external growth operations

The maximum purchase price per share may not exceed €100. There will be no minimum resale price per share. The maximum amount of funds which the Company may use for this share buyback program is €12,000,000.

This purchase authorization is given for a maximum of 18 months from the date of the General Shareholders' Meeting. It cancels and replaces the unused portion of the authorization granted by the Combined Shareholders' Meeting of June 8, 2010.

In order to ensure the execution of this authorization, all powers are granted to the Executive Board which may delegate these powers to make any order on the stock exchange, sign any agreement, make any declarations, fulfill all formalities, and generally do anything required.

Sixth resolution: Amount of attendance fees of the Supervisory Board for the year ended December 31, 2010

The Shareholders' Meeting, ruling under the conditions of quorum and majority stipulated for Ordinary Shareholders' Meetings, resolves to allocate to the members of the Supervisory Board, as compensation for their activities, in the form of attendance fees, a total annual sum of twenty-nine thousand (29,000) euros for the year ended December 31, 2010, it being specified that the total sum is to be divided between the members by the Supervisory Board itself.

Seventh resolution: Powers

Full powers are given to the bearer of an original or a copy of the minutes of this Meeting to carry out the filings and publications provided for by law.

II – RESOLUTIONS OF THE EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING

Eighth resolution: Authorization granted to the Executive Board to reduce the share capital by cancellation of shares

The Shareholders' Meeting, ruling under the conditions of quorum and majority stipulated for Extraordinary General Shareholders' Meetings, having heard the report of the Executive Board and the special report of the Statutory Auditors, and in accordance with Article 225-209 of the Commercial Code:

1. Authorizes the Executive Board to cancel, on its decision alone, on one or more occasions, all or some of the shares that the Company holds or may hold following the use of various authorizations to purchase shares granted to the Executive Board by the Shareholders' Meeting, up to a limit of 10% per 24-month period of the total number of shares making up the share capital on the date of the operation.

2. Authorizes the Executive Board to attribute the difference between the purchase amount of the canceled shares and their nominal value to any available line items for additional paid-in capital or reserves.

3. Delegates to the Executive Board, with the option to sub-delegate in accordance with the law, all powers to reduce the share capital following the cancellation operations authorized by this resolution, outsource the corresponding accounting records, proceed with the related modification of the bylaws, and generally carry out all necessary formalities.

4. Fixes the term of validity of this authorization at 18 months from the date of this Meeting, which cancels and replaces, for the unused totals, any prior authorization with the same purpose.

Ninth resolution: Powers to carry out any formalities

Full powers are given to the bearer of an original or a copy of the minutes of this Meeting to carry out the filings and publications provided for by law.

2. Management Bodies

Supervisory Board

Yvon Gattaz	Chairman of the Supervisory Board
Bruno Gattaz	Vice-Chairman
Roselyne Gattaz	
Didier Lombard	
Robert Papin*	
Marc Ventre**	

** Mandate ended following resignation on December 7, 2010.*

*** Mandate started December 7, 2010.*

Executive Board

Pierre Gattaz	Chairman of the Executive Board
Guy de Royer	Financial Director

Management Committee

Pierre Gattaz	Chairman of the Executive Board
Michel Churg	Deputy Chief Executive
Dominique Buttin	Director of the Aeronautic, Defense & Instrumentation Division and Director Americas Zone
André Hartmann	Director Asia Zone* and Director of Human Resources*
Frédéric Perrot	Director of the Telecom, Automotive & Industrial Division
Jean-Pierre Wilsch	Director of Human Resources**
Guy de Royer	Financial Director
Denis Aubourg	Director of Sales
Eric Charlery	Director Asia Zone***

** Change in function on August 31, 2010.*

*** Replaced following retirement on August 31, 2010.*

**** Joined the committee in November 2010.*

Statutory Auditors

MAZARS	**FIDUS**
Exaltis - 61 rue Henri Regnault	12 rue de Ponthieu
92 075 La Défense Cedex	75008 Paris
Alternate:	
Guillaume Potel	*Eric Lebegue*

Person responsible for information:

Guy de Royer (Financial Director)

Tel.: +33 (0)1 49 35 35 35

infofinance@radiall.com

3. Information on the Corporate Officers

Information on offices held in all companies as at December 31, 2010:

- **Yvon Gattaz, Chairman of the Supervisory Board**
  Date of first appointment: December 17, 1993
  End of current term of office: 2012

- **Bruno Gattaz, Member of the Supervisory Board**
  Date of first appointment: December 17, 1993
  End of current term of office: 2012
  Also Vice-Chairman of the Supervisory Board of Hodiall

- **Robert Papin, Member of the Supervisory Board**
  Date of first appointment: September 19, 1997
  Resignation: December 07, 2010

- **Marc Ventre, Member of the Supervisory Board**
  Date of first appointment: December 07, 2010
  End of current term of office: 2014

- **Didier Lombard, Member of the Supervisory Board**
  Date of first appointment: May 20, 2003
  End of current term of office: 2014
  Also a director of Orange, Thales, and Thomson and a member of the Supervisory Board of ST. Microelectronics. Chairman of France Telecom.

- **Roselyne Gattaz, Member of the Supervisory Board**
  Date of first appointment: May 16, 2006
  End of current term of office: 2012
  Also a member of the Supervisory Board of Hodiall

- **Pierre Gattaz, Chairman of the Executive Board**
  Date of first appointment: January 04, 1994
  End of current term of office: 2012
  Also Chairman of the Executive Board of Hodiall. Member of the Supervisory Board of Cegos S.A

- **Guy de Royer, Member of the Executive Board**
  Date of first appointment: November 17, 2009
  Also Chairman of the Executive Board of Hodiall since April 15, 2010.
  End of current term of office: 2012

➢ Summary of Gross Compensation (Including Benefits in Kind) and Options and Shares Granted to each Corporate Officer

	FY 2010	FY 2009
Pierre Gattaz (Chairman of the Executive Board)		
Compensation owed for the year	396,816	297,569
Value of options granted during the year	No options allocated in 2010	No options allocated in 2009
Value of performance shares granted during the year	No performance shares allocated in 2010	No performance shares allocated in 2009
TOTAL	**396,816**	**297,569**
Guy de Royer		
Compensation owed for the year	181,555	19,458
Value of options granted during the year	No options allocated in 2009	No options allocated in 2009
Value of performance shares granted during the year	No performance shares allocated in 2010	No performance shares allocated in 2009
TOTAL	**181,555**	**19,458**

Executive corporate officers as at December 31, 2010	**Employment contracts**		**Supplementary pension plan**		**Indemnities or benefits due or liable to be due because of ceasing or changing functions**		**Indemnities relating to a non-competition clause**	
	yes	**no**	**yes**	**no**	**yes**	**no**	**yes**	**no**
Pierre Gattaz Chairman of the Executive Board 3/24/2006 AGM 2011 accounts	X		X			X		X
Guy de Royer Financial Director 11/17/2009 AGM 2011 accounts	X		X			X		X

➢ Breakdown of the Gross Compensation (Including Benefits in Kind) Paid During s 2009 and 2010 to Corporate Officers by Radiall SA, its Subsidiaries or Controlling Companies:

Summary of Compensation Paid to each Executive Corporate Officer*

	FY 2009		FY 2010	
	Amounts owed	Amounts paid	Amounts owed	Amounts paid
Pierre Gattaz **Chairman of the Executive Board**				
Fixed compensation	290,513	290,513	292,817	292,817
Bonus compensation	0	0	58,443	0
Exceptional compensation			38,500	38,500
Attendance fees				
Benefits in kind	7,056	7,056	7,056	7,056
TOTAL	**297,569**	**297,569**	**396,816**	**338,373**
Guy de Royer** **Member of the Executive Board and Financial Director**				
Fixed compensation	19,189	19,189	160,641	160,641
Bonus compensation	N/A	N/A	18,649	9,224
Exceptional compensation				
Attendance fees				
Benefits in kind	269	269	2,265	2,265
TOTAL	**19,458**	**19,458**	**181,555**	**172,130**

** For their term of office.*
*** Member of the Executive Board from November 17, 2009.*

The bonus compensation paid to the members of the Executive Board in March 2011 corresponded to the personalized targets relating to the collective and individual results during the 2010 year (growth, profitability, operational excellence, etc.).

Attendance Fees and Other Compensation Received by Non-Executive Corporate Officers

Non-executive corporate officers	Amounts paid during the 2009 year	Amounts paid during the 2010 year
Yvon Gattaz		
Attendance fees	4,000	5,000
Other compensation *	110,139	110,628
Bruno Gattaz		
Attendance fees	4,000	4,000
Other compensation		
Roselyne Gattaz		
Attendance fees	4,000	4,000
Other compensation		
Didier Lombard		
Attendance fees	7,000	8,000
Other compensation		
Robert Papin**		
Attendance fees	5,000	6,000
Other compensation		
Marc Ventre***		
Attendance fees	0	0
Other compensation	0	0

** Indemnities for the post of Chairman of the Supervisory Board of Radiall SA*
*** Corporate officer until December 7, 2010.*
**** Corporate officer from December 7, 2010.*

****

4. Executive Board's Special Report on Share Subscription Options

In accordance with the provisions of Article L. 225-184 of the Commercial Code relating to the allocation of share subscription options to employees and executives, we inform you that, during the 2010 year, the Executive Board granted no share subscription options.

5. Executive Board's Special Report on Share Transactions by Executives

In accordance with the provisions of Article L. 621-18-2 of the Monetary and Financial Code regarding corporate shares and Article 222-14 of the regulation of the AMF, we inform you that, during the 2010 year, no share transactions were carried out by executives.

www.radiall.com

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RADIALL
The next conneXion