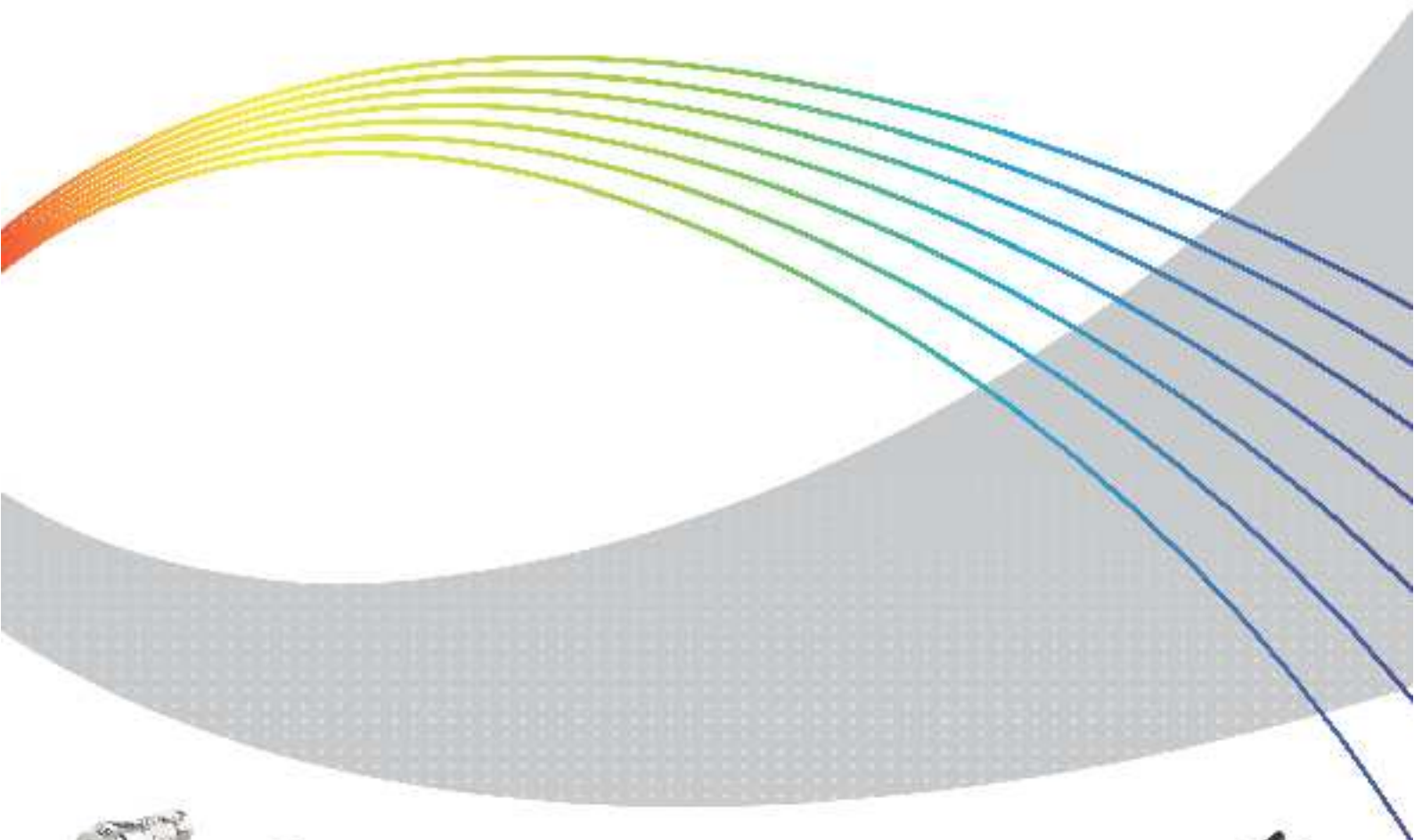


2011 Financial Report



2011 Financial Report

Copies of this annual financial report are available free of charge at Radiall's headquarters (101, rue Philibert Hoffmann – 93116 Rosny-sous-Bois Cedex, France), from Radiall's website (www.radiall.com), and from the website of the AMF (www.amf-france.org).



A New Year of Growth

Dear Shareholders,

In 2011 Radiall benefited from a more promising connections market environment and experienced renewed growth in its earnings.

The Company's revenue grew by 9.9%, and all segments except the telecoms segment contributed to this growth, especially the aeronautics, space, and automotive segments. This rise in business activity, combined with continued cost control, allowed us to post €10.1 million in profit from continuing operations, up almost 5% from 2010. Taking advantage of this upward trend, net profit for the period rose 7.6% to €5.2 million.

These earnings came amidst significant pressures on profit margins, linked to the increasing cost of raw materials, unfavorable exchange rate conditions, and a still highly volatile environment in certain sectors such as the telecoms industry.

We continued to grow in the buoyant, high-tech-focused military, aeronautics, and space sectors, which currently represent almost two-thirds of our total revenue. Ten years ago, these three segments represented only about 25% of our business.

We were able to generate €3.2 million in net cash, all while holding our level of investment steady at 4% of revenue, by carefully managing our working capital requirements.

Our already strong financial position has been bolstered by this performance, with equity capital of more than €127 million and net cash of €9.4 million, after an €18.6 million partial early repayment of our bond debt in July 2011.

We continue to reap the benefits of our strategy to grow and differentiate ourselves through the quality of RADIALL'S services and through innovation (7.7% of our revenue went to R&D in 2011), allowing us to boost our expertise and our global presence, year after year, in profitable market segments with strategic customers who put their trust in us over the long term. We also laid the foundation for a promising partnership in the automotive industry. This partnership should be finalized in 2012. Furthermore, the new lines of credit we obtained in July 2011 gave us the means to pursue our strategic development and growth, namely through acquisitions.

In this way, we are equipped to face the future as a stable, strong company. The beginning of the year 2012 bodes well and is in line with our targets. We will also draw on our plans of action to continue to improve RADIALL's general financial performance and the profitability of our activities in all market segments.

We are able to approach 2012 and the coming years with reasonable confidence thanks to the increasingly "high-end" positioning of our products, our constant efforts to stand out through innovation and quality, our physical presence near the major players in each of our strategic markets, and the continuous hard work and motivation of our 2500 employees around the world—to whom I need to express my gratitude. These many strengths allow us to continue to make investments that will generate future growth.

A handwritten signature in black ink, appearing to read "P. Gattaz".

Pierre Gattaz
Chairman of the Executive
Board

CONTENTS

I. GENERAL INFORMATION	6
1. PERSONS RESPONSIBLE	6
2. BUSINESS OVERVIEW	7
3. ORGANIZATION CHART	13
4. REAL ESTATE, FACTORIES, AND EQUIPMENT	17
5. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES	20
6. FINANCIAL MANAGEMENT REPORT	23
7. CORPORATE GOVERNANCE AND INTERNAL CONTROL	33
8. STATUTORY AUDITORS' REPORT ON THE REPORT PREPARED BY THE CHAIRMAN OF THE SUPERVISORY BOARD OF RADIAL SA,	45
9. ENVIRONMENTAL MANAGEMENT REPORT	47
10. STAFF MANAGEMENT REPORT	52
II. CONSOLIDATED FINANCIAL STATEMENTS	60
1. CONSOLIDATED FINANCIAL STATEMENTS	61
2. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS	105
III. INDIVIDUAL FINANCIAL STATEMENTS	107
Note 1. Material Events 114	107
Note 2. Accounting Principles 114 - 117	107
Note 3. Other Information 117	107
Note 4. Change in Property, Plant, and Equipment 118	107
Note 5. Change in Depreciation of Property, Plant, and Equipment 119	107
Note 6. Change in Non-Current Financial Assets 119 - 120	107
Note 7. Change in Inventories 120 - 121	107
Note 8. Trade Accounts Receivable 121	107
Note 9. Detail of Other Receivables 121	107
Note 10. Inventory of Negotiable Securities 122	107
Note 11. Change in Equity Capital 122	107
Note 12. Shareholding Structure 123	107
Note 13. Provisions for Contingencies and Charges 123 - 124	107
Note 14. Debt Maturities 124 - 125	107
Note 15. Elements Related to Affiliated Companies 126	107
Note 16. Off-Balance Sheet Commitments 126 - 129	107
Note 17. Revenue 129	107
Note 18. Personnel Expenses, Headcount, and Profit-Sharing 129	107
Note 19. Compensation of Corporate Officers 129	107
Note 20. Financial Income 130	107
Note 21. Non-Recurring Income and Expenses 130	107
Note 22. Corporate Taxes 130 - 131	107
Note 23. Elements that may Reduce or Increase the Amount of Taxes Payable in the Future	131
Note 24. Research and Development 131	107
BALANCE SHEET AS AT DECEMBER 31, 2011 – RADIAL SA	108
1. TABLE OF SUBSIDIARIES AND PARTICIPATING INTERESTS AS AT DECEMBER 31, 2011	128
2. FINANCIAL INCOME OF THE COMPANY OVER THE LAST FIVE YEARS	130
3. STATUTORY AUDITORS' REPORT ON THE ANNUAL ACCOUNTS	131
4. STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS	133
1. DRAFT RESOLUTIONS FOR THE COMBINED SHAREHOLDERS' MEETING OF MAY 25, 2012	137
2. MANAGEMENT BODIES	143
3. INFORMATION ON THE CORPORATE OFFICERS	144
4. EXECUTIVE BOARD'S SPECIAL REPORT ON SHARE SUBSCRIPTION OPTIONS	147
5. EXECUTIVE BOARD'S SPECIAL REPORT ON SHARE TRANSACTIONS BY EXECUTIVES	147

I. GENERAL INFORMATION

1. PERSONS RESPONSIBLE

1.1 Person Responsible for Information

Mr. Pierre Gattaz, Chairman of the Executive Board.

1.2 Statement by the Person Responsible

I hereby declare that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and that they give a true and fair view of the assets and liabilities, financial position and results of the Company and the consolidated companies making up the Group. I further declare that, to the best of my knowledge, the management report provided on pages 22 through 32 and 153 through 156 provides a fair view of the changes in business, results and financial position of the company and the consolidated group, as well as a description of the principal risks and uncertainties they face.

Signed in Rosny-sous-Bois, April 20, 2012.

Pierre Gattaz
Chairman of the Executive Board

2. BUSINESS OVERVIEW

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, and 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 in emerging countries.

Radiall's presence in these markets requires that we constantly work on developing our connectors so that we can design and manufacture them smaller and, more importantly, lighter.

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 that transform a continuous signal into 0 and 1 sequences
- Multiplexers that 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 greater the demand for speed and bandwidth, the more the equipment requires high frequencies to move away from very low loss wireless and thus requires very reliable connections.

Although the major manufacturing clients in this market have been relocating to Asia over the last few years, this industry remains strong even in mature countries. However, it is affected by a downward trend in the number of connectors per telecommunications sub-system and by frequent, significant fluctuations in the investments made by telecoms operators.

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, automotive telematics, power electronics, or oil exploration, rail transportation, new energies, etc. These are all applications in which interconnection components are now essential or in which new opportunities are always arising.

2.2.4 Breakdown of Sales Revenue by Market

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

<i>(in thousands of euros)</i>	2011	2010	2009
BY MARKET			
Wireless telephony	37,114	37,662	33,847
Military, Aeronautics, Space	124,410	110,123	96,732
Automotive telematics	10,498	8,839	6,496
Industrial	31,315	28,440	22,721
Group	203,337	185,064	159,796

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) Rohde & Schwarz (Europe)

In 2011, the Group's ten top customers, all business segments included, accounted for 35% of the Group's revenue. The Company extended its credit insurance in 2011 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 the total sales revenue.

2.2.6 Breakdown of Revenue by Geographic Zone

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

	2011		2010		2009	
	(in thousands of euros)	%	(in thousands of euros)	%	(in thousands of euros)	%
France	43,419	21.4	36,718	19.8	35,241	22.0
European Union (excluding France)	46,353	22.8	44,167	23.9	37,813	23.7
Americas	62,953	31.0	57,200	30.9	47,172	29.5
Asia and Rest of the World	50,612	24.9	46,979	25.4	39,570	24.8
Total	203,337	100	185,064	100	159,796	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	2011 sales revenue*	Listing	Capitalization Dec. 2011
Main competitors					
Huber & Suhner	Switzerland	Total	CHF 758 million	Zürich	CHF 797 million
Amphenol	USA	Aeronautics and military	USD 3,940 million	NYSE	USD 7,413 million
Rosenberger	Germany	Telecommunications and industrial	Unavailable	Not listed	N/A
Tyco Electronics (primarily AMP)	USA	Total	USD 14,300 million	NYSE	USD 14,757 million
Other competitors**					
Souriau	France	Aeronautics and military	Unavailable	Not listed	N/A
Cie Deutsch (subsidiary of Wendel Investissement)	France	Aeronautics and military	M USD 675	Paris	NS

* Source: Company press release.

** These two companies changed control in 2011.

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

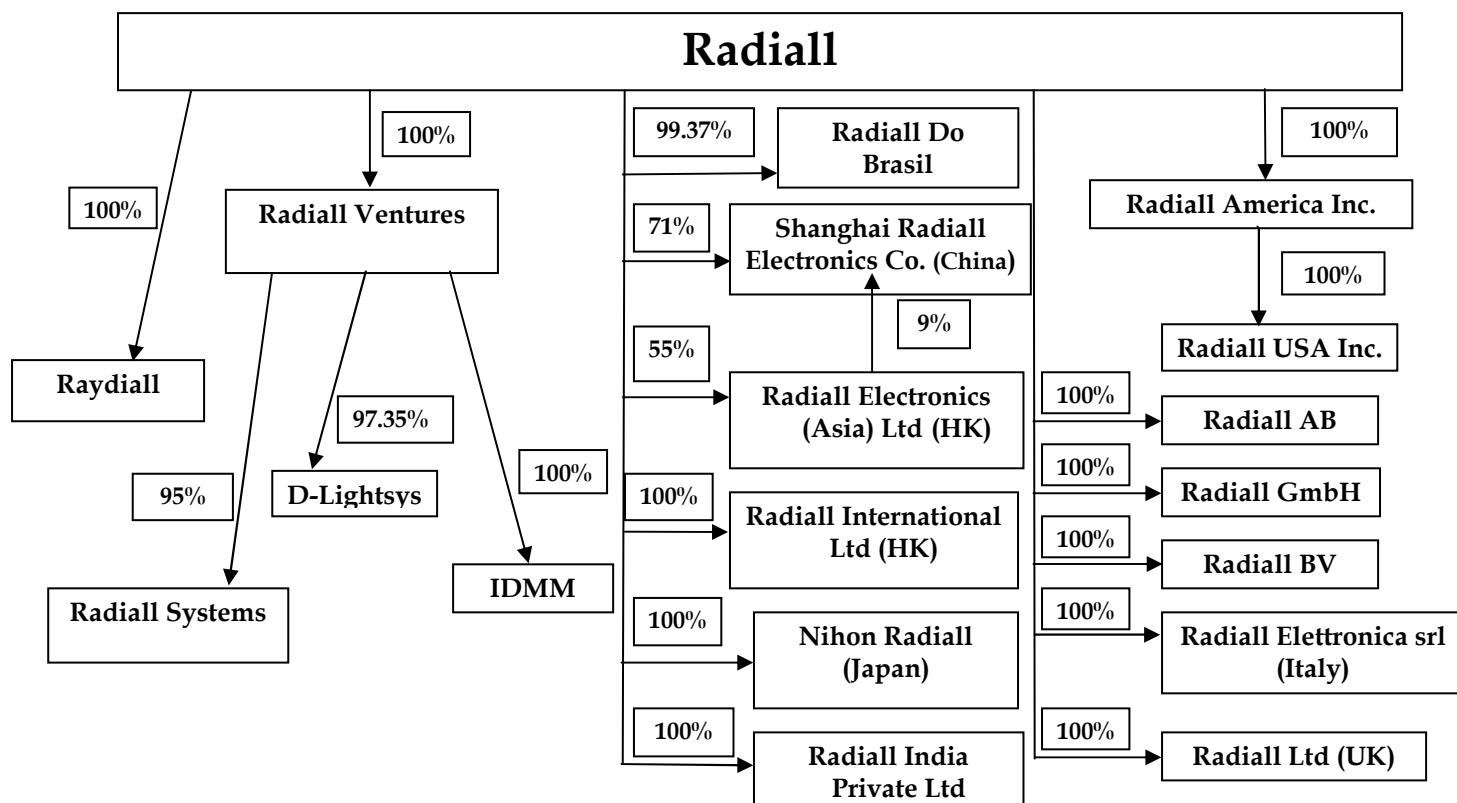
The Company has an image of a quality, high-tech company within this competitive world, as a result of its experience in defense electronics and the space industries, which are very demanding (qualifications, regular audits) and it is positioned among the market leaders.

The Company is not dependent on any patents, licenses, industrial or financial contracts, or commercial contracts with its customers.

3. ORGANIZATION CHART

3.1 Group Organization Chart

The diagram below shows the organization chart for the Company's subsidiaries as at December 31, 2011.



Raydiall was created on October 27, 2011, but was inactive until December 31, 2011. It received a contribution from Radiall SA's automotive division on January 1, 2012.

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 in the finance, accounting, legal, tax, and IT fields, and organization management in general.

In order to pursue its activities, the Company relies on its subsidiaries throughout the world, as represented in the previous organization chart, which include sales offices and/or factories. For more details, please refer to paragraph 3.1 below.

Details regarding the holding status of the subsidiaries and participating interests are provided in section II - Individual Financial Statements, paragraph 2.

3.1 The Company's Subsidiaries

As at December 31, 2011, the Company held the following participating interests:

EUROPE

France (head office, sales offices, and industrial sites)

- 100% of the capital of Raydiall, a simplified joint stock company with a capital of €5,000, with a head office in Voiron (38500) – 130 rue du Placyre, entered in the Grenoble Trade and Companies Register under number 537 387 193.
- 100% of the capital of Radiall Ventures, a simplified joint stock company with a capital of €1,000,000, with a head office in Rosny-sous-Bois (93110) – 101 rue Philibert Hoffmann, entered in the Bobigny Trade and Companies Register under number 431 847 599, acquired on January 9, 2007.

Radiall Ventures takes and manages financial interests in share portfolios, company interests, bonds, investment certificates, and securities in general, and provides accounting, administrative, and IT services or business management and organization consultancy services.

Radiall Ventures holds:

- 100% of the capital of Industries Doloises, known by its abbreviation "IDMM," a simplified joint stock company with a capital of €560,000, with a head office in Dole (39100) – 13 rue Henri Jeanrenaud – ZA des Grandes Epenottes, and entered in the Dole Trade and Companies Register under number 395 061 815.
- 95% of the capital of Radiall Systems, a simplified joint stock company with a capital of €37,000, with a 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.
- 97.3% of the capital of D-Lightsys, a simplified joint stock company with a capital of €800,007, with a head office at 101 rue Philibert Hoffmann, 93116 Rosny-sous-Bois cedex, entered in the Bobigny Trade and Companies Register under number 444 645 899.

The two companies held by Radiall Ventures, Radiall Systems SAS, and D-Lightsys SAS research and develop 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 a head office at Hogebrinkenkerweg 15 b – 3871 KM Hoevelaken. This company has a Radiall SF branch office with a head office at Lentokatu 2 – FIN – 90101 Oulunsalo.

United Kingdom (sales office)

- 100% of the capital of Radiall Ltd, an English company with a capital of £2,233,850, with a 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 limited company with a capital of €257,400 and head office at Via Concordia n°5 – 20090 Assago, Italy.

Germany (sales office)

- 100% of Radiall GmbH, a German company with a capital of €485,727.29, with a head office at Carl – Zeiss – Strabe 10 – postfach 200143 – D-63307 Rödermark, Germany.

Sweden (sales office)

- 100% of Radiall AB, a Swedish company with a capital of SEK 300,000 and with a head office at Sjoangsvagen 2 – SE-192 72 Sollentuna, Sweden, and registered under number 556238-6051.

AMERICAS**USA (sales offices and factories)**

- 100% of Radiall America Inc., a company registered in the state of Delaware with a capital of USD 15,500,000 and with a head office at 104 John W. Murphy Drive, New Haven, Connecticut 06513, USA. RADIALL AMERICA INC. holds:
- 100% of Radiall USA (previously Radiall Jerrik), a company registered in the state of Arizona with a capital of USD 22,427,086 and with a head office at 8950 South 52nd Street, Suite 401, Tempe, Arizona 85284, USA; Radiall Applied Engineering Products Inc. having been merged into Radiall USA Inc. on June 1, 2009.

Brazil (sales office)

- 100% of RADIALL DO BRASIL, a Brazilian limited company with a 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 factories)**

- 71% of SHANGHAI RADIALL ELECTRONICS CO. LTD., a Chinese joint venture with capital of USD 10,200,000 and a 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 a capital of HKD 10,000 and a 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 ASIA LTD., a Hong Kong company with a capital of HKD 300,000 and a 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% participating interest in the capital of SHANGHAI RADIALl ELECTRONICS CO. LTD.

India (sales offices and factory)

- 100% of Radiall India Private Limited, an Indian company with a capital of RS 23,636,360 and with a head office at 25 (d) II Phase, Peenya Industrial Area – 560058 Bangalore, India, and registered under number 310394/3344.

Japan (sales office)

- 100% of NIHON RADIALl KK, a Japanese company with a capital of JPY 44,500,000 and with a head office at Kohgetsu Building 4F, Room n°405 – 1 – 5 – 2 Ebisu Shibuya-ku – 150-0013, Tokyo, Japan and registered under number 0110 – 0 – 046762.

4. REAL ESTATE, FACTORIES, 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 main business premises of the Company and its subsidiaries 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 m ²	Commercial lease dated December 27, 2004 for a term of nine years, beginning on January 1, 2005.	433 m ² sublet to a third-party company under a commercial lease beginning on January 1, 2005. Lease terminated on: September 30, 2010
Neuville-sur-Brenne and Château-Renault (Indre et Loire) – France	Factory	Neuville: 2,010 m ² Château-Renault: 8,420 m ²	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 m ²	Commercial lease dated September 1, 2009 for a term of 9 years	
641 rue Emile Romanet – 38340 Voreppe – France	Factory	3,560 m ²	Owned	
641 rue Emile Romanet – 38340 Voreppe – France	Factory	2,290 m ²	Real estate lease agreement dated December 31, 2010 for a term of 12 years.	
81 boulevard Denfert-Rochereau 38500 Voiron – France	Factory	8,000 m ²	Owned	Inactive industrial site

Address	Use	Surface area	Status	Comments
15, rue de la Garenne ZI Chesnes Tharabie 38295 Saint-Quentin-Fallavier – France	Factory and storage	6,492 m ²	Owned	
13 rue Henri Jeanrenaud 39100 Dole - France	Factory and sales office	6,900 m ²	Lease agreement with call option dated February 20, 2008 for a term of 15 years, beginning January 1, 2008	
ZI Champfeuillet, 130 rue du Placyre, 38500 Voiron – France	Factory and offices	1,310 m ²	Lease agreement	
390 Hong He Road - Shanghai - China	Factory and sales office	4,700 m ²	Lease 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 m ²	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	7.06 acres of land (approximately 28,571 m ²) and premises of 65,066 square feet (approximately 8,000 m ²)	Owned	
Ciudad Obregon, Sonora, Mexico, reporting to Radiall USA Inc.	Factory	12,546 m ²	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 m ²
8950 South 52nd Street, Suite 401, Tempe, 85284 Arizona – USA	Administrative offices	Premises of 10,368 square feet	Lease agreement dated November 16, 2011 for a term of 62 months beginning on December 15, 2011	

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

Site ⁽¹⁾	Group headcount 2011 Including temporary staff and service providers (average 2011)
Château –Renault (France)	352
Isle-d'Abeau (France)	315
Centr'Alp (France)	459
Dole (France)	148
Limoges (France)	3
Rosny (France)	72
New Haven (USA)	210
Chandler (USA)	39
Bangalore (India)	201
Shanghai (China)	353
Obregon (Mexico)	300
Other	61
GROUP	2,513

(1) The Château-Renault, Isle d'Abeau, Voiron, and Voreppe sites report to Radiall SA, Dole to IDMM, Limoges to Radiall Systems, and 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 number of temporary staff and service providers for the year represents 693 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 still has significant reserve capacity to cover the large-scale aeronautics programs as they are scaled up, the Company would need to increase sub-contracting, expand 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, both in terms of the development of new products and 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 via Radiall's design departments cooperating with their customers, or by developing or improving certain components used to manufacture Radiall connectors. The sponsoring bodies that provide part of the financing for these projects include OSEO ANVAR and the French Department for Competition in Industry and Services.

The R&D strategy is geared towards satisfying requirements for new technologies (WIMAX, 3G+, 4G, etc.) and customers' demands or desires (reducing product size, reducing connector weight, simplifying connectors, etc.), or to improving Radiall's expertise, either independently or in collaboration with partners, in terms of the materials (aluminum, composites, etc.) used in industrial processes.

The expenses incurred are presented in the following table:

<i>(in thousands of euros)</i>	2011	2010	2009
Research and development costs *	15,733	15,605	14,955
% of revenue	7.7%	8.4%	9.4%

* Amounts before research tax credit.

The consistently high research expenditure in 2011 reflects the Company's commitment to maintaining a high level of research and development, given R&D's strategic importance to innovation and, thus, the Group's competitive edge in the future.

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 project 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.

Radiall's development costs are almost always incurred in response to a 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 the existence of a specific market for this 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 IAS 38 criteria. In the majority of 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 self-financing at Group level and possibly 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 2011, the Research Tax Credit, provided to Radiall SA and D-Lightsys, totaled €1,093,000. In 2010, this amounted to €1,074,000.

5.2 Intellectual Property

5.2.1 Patents

The Company holds 290 patents and 5 utility models, which can be divided into 75 groups. Patents were registered for the first time in five of these groups in 2011. These patents are typically filed and registered in certain countries in Europe, the United States, and China. In particular, they cover the following fields:

- Optics;
- Microwave components;
- Switching;
- Antennae;
- Multicontacts;
- Coaxial components.

Radiall's constantly evolving products mean that the 20-year statutory protection period largely suffices 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 47 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: EPX, Quick Lock Formula, QLF (logo), LuxCis, R2CT, SMP-Max, SMP-Lock, OSIS, and QRE; these have been registered in the majority of countries within the European Economic Area, the United States, Canada, and Asia.

6. FINANCIAL MANAGEMENT REPORT

The Executive Board of the Radiall Group, which met on April 20, 2012, chaired by Mr. Pierre Gattaz, approved the consolidated financial statements for the year 2011, which were audited by the statutory auditors.

6.1 Key Figures

<i>(in thousands of euros)</i>	2011	2010	<i>Change 2011 – 2010</i>
Revenue	203,337	185,064	9.9%
Current operating income	10,114	9,654	4.8%
Current operating margin	5.0%	5.2%	
Other operating income and expenses	(182)	(296)	(38.5%)
Operating income	9,932	9,358	6.2%
Cost of net borrowing	(1,589)	(1,845)	(13.9%)
Other financial income and expenses	(961)	10	<i>negligible</i>
Income tax	(2,146)	(2,659)	(19.3%)
Net income	5,236	4,864	<i>negligible</i>
Net margin	2.6%	2.6	
Cash flow from operating activities	12,843	15,855	(19.0%)
Equity capital (including minority interests)	127,258	120,527	5.6%
Net financial borrowings	(9,425)	(6,166)	(52.9%)

6.2 2011: Another Year of Growth and Profit

The Group's consolidated revenue amounted to €203,337,000 in 2011 compared to €185,064,000 in 2010, representing a rise of 9.9%.

At comparable consolidation scopes and exchange rates, activity rose by 12.2%. This figure reflects continuous business growth since late 2009, thanks to an international economic environment that is more favorable toward the connections industry and to Radiall's excellent performance within its target markets.

In 2011 all regions contributed to the thriving business activities, especially France and the United States, where the greatest growth was seen.

The automotive segment and, especially, the space and civil aeronautics segments, where Radiall is positioned as industry leader, demonstrated the best performance.

In the military segment—despite a sharp drop in spending, especially in the United States—Radiall was able to experience growth, with good results in Asia.

The year was an outstanding one for Radiall in terms of its space segment, due to European programs that were postponed from 2010 to 2011 and to strong sales growth in the U.S. market.

The market was robust for aeronautics. After another excellent year in terms of orders from aircraft manufacturers, our order books are now filled for the next five years. In this context, and despite a drop in deliveries for the B787 compared to 2010, Radiall's revenue increased in all sales regions, illustrating Radiall's strong position in all new aeronautics programs around the world.

2011 was a trying year for the telecoms market, with a steep drop in the fourth quarter.

Pressures on profit margins remained high, causing us to be more selective in the contracts we entered into. We launched a large range of new connectors for the new generation in mobile network equipment (card to card RF interconnection and outdoor FO).

In the industrial segments, we are looking to expand within the medical-imagery field (non-magnetic coaxial connectors). Intense price pressures led us to transfer certain production activities to China. We implemented a structured approach in the transportation, broadcast, and automation markets, and our strategy remains opportunistic in the energy markets.

2011 was a good year for the automotive segment, which proved to be the year's most rapidly growing industry. The new series of R3C coaxial connectors was a huge success, and the consolidation of major players in this industry represents new opportunities. Furthermore, in a desire to spur new growth in this sector, in June 2011 the Group announced that it had entered into discussions with the company A Raymond in order to create a joint venture focusing on passive interconnection components designed for automotive applications.

Revenue outside of France represented more than 78% of total revenue.

Revenue per geographic zone and market is as follows:

<i>(in thousands of euros)</i>	2011	2010
BY MARKET		
Wireless telephony	37,114	37,662
Military, Aeronautics, Space	124,410	100,123
Automotive telematics	10,498	8,839
Industrial	31,315	28,440
BY GEOGRAPHIC ZONE		
France	43,419	36,718
European Union excluding France	46,353	44,167
Americas	62,953	57,200
Asia and Rest of the World	50,612	46,979
TOTAL GROUP	203,337	185,064

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.

6.3 Significant Growth over the First Two Quarters

Quarterly sales over the last two years are as follows:

<i>(in thousands of euros)</i>	2011	2010	Change 2011 - 2010
1 st quarter	50,243	41,365	21.4%
2 nd quarter	53,099	47,041	12.9%
3 rd quarter	49,238	48,661	1.2%
4 th quarter	50,756	47,997	5.7%
Year total	203,337	185,064	9.9%

The first two quarters of 2011 were up significantly compared to the same quarters in 2010, as a result of a dynamic market and a favorable base effect. The second half of the year showed less growth—up only 3.5%—due to a less favorable base effect and the slump in telecommunications business during the last two quarters.

6.4 Increased Operating Income

In a market situation characterized by an upswing in business activities, very intense price pressures in certain segments, and detrimental fluctuations in the €/€ exchange rate and in raw material prices in comparison to 2010, Radiall succeeded in increasing its operating income. It achieved this growth in 2011 without losing focus on innovation.

In 2011 the Group posted €10,114,000 in profit from continuing operations (5.0% of revenue) versus €9,654,000 in 2010, representing a 4.8% increase over the previous year.

After the €182,000 in non-current expenses was taken into account, operating income totaled €9,932,000.

6.5 Non-Current Expenses and Provisions

During the year 2011, non-recurring personnel expenses amounted to €182,000, stemming from the downsizing of the Italian subsidiary Radiall ELETTRONICA SRL.

6.6 Headcount

CHANGE IN HEADCOUNT *	December 31, 2011	December 31, 2010	Change 2011 – 2010
France	1,323	1,335	-12
Europe (excluding France)	41	40	1
North America	587	514	73
Asia	505	513	-8
Total	2,456	2,402	54

* Includes temporary staff and service providers in Mexico.

As a result of business growth, headcount increased by 2.4% over the year, primarily in North America. This increase consisted mainly of employees under fixed-term contracts, service providers, and temporary staff, with the total number of permanent contracts dropping slightly from the previous year (six fewer personnel).

In order to equip the Group for future growth, research and development spending remained very high at €15.7 million—on par with 2010 at 7.7% of revenue. This spending focused on the technological innovations necessary to support our customers, standardization efforts, and the development of new applications and existing product lines.

6.7 Increased Net Profit in 2011

After deducting a €1,589,000 expense for net financial borrowing, a €275,000 foreign exchange loss, a €631,000 loss under “other financial income/losses” that includes the €418,000 cost of

disqualifying the swap on the portion of the OBSAAR bonds that were redeemed, and an income tax expense of €2,146,000, the Group posted a net profit for the year 2011 in the amount of €5,236,000 (+2.6% of revenue). This represents a 7.6% increase over the net profit for the year 2010, which totaled €4,864,000.

6.8 Financing Capacity and Cash Position

Against a backdrop of growth and profitability, financing capacity rose to €19.4 million in 2011, versus €18.5 million in 2010.

Business growth gave rise to a €3.0 million increase in working capital requirements throughout the year. This rise stemmed mainly from the €2.6 million increase in accounts receivable and the partial redemption of the OBSSAR bonds during the year. Throughout the year, the Company continued to implement inventory optimization programs. At the balance sheet date, inventories represented €42.6 million, versus €43.3 million at year-end 2010.

After taking into account the change in working capital requirement and the expenditures for taxes and interest, the cash flow generated from operating activities stood at €12.8 million.

After €5.8 million in 2009 and €8.2 million in 2010, capital expenditures totaled €8.1 million in 2011, i.e., 4.0% of revenue. These expenditures focused mainly on equipment for customer projects, as well as on improving the industrial capacity in preparation for the future.

During the year, the Company also acquired the 10.2% non-controlling stake in Radiall India Private Limited owned by its Indian partners at a cost of €903,000. This gives Radiall 100% control over this subsidiary in order to manage its future growth within the Indian sub-continent.

In July 2011, after obtaining new lines of credit from its partner banks with a view to future organic growth and external growth, Radiall decided to proceed with an early partial redemption of the OBSAAR bonds issued in July 2007 in the amount of €18.6 million. Following this buy-back, the balance of the OBSAAR bond debt to be repaid in July 2012 was reduced to €20.8 million.

Taking into account the Company's share buy-backs and the partial repayment of the OBSAAR bond debt during the year 2011, as mentioned above, cash disbursements related to financing activities totaled €20.4 million over the course of the year.

Despite the amount of these financing activities, and thanks to the cash flows generated by operations, the drop in the cash position over the year was limited to €16.0 million, bringing the net cash to €37.5 million at the end of 2011, compared with €53.6 million at the end of 2010.

Given the reclassification of the balance of the OBSAAR bond debt as a short-term debt on December 31, 2011, long-term financial borrowings went from €46.2 million at December 31, 2010 to €6.5 million at December 31, 2011.

In 2011, 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 income from 2011, equity capital amounted to €127,258,000.

6.9 Statutory Results for 2011

Revenue for 2011 was up 11.7% to €136,858,000, of which just over half concerns inter-company flows.

Operating income in 2011 totaled €2,031,000, versus €1,574,000 in 2010.

Financial income represented €2,175,000 in 2011, compared to €861,000 in 2010. This increase is the result of dividend levels and financial earnings that were much higher than in 2010. Net profit for the period equaled €5,432,000, compared to a profit of €2,305,000 in 2010.

As at December 31, 2011, equity amounted to €86,859,000 and the net cash position fell from €39,933,000 to €23,636,000 following the partial redemption of the OBSSAR bonds.

KEY FIGURES <i>(in thousands of euros)</i>	December 2009	December 2010	December 2011	Change 2011/2010
Revenue	97,996	122,513	136,858	11.7%
Operating income	(11,819)	1,574	2,031	29%
Operating margin	(12.1)%	1.3%	1.5%	
Financial income	2,817	861	2,175	152.6%
Current income	(9,002)	2,435	4,206	72.7%
Non-recurring income	(3,044)	98	791	negligible
Income tax	775	(228)	435	negligible
Net profit (loss) for the period	(11,271)	2,305	5,432	135.6%
Equity capital	104,824	83,670	86,859	3.8%
Net cash *	54,663	39,933	23,636	(41.8)%

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

6.10 Bond Issue

On July 18, 2007, the Radiall Group issued bonds with redeemable equity warrants (OBSSAR) 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. The OBSSAR bonds issued, which totaled €39,478,000, redeemable in full in July 2012, were partially redeemed in July 2011. The amount redeemed by the subscribing banks totaled €18.6 million.

6.11 Post-Balance Sheet Elements

The Group declares that no event has taken place after the reporting date for the annual accounts closed December 31, 2011 and before the date the Supervisory Board ruled on these accounts.

6.12 2012 Outlook

Amidst an economic crisis that remains unstable, Radiall's general business activities remain well positioned thanks to robust growth in the military, aeronautics, and space sectors, greater selectivity through innovation of its telecoms offerings, and increased market share in other promising markets such as the automotive, medical, and industrial sectors.

The Group should also continue to improve its profitability by drawing on its strengths and its high-end positioning in the connections market.

Geographically, our potential in Asia, and especially in China, is high, given that all of the components of our product offering and our technology are not yet available there.

This outlook assumes that the current general economic climate will hold and that the Group will not have to again confront unfavorable variations in the euro/USD exchange rate and in the price of raw materials.

6.13 Main Risk Factors and Hedging

Radiall is a diversified international group operating in multiple sectors.

The main risks listed are as follows:

6.13.1 Impairment of Assets

This risk mainly concerns three balance sheet items: 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 the production capacity.

6.13.2 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 50% of its revenue in currencies other than the euro, 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. At the end of 2011, the Group had on its books several optional euro/dollar contracts exercisable in 2011 for a total of \$10 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.

6.13.3 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 led the parties present to validate the Group's strategic policies and put in place sensors for their deployment.

The conclusions of this project required a review, given the new economic crisis since the end of 2008. Since the findings and the evaluation of operational consequences under this strategic assessment could not be drawn up in 2011, the Company plans to repeat these measures in 2012 as part of an updated risk analysis.

6.13.4 Information on Payment Terms for Suppliers

The payment terms for suppliers are generally 45 days from the end of the month in France. Pursuant to Article D.441-4 of the Commercial Code, the schedule for French supplier invoices as at December 31, 2011 comprises amounts payable in under 30 days in the amount of €5.0 million and amounts payable between 30 and 45 days from the end of the month in the amount of €5.5 million.

6.14 Technological Report, Research and Development

<i>(in thousands of euros)</i>	2011	2010	2009
Research and development costs*	15,733	15,605	14,955
% of revenue	7.7%	8.4%	9.4%

* Gross expenditure before the Research Tax Credit and excluding subsidies

In 2011, Radiall maintained a high level of research and development to equip itself for future expansion and to boost 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 calculated based on eligible projects and amounting to €1,093,000.

6.15 Shareholders' Handbook

Change in shares

(in euros)	Highest	Lowest	Latest	Net profit per share (Group)*
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
2011	84.00	72.30	75.00	2.62

* Net profit per share in accordance with IFRS.

Capital Structure

	Dec 31, 2011		Dec 31, 2010	
	% of shares	% of voting rights	% of shares	% of voting rights
Société d'Investissement Radiall *	32.6	35.3	32.6	35.4
Hodiall *	51.4	55.5	51.4	55.6
Pierre Gattaz	2.7	2.9	2.7	2.9
Public and others	13.3	6.3	13.3	6.1

* Holdings grouping together the Gattaz family's interests in Radiall. These holdings, and the 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, 2011, Radiall held 7,602 shares, i.e., 0.41% of the capital, via a liquidity contract and 30,826 shares registered as security holdings, i.e., 1.67%.

Stock Option Plans as at December 31, 2011

No stock option plan was in effect during the year 2011.

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

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

Likewise, no option held by the issuer and the previously mentioned companies was exercised during the 2011 financial year.

Stock Options Exercised During the Year by Each Corporate Officer

No corporate officer exercised any stock options in 2011.

Share Transactions by Executives

None

Dividends Distributed During the Last Five Financial Years (in euros)

Year	Number of shares	Net dividend (in euros)
2006	2,218,160	1.12
2007	2,230,477	1.30
2008	2,181,947	0.95
2009	1,848,124	0.75
2010	1,848,124	0.85

Proposal to the Ordinary Shareholders' Meeting for the Year 2011

At the Shareholders' Meeting of May 25, 2012, shareholders will be asked to:

- Acknowledge that the net profit for the year 2011 totals €5,432,178.76
-
- Allocate the 2011 profit available for distribution as follows:
 - Dividends, at €0.90 per share: €1,663,311.60¹
 - Balance allocated to retained earnings carried forward: €3,768,867.16

Retained earnings carried forward amount to €6,508,570.54.

- Pay out the dividends on June 1, 2012
- Grant power to the Executive Board, by delegation, to perform one or more capital increases, for a duration of 18 months from the date of the meeting

¹ Subject to allocation to the general reserve for dividends on shares held by the Company at the time of payment.

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 Middlednext 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 Radiall SA's Administrative and Management Bodies

Radiall SA is a public limited 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 Articles of Association 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 April 12, 2011, 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 the 2006 financial year. 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 took note of the entry into force of Law no. 2011-103 of January 27, 2011 on the balanced representation of women and men on company boards and professional equality, which requires that the proportion of members of each sex on boards of directors and supervisory boards not be less than 20% at the end of the first ordinary general shareholders' meeting after January 1, 2014. This law applies to companies whose shares are traded on a regulated market.

Radiall's Supervisory Board currently includes one female member, Roselyne Gattaz, out of a total five members; therefore the 20% requirement is satisfied.

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 four times in 2011.

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.

Directors satisfying the definition and criteria in the MIDDLENEXT corporate governance code for small and medium sized enterprises of December 2011 are considered independent.

Information on the members of the Supervisory Board and the list of their offices are provided in the 2011 Management Report.

Content of the Supervisory Board Meetings:

The Supervisory Board's main areas of intervention in 2011 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 capital as part 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,
- Authorization of investments,
- Authorization of lease financing for investment,
- Authorization of sale of land,
- Determination of prices 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 Financial Director of the Group.

Information on the members of the Executive Board and the list of their offices are provided in the 2011 Management Report.

The Executive Board is convened by the Chairman or two of its members. The Executive Board met six (6) times in 2011. All members were present at the meetings.

Content of the Meetings of the Executive Board:

The Executive Board's main areas of intervention in 2011 were:

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

- Issuing the list of regulated agreements,
- Modifications to the Articles of Association concerning the conditions for holding meetings of the Executive Board and Supervisory Board,
- Reducing capital as part of the share buyback program,
- External growth or disinvestment projects,
- Requesting authorization from the Supervisory Board to create sureties and guarantee the subsidiaries' commitments,
- Authorization of investments,
- Authorization of lease financing for investment,
- Authorization of sale of land,
- Determination of prices 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, 2011:

- 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,
- Mr. André Hartmann, Director of Human Resources and Support Functions,
- Mr. Dominique Pellizzari, Director of the Telecoms, Automotive, & Industrial Division,
- Mr. Guy de Royer, Financial Director and Member of the Executive Board.

7.2 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 deployed within the Group.

7.2.1. Definition of Internal Control and Purpose of the Report

The internal control system defined and implemented at Radiall 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 Radiall Group, which includes the parent company and the consolidated companies.

7.2.2 Organization of Internal Control

7.2.2.1 Radiall's Values and Charter

The values of integrity, ethics, exemplarity, and skills have been major concerns 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 for 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 at 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.

7.2.2.2 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 imposed by certain customers, particularly in the military, aeronautics, space, automotive, and telecommunications sectors. These audits cover technical and financial matters and certain aspects of risk control.

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

- **The Finance Department**

This Department groups together the following functional activities:

- **Accounting:** Accounting prepares Radiall SA's individual financial statements, tax statements, and consolidated financial statements.
- **Management Control:** Management Control prepares a monthly management report and ensures the reliability of financial information. It oversees the budget process, and has authority within a dual Division/geographic zone-based organizational system.
- **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 has been established, and an audit schedule is submitted each year to the Supervisory Board, convened as an Audit Committee.
- **Treasury:** The 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:** The 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, especially in terms of regulated information, following the transposition of European directives into French law.
- **Credit Management:** Credit Management collects Radiall's debts, monitors the credit insurance cover for the Group's entities, and handles pre-litigation matters.
- **Insurance:** Insurance develops and implements a comprehensive worldwide insurance policy to cover all insurable risks.

- **Financial Communication:** 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**

This department 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**

This department 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.

The subsidiaries have relatively broad autonomy to meet budgetary objectives, but they must respect the Group's 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 2011.

7.3 Risk Management

7.3.1 General Policy

➤ *Defining and Implementing the 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. New reviews and assessments were not carried out in 2011 due to the vacant internal auditor position throughout the year. The objective of these reviews and assessments is to update the priority levels of major risks, to implement suitable new action plans, and to name personnel responsible for each risk. This item should be covered under the 2012 action plans.

➤ *Mapping Operational Risks*

Radiall did not take any measures in 2011 regarding operational risks. Some of these risks need to be reviewed during the assessment of major risks to be carried out in 2012.

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. This system 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.

In 2009 and 2010, the existing banking delegations were reviewed and modified for most of the Group's entities with the support of the internal auditor.

During the 2009 financial year, and with a view to increasing the efficiency and control of operational management, general guidelines for the delegation of authority for management was distributed, as well as a Customer Credit procedure. These guidelines were updated 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 and has therefore set up a coverage policy transferring risks which the Group would not be able to support to insurance companies or 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 optional contracts to cover part of its foreign exchange risk.

7.3.5 Internal Control of the 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 statements of financial position are linked to analytic entries to establish the monthly management report.

On January 1, 2011, the Radiall Shanghai subsidiary, designated as the Group's pilot entity, successfully launched SAP's financial module. The performance and integrity of this new IT system was evaluated by the Group's auditors in 2011 and no major weaknesses were identified.

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. This employee receives 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 was improved, and the time required for closing the accounts shortened after updating the statutory consolidation and management processes and launching the 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 believes that the recommendations of the MIDDLENEXT corporate governance code for small and medium sized enterprises regarding 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.

2012 ACTION PLANS

In an effort to constantly improve the Group's internal control system, Radiall's Supervisory Board communicated the following recommendations to the Executive Board for the year 2012.

These recommendations focus on the following areas:

- Update the Group's major risk guidelines and establish the managerial responsibilities necessary to monitor and anticipate these risks.
- Analyze the situation and location of intellectual property rights (especially patents), in order to better protect and manage these rights.

Signed in Rosny-sous-Bois, Thursday, April 19, 2012.

Yvon Gattaz
Chairman of the Supervisory Board

8. STATUTORY AUDITORS' REPORT ON THE REPORT PREPARED BY THE CHAIRMAN OF THE SUPERVISORY BOARD OF RADIAL SA,

Drawn up pursuant to Article L. 225-235 of the Commercial Code, year ended December 31, 2011

Dear Shareholders,

In our capacity as Radial 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 report prepared by the Chairman of the Supervisory Board pursuant to Article L. 225-68 of the Commercial Code for the year ended December 31, 2011.

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 system relating to the preparation and processing of accounting and financial information that 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 report by the Chairman of the Supervisory Board, issued pursuant to the provisions of Article L. 225-68 of the Commercial Code.

Other Information

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

Signed in Paris and Courbevoie, May 4, 2012

The Statutory Auditors

MAZARS

SIMON BEILLEVAIRE

FIDUS

FRANCIS BERNARD

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 their annual report.

The environmental information that must be mentioned has been set out in several decrees.

The requirements set forth in the Grenelle II Law on environmental protection dated July 12, 2010 will make it possible, going forward, to quantify greenhouse gas emissions in a more comprehensive manner and to provide data on sustainable development.

This Environment Report is based on the business activity in Radiall's industrial sites.

It is compiled from 2011 data on:

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

9.2 Impacts

9.2.1 - Consumption of Resources in France

The nature of Radiall's activities means that the consumption of water, raw materials, and energy at Radiall's four French industrial sites is negligible in terms of quantity.

9.2.2 - Water

7,875 m³ of water is consumed for industrial use, down from the previous year. 3,000 m³ of artesian water is drawn from a single source for the surface treatment activities at the Voreppe site.

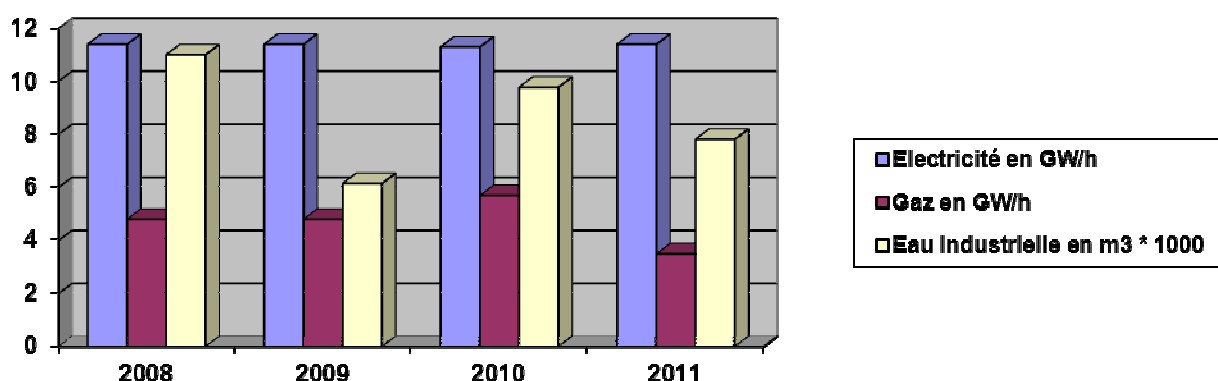
The water is used for surface treatment at the Voreppe site, tribofinishing at the Voiron and Dole sites, and washing at the Dole site.

Efficient cooling systems are in place to eliminate the open circuits.

9.2.3 - Energy

Energy consumption totaled 14.9 GWh, including 3.5 GWh of gas for natural gas and 11.4 GWh for electricity. This represents a 15% drop, due mainly to the consolidation of activities from the Voiron site to the Voreppe site.

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 consume chemicals such as solvents, oils, and metal solutions used to coat finished products. The chemicals are stored in containment tanks and personnel receive regular training on handling them correctly.

There is a safety adviser on-site at the Voreppe facility who supervises the transportation of hazardous materials, and an annual report is drafted and provided to site management.

9.2.5 - Use of Land

The land used is restricted to buildings and car parks. Materials are not stored directly on the ground, nor is sewage or wastewater spread over the ground.

The machinery at the Voreppe site is positioned over watertight floors.

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

The fact that activities were stopped at the Voiron site has limited the amount of land used. A dossier on the shutdown is in progress for this site, and measures have been taken in relation to the air and ground to approve the site for reuse.

9.2.6 - Air Emissions

Most of the emissions come from the gas boilers used for heat, which produce carbon dioxide and nitrogen oxides.

CO₂ emissions generated from the burning of natural gas for heating represent 806 metric tons, down 38% due to the consolidation of activities at the Voreppe site from the Voiron site and a mild beginning to the winter.

The greenhouse gas assessment required by regulation in 2012 will help to refine these figures for the next report.

The boilers are maintained and inspected to keep these emissions to a minimum. Performance calculations are carried out for any boilers exceeding 400 kW.

Less than 10 tons of chlorinated (trichloroethylene, dichloromethane) and non-chlorinated (hydrofluoroether, acetone, alcohol) cleaning solvents are used, representing approximately 1 ton of emissions.

Emissions from extractions from surface treatment baths (acid, cyanide) are insignificant in terms of quantity; however, their impact is more significant. Because of this, the networks were separated, and cyanide-containing emissions began to be cleaned at the Voreppe site. This greatly reduced the quantities emitted.

9.2.7 - Water Discharges

The Voreppe site is the most environmentally significant site and possesses a detoxification plant to treat wastewater from the surface treatment unit.

Discharges are less than 10 m³ 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 m³ is discharged per day from two machining sites as a result of tribofinishing. A system was put in place at the Dole site to treat water from the tribofinishing process in 2011.

9.2.8 - Waste

- *All the sites combined produce around 492 metric tons of non-hazardous industrial waste (NHIW), representing an increase in relation to 2010.*

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

An average of 58% of this waste is recycled, which is up compared to 2010.

- *A total of 336 metric tons of hazardous waste (HW) was produced, up sharply as a result of the new “zero discharge” water treatment principle for Voreppe's surface treatment process, which produces concentrates.*

This waste is also generated by the surface treatment process: highly concentrated cyanide and metallic baths, metal hydroxide sludges, and certain oils and dirty rags from the machining centers are processed externally by approved contractors.

About 30 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 burial sites.

There is no liquid or solid discharge into the soil.

9.2.9 - Other Emissions

Internal noise measurements were performed as necessary 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 or smells.

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 the need to comply with legislative changes.

All of the Radiall sites performing metal plating surface treatment are certified under ISO 14001 for their environmental management system.

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

The Chateau-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.

Capital expenditures related to the environment represented more than €400,000 in 2011 and pertained to the installation of a water treatment system for the Dole site, the separation of networks, a washer tower for the cyanide-containing emissions at Voreppe, and the implementation of more efficient lighting at the Château-Renault site.

Each site has an Environment Manager who 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 2011. Action plans are underway with the authorities in order to bring certain types of waste into compliance. This includes the waste from the Dôle plant, which is in the process of being brought into compliance for a request to be approved as a "Facility Classified for Environmental Protection."

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

ETARE plans (for listed establishments with a heightened risk) have been established with the regional emergency services for Voreppe and Isle d'Abeau.

2012 Forecasts:

In accordance with Radiall's policy, the capital expenditure planned for 2012 continues to be implemented and should reach approximately €300,000. This will concern the treatment of atmospheric emissions from the Voreppe site as well as a change in the lubrication process at the Dole plant.

9.4 Targets Set 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, in China, are as follows:

7710 m³ of water was consumed as industrial water; 1.9 GWh of electricity were used. Consumption has leveled out for both electricity and water.

380 metric tons of industrial waste were produced in 2011, a large portion of which was recycled.

The environmental management system is certified to ISO 14001

A major initiative to improve production in conjunction with the authorities was established in 2011 and will be pursued in 2012. This initiative aims to conserve 1,800 m³ of water and 0.8 GWh of electricity for a cost of around €8,000.

The environmental features of the Bangalore factory, in India, are as follows:

Water consumption totaled 2,124 m³ with the collection of rainwater. Electricity consumption decreased slightly to 0.24 GWh.

Measures were taken to combat waterborne and airborne emissions. Personnel were trained on fire prevention.

The environmental management system is certified to ISO 14001

The environmental features of Radiall USA's New Haven plant, in the United States, are as follows:

Industrial water consumption was eliminated, and electricity use represents 0.92 GWh. Consumption is low because the site does not have any high-consumption industrial tools.

The site generates about 550 m³ of waste, 28% of which is recovered.

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, 2011	1,187	220	413	1,820
Permanent staff as at December 31, 2011	1,074	220	181	1,475
<i>(of which part time)</i>	99	0	0	99
Fixed term as at December 31, 2011	113	0	232	345

Change over 5 years in headcount under permanent/fixed-term contracts as at December, 31st 2011

	Europe	America	Asia	TOTAL
2011	1,187	220	413	1,820
2010	1,148	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

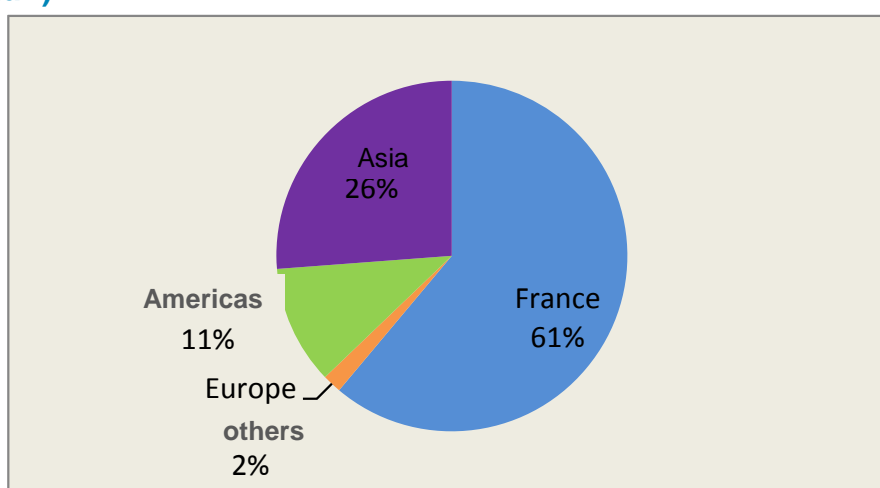
Temporary staff and service providers (yearly average)

	Europe	America	Asia	TOTAL
TOTAL	203	323	167	693
Service providers	0	301	1	302
Temporary staff	203	22	166	391

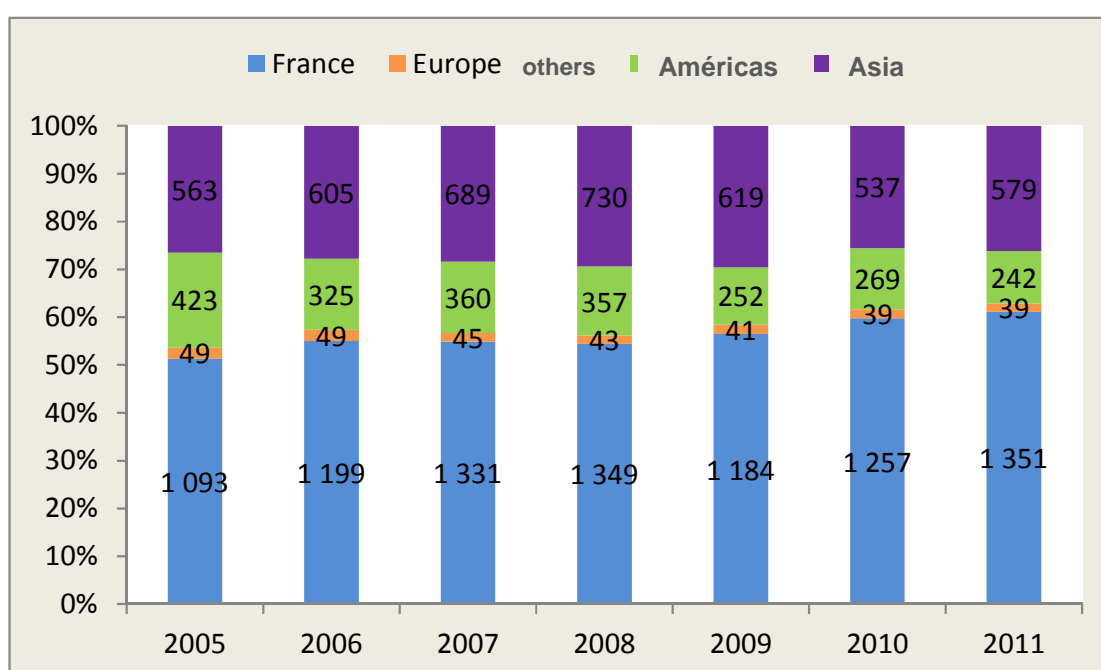
Change over 5 years in yearly average number of temporary staff and service providers

	Europe	America	Asia	TOTAL
2011	203	323	167	693
2010	150	254	141	545
2009	77	206	178	461
2008	159	284	268	711
2007	194	189	254	637

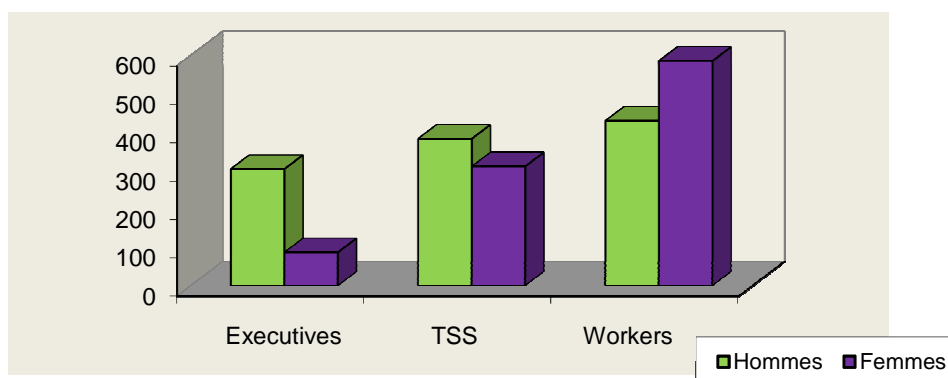
Geographic Breakdown of the Total Headcount (permanent/fixed-term/average temporary staff)



Change in Total Headcount (permanent/fixed-term/average temporary staff)



Men/Women by Work Category



Women represented 47% of the Group's salaried headcount as at December 31, 2011.

Regarding gender equality, each establishment has submitted a comparative study report on gender equality for their respective works council. This measure was also mentioned during the mandatory yearly negotiations with union representatives. A company-wide agreement was signed with the Company's central union representatives on December 5, 2011.

10.1.2 Changes in Permanent and Fixed-Term Contracts Over the Period

	France	Europe (excl. France)	America	Asia	TOTAL
New hires	163	5	37	83	288
Departures	125	4	55	67	251
TOTAL	38	1	-18	16	37
Permanent	-7	0	-18	18	-7
Fixed-term	45	1	0	-2	44

10.2 France Over the Scope of Consolidation

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

		Salaried headcount Dec 31, 2011	Salaried headcount Dec 31, 2010	Change
Radiall SA	Rosny-sous-Bois (93)	69	71	-2
	Château-Renault (37)	308	290	18
	Saint-Quentin Fallavier (38)	238	198	40
	Voiron (38)	0	74	-74
	Voreppe (38)	416	345	71
D-Lightsys	Rosny-sous-Bois (93) and Saint-Quentin Fallavier (38)	5	6	-1
Radiall Systems	Limoges (87)	0	4	-4
IDMM	Dôle (39)	112	122	-10
		1,148	1,110	38

10.2.1 Breakdown of Staff Departures (Employees under Permanent and Fixed-Term Contracts) over the Period

	Permanent	Fixed-term	TOTAL
Resignation	30	3	33
Redundancy for economic reasons	3		3
Contractual termination	10		10
Early termination of fixed-term contract		1	1
Redundancy for other reasons	2		2
Death			0
Retirement	10		10
End of trial period	1	1	2
End of contract		38	38
Conversion into permanent contract		20	20
Transfer	6		6
Total France	62	63	125

Internal Geographic Mobility

France towards France	France towards abroad
77	1

10.2.2 Staff Downsizing and Employment Protection Plans

For the year 2012, plans to transform the automotive operations at the Voreppe facilities into a separate subsidiary will lead to the transfer of 37 permanent employees and 7 employees under fixed-term contracts. The new subsidiary, Raydiall, will be geographically based in Champfeuillet beginning from January 1, 2012.

10.2.3 Work Accidents

	No. of work accidents	Average contribution to work accident insurance
2011	24	1.78%
2010	15	1.56%
2009	19	1.49%
2008	29	1.49%
2007	18	1.56%

10.2.4 Health and Safety Conditions

Each site in France has a Committee on Health, Safety, and Working Conditions (CHSWC). Management has the members of the CHSWC and other players involved in health and safety meet each quarter to review workplace health and safety conditions. It should be noted that a report summarizing the general status of health, safety, and working conditions and describing the actions taken over the past year to protect health and safety and improve the employees' working conditions is submitted to the members of the CHSWC, as well as the annual plan to prevent occupational hazards and improve working conditions.

10.2.5 Annual Payroll

	2011	2010	2009
Gross RADIALL SA	32,469,130	€29,233,794	€30,469,800
Gross RADIALL SYSTEMS	105,743	€186,636	€232,091
Gross D-LIGHTSYS	287,587	€303,187	€292,823
Gross IDMM	3,353,207	€3,240,061	€3,276,694

10.2.6 Compensation and Change in Compensation

For the year 2011, the mandatory yearly negotiations were conducted in each establishment and gave rise to a 2.5% increase in salary. This increase comprises a 1.2% general raise, a 1% individual raise, and a 0.3% raise for seniority.

An additional increase of €10 per month per employee was granted, thus bringing the average total increase to 2.9%.

10.2.7 Employment Relations and Collective Agreements

Each establishment in France has a works council and designated staff representatives.

Within each establishment, management has these bodies meet on a monthly basis. At the corporate level, management holds two ordinary meetings per year for members of the Central Works Council.

Employee benefits are managed by each works council, which are allocated a 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 working week of 35 hours, with annual modulation and variable working hours, with the 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 based on the following absences: illness, industrial accidents or accidents while traveling to or from work, maternity leave, care for sick children, paid or unpaid authorized or unauthorized absences, strikes, and individual training leave.

	Average absenteeism rate
2011	3.95%
2010	4.31%
2009	4.64%
2008	4.82%
2007	4.31%

10.3.3 Profit Sharing and Interest

€142,800 was budgeted for Radiall's workforce on December 31, 2011 under the profit-sharing agreement in effect.

10.3.4 Employment and Insertion of Disabled Workers

The Company has an obligation to employ the legal equivalent of 65 disabled workers. In 2011, in addition to the equivalent of 59.38 disabled workers employed by the Company and its use of services subcontracted from sheltered employment organizations, the company paid a compulsory financial contribution of €5,310.

10.3.5 Training

At Radiall, training aims to develop its employees' skills and knowledge. To this end, the Company emphasizes:

- Any action that enables employees to become better qualified or to develop their professional skills,
- Any action that promotes employability in keeping with changes in technology-based jobs or forms of work.

• Trainees

- Number of trainees:	575
- Number of interns:	1,029
- Number of intern hours:	14,014

• Training Budget

The total expenditure for the year allocated to the Radiall training plan, in addition to contributions and obligatory payments, represented 2.43% of the payroll, i.e., €790,531.

• Training Beneficiaries

	<i>as a % of the number of persons trained</i>	<i>as a % of training hours (within or outside working hours)</i>
Executives	29%	34%
TSS	45%	49%
Workers	26%	17%

- **Training Areas**

	<i>as a % of expenditure</i>	<i>as a % of hours</i>
Job techniques	34%	28%
IT and office	18%	20%
Management and communication	16%	15%
Quality management	3%	2%
Languages	25%	28%
Safety	4%	7%

II. CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED FINANCIAL STATEMENTS	61 - 106
Consolidated Financial Position as at December 31, 2011	61
Consolidated Income Statement as at December 31, 2011	62
Statement of Overall Consolidated Income	63
Cash Flow Statement	64 - 65
Statement of Change in Shareholders Equity	65
Notes to the Consolidated Financial Statements as at 31 December, 2011	66 - 104
Note 1. General Presentation	66
Note 2. Accounting Principles	66 - 76
Note 3. Scope of Consolidation	76 - 77
Note 4. Segment Information	77 - 78
Note 5. Goodwill and Intangible Assets	79 - 81
Note 6. Property, Plant, and Equipment	82
Note 7. Other Long-Term Investments and Securities	83
Note 8. Inventories	83
Note 9. Trade Receivables	83
Note 10. Other Receivables	84
Note 11. Cash and Cash Equivalents	84
Note 12. Equity Capital	84 - 85
Note 13. Provisions	85 - 88
Note 14. Financial Debts	88 - 90
Note 15. Other Debts	90
Note 16. Financial Instruments	90- 96
Note 17. Income Tax	97 - 98
Note 18. Headcount and Personnel Expenses	99
Note 19. Research and Development Expenses	99
Note 20. Other Operating Income and Expenses	99
Note 21. Impairment of Non-Current Assets	99
Note 22. Impairment of Current Assets and Provision Expenses	100
Note 23. Non-Current Expenses and Provisions	100
Note 24. Other Financial Income and Expenses	100 - 101
Note 25. Auditors' Fees	101
Note 26. Off-Balance Sheet Commitments and Other Information	101 - 102
Note 27. Assets and Liabilities Held for Sale	103
Note 28. Information on Related Parties	103 - 104
Note 29. Post Balance Sheet Events	104
2. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS	105 - 106

1. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Position as at December 31, 2011

<i>(in thousands of euros)</i>	Notes	Dec. 31, 2011	Dec. 31, 2010
Intangible assets	Note 5	9 665	9 964
Goodwill	Note 5	9 045	9 223
Property, plant, and equipment	Note 6	57 581	60 581
Other long-term investments	Note 7	254	332
Deferred tax assets	Note 17	1 684	1 949
NON-CURRENT ASSETS		78 229	FAUX
Inventories	Note 8	42 608	43 267
Trade accounts receivable	Note 9	34 710	31 876
Other receivables	Note 10	7 341	8 228
Income tax	Note 17	3 143	3 013
Cash and cash equivalents	Note 11	37 536	53 560
Assets held for sale	Note 27	4 089	
CURRENT ASSETS		129 427	139 943
TOTAL ASSETS		207 656	139 943
Capital		2 817	2 817
Additional paid-in capital		11 929	11 929
Consolidated reserves		100 799	96 879
Foreign exchange differences		2 427	439
Net income, group share		4 736	4 240
Minority interests		4 550	4 223
SHAREHOLDERS' EQUITY	Note 12	127 258	120 527
Deferred tax liabilities	Note 17	5 591	5 500
Long-term financial debts	Note 14	6 520	46 157
Non-current provisions	Note 13	5 427	6 114
NON-CURRENT LIABILITIES		17 538	57 771
Short-term borrowings	Note 14	21 590	1 238
Trade payables		19 731	20 248
Other debts	Note 15	18 959	20 195
Current provisions	Note 13	814	708
Income tax	Note 17	1 355	1 306
Liabilities held for sale	Note 27	411	
CURRENT LIABILITIES		62 860	43 695
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		207 656	221 992

Consolidated Income Statement as at December 31, 2011

<i>(in thousands of euros)</i>	Notes	Dec. 31, 2011	Dec. 31, 2010
SALES REVENUE	Note 4	203 337	185 064
Other operating income		645	267
INCOME FROM ORDINARY ACTIVITIES		203 982	185 331
Materials		(64 382)	(56 839)
Change in work-in-progress and finished goods inventories		1 742	2 312
Personnel expenses	Note 18	(82 170)	(75 463)
External charges		(35 836)	(32 277)
Taxes		(2 567)	(3 042)
Other operating income and expenses	Note 20	917	1 275
Impairment of non-current assets	Note 21	(9 214)	(8 798)
Impairment of current assets and provision expenses	Note 22	(2 357)	(2 844)
CURRENT OPERATING INCOME		10 114	9 655
Current operating income as % of sales revenue		4,97%	5,21%
Other operating income and expenses	Note 23	(182)	(296)
OPERATING INCOME		9 932	9 359
Operating income as % of sales revenue		4,87%	5,06%
Cash income		365	256
Cost of gross borrowings		(1 954)	(2 101)
COST OF NET BORROWINGS		(1 589)	(1 845)
Other financial income and expenses	Note 24	(961)	10
Tax charge	Note 17	(2 146)	(2 659)
NET INCOME		5 236	4 865
Income from minority interests		500	624
Net income, group share		4 736	4 240
Earnings per share (in euros)	Note 12	2,62	2,24
Diluted earnings per share (in euros)	Note 12	2,62	2,24

Statement of Overall Consolidated Income

<i>(in thousands of euros)</i>	Dec. 31, 2011	Dec. 31, 2010
Net income for the period	5 236	4 864
Recognition of actuarial gains and losses on pension commitments in shareholders' equity	827	(205)
Deferred tax on the actuarial gains and losses recognized	(275)	51
Gains (losses) resulting from the fair value valuation of interest rate hedging instruments	1 345	519
Deferred tax on the fair value valuation of financial instruments	(448)	(173)
Foreign exchange difference	2 229	5 173
Total income and expenses recorded directly in shareholders' equity	3 678	5 365
Total income and expenses recognized over the period	8 914	10 229
Attributable to		
- Radiall SA shareholders	8 173	9 166
- Minority interests	741	1 063

CASH FLOW STATEMENT

(in thousands of euros)

	Dec. 31, 2011	Dec. 31, 2010
Net income, group share	4 735	4 240
Share of minority interests in consolidated income	500	624
Amortization and depreciation	9 214	8 798
Net change in provisions	623	(310)
Unrealized gains and losses for changes in fair value	(50)	78
Cost of stock options	-	-
Capital gains/losses on disposals	92	116
Interest expense	2 173	2 101
Tax charge	2 146	2 659
Expenses recognized as other operating income and expenses	0	149
Cash flow from operations	19 433	18 455
Change in inventories	(139)	(2 959)
Change in trade receivables	(1 305)	(5 218)
Change in trade payables	(428)	10 251
Change in other assets and liabilities	(1 112)	(708)
Change in working capital requirement	(2 984)	1 366
Interest paid	(1 716)	(1 769)
Tax paid	(1 890)	(2 197)
Cash flow from operating activities (A)	12 843	15 855
Acquisition of intangible assets	(265)	(236)
Acquisition of property, plant, and equipment	(7 879)	(7 487)
Acquisition of long-term investments	(59)	(79)
Disposal of property, plant, and equipment	204	612
Disposal of long-term investments	102	320
Net cash from acquisitions/disposals of subsidiaries	(903)	-
Cash flows from investment activities (B)	(8 800)	(6 870)
Dividends paid to Radiall SA's shareholders	(1 540)	(1 358)
Dividends paid to minority shareholders	(546)	(1 247)
Purchase and sale of treasury shares	(91)	(21 677)
Cash from borrowings	1 000	2 359
Repayment of loans	(19 398)	(916)
Cash flows from financing activities (C)	(20 575)	(22 839)
Impact of changes in exchange rates (D)	508	1 128
Change in cash flow (A+B+C+D)	(16 024)	(12 726)
Cash at the beginning of the period	53 560	66 286
Cash at the end of the period	37 536	53 560

The €903,000 disbursement seen in 2011 for investing activities corresponds to Radiall's buyback of the remaining shares held by the non-controlling shareholder of Radiall India Private Limited in the capital of Radiall India Private Limited (see § 14.2).

The reconciliation between the gross cash amount in the balance sheet and the net cash amount in the above table is as follows:

<i>(in thousands of euros)</i>	Dec. 31, 2011	Dec. 31, 2010
Other negotiable securities	16 807	22 435
Cash	20 729	31 125
Cash assets	37 536	53 560
Overdrafts and short-term credit lines		
Net cash	37 536	53 560

Statement of Change in Shareholders' Equity

<i>(in thousands of euros)</i>	Number of shares	Capital	Additional paid-in capital	Consolidated reserves	Foreign exchange differences	Group share	Minority interests	Total shareholder s' equity
Dec. 31, 2009	2 181 731	3 326	11 929	119 212	(4 295)	130 172	4 468	134 640
Income and expenses recorded in shareholders' equity				192	4 734	4 926	439	5 365
Profit (loss)				4 240		4 240	624	4 864
Dividends				(1 358)		(1 358)	(1 247)	(2 605)
Reduction in capital	(333 607)	(509)		(21 250)		(21 759)		(21 759)
Treasury shares				83		83		83
Commitment to purchase minority interests (see Note 14.2)						-	(61)	(61)
Dec. 31, 2010	1 848 124	2 817	11 929	101 119	439	116 304	4 223	120 527
Income and expenses recorded in shareholders' equity				1 449	1 988	3 437	241	3 678
Profit (loss)				4 736		4 736	500	5 236
Dividends				(1 540)		(1 540)	(547)	(2 087)
Change in scope		-		(139)		(139)	133	(6)
Treasury shares				(91)		(91)		(91)
Dec. 31, 2011	1 848 124	2 817	11 929	105 534	2 427	122 707	4 550	127 257

Notes to the Consolidated Financial Statements as at December 31, 2011

NOTE 1 - GENERAL PRESENTATION

Radiall is an industrial group specializing in the design, development, and manufacture of electronic components and is a renowned player within its markets: telecommunications, military and aeronautic applications, and 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 20, 2012.

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, 2011.

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 and loss).

The Group implemented the IAS 32 and IAS 39 standards beginning on January 1, 2005.

The accounting principles applied by the Group are identical to those used to prepare the Group's financial statements as at December 31, 2010, apart from the following standards, amendments, and interpretations, which have applied since January 1, 2011.

Standards, amendments, and interpretations that came into force on January 1, 2011

The following standards and interpretations published by the IASB and adopted by the European Union became applicable to the Group as of January 1, 2011:

- The revised IAS 24 "Related Party Disclosures" standard,
- The amendment entitled "Classification of Rights Issues" to IAS 32 and the amendment entitled "Limited Exemption from Comparative IFRS 7 Disclosures" to IFRS 1,
- The amendment entitled "Prepayments of a Minimum Funding Requirement" to IFRIC 14,
- The interpretation of IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments".

Standards, amendments, and interpretations adopted by the European Union

- The amendment entitled "Financial Instruments: Disclosures" to IFRS 7,
- The amendment entitled "Income Taxes" to IAS 12.

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, 2011.

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 exception adopted by the Group, and still in effect on the date on which the financial statements were drawn up, concerns foreign exchange differences constituted as of January 1, 2004 that are no longer recognized as a separate component of financial position and that will not be subsequently included in profit or loss when the foreign entity leaves the consolidation.

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 - Acquisition of Minority interests

Changes in the percentage of the parent company's interest in any subsidiary that do not affect control are accounted as transactions between shareholders within the equity capital; such transactions do not have an impact on the income statement or on the amount of goodwill.

Thus, when minority interests are acquired, any difference between the carrying amount of the minority interests recognized in the balance sheet and the fair value of the items provided in exchange should be accounted directly in equity capital and allocated to the Group's shareholders.

2.5 - Conversion of the Financial Statements of Foreign Subsidiaries

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

- At the closing rates for items in the balance sheet;
- At the average rates of the period for the income statement entries.

Foreign exchange differences resulting from applying these rates are recorded under equity capital

as “foreign exchange differences.”

2.6 - Foreign Currency Transactions

The accounting and valuation of foreign currency transactions are defined in IAS 21 “The Effects of Changes in Foreign Exchange 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 closing 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 as “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).

	Financial year ended December 31, 2011		Financial year ended December 31, 2010	
	Closing rate	Average rate	Closing rate	Average rate
USD	1.294	1.392	1.336	1.327
CNY	8.159	8.996	8.822	8.981
GBP	0.835	0.868	0.861	0.858
HKD	10.051	10.834	10.386	10.308
JPY	100.200	111.021	108.650	116.455
INR	68.713	64.867	59.758	60.632

2.7 - Use of Estimates

The valuation of certain balances in the balance sheet 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, the amount of provisions for risks and charges, provisions for inventory write-downs, deferred tax assets, and certain financial liabilities. These assumptions, estimations, or appraisals are established on the basis of information or situations existing on the date on which the financial statements are prepared, which may change in the future.

2.8 - Research and Development Expenses

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

- Its intention, financial capacity and technical capacity to carry the development project through to its completion;
- That it is probable that the future financial benefits resulting from the development costs will go to the company;
- 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 financial year during which they were incurred.

2.9 - 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.

2.10 - 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 annually tested for impairment;
- Customer portfolio: Duration determined on the acquisition without exceeding 20 years;
- Software: 4 to 8 years.

2.11 - Property, Plant, and Equipment

In accordance with the IAS 16 “Property, Plant, and Equipment”, standard, the gross value of the 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.

Fixed assets that are financed through lease financing agreements, 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 |

2.12 - Depreciation of Fixed Assets

According to IAS 36 “Impairment of Assets,” impairment tests are performed on intangible assets and property, plant, and equipment 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 book value 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.

2.13 - Assets and Liabilities Held for Sale

When an isolated asset is disposed of (or when a group of current and non-current assets and liabilities is disposed of as part of the transfer or sale of a business activity) the Group must classify non-current assets as assets held for sale, if the Company intends to recover their value through sale rather than through operational use.

Assets and liabilities that meet this criteria are classified and presented on a separate line of the balance sheet if they meet the following requirements:

- A disposal plan is in place,
- The assets and liabilities are available for sale in their current status,
- Sale is likely and will occur within a reasonable time frame.

Non-current assets held for sale are valued at their amortized historical cost or at fair value less the cost of sale, whichever is less.

2.14 - Financial Assets and Liabilities

Financial assets include long-term investments, 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.

2.14.1 - 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 balance sheet 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 shareholders' equity 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 balance sheet value 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' balance sheet value, 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 that 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.

2.14.2 - Recognition and Measurement of Financial Liabilities

Financial Debts

Borrowings 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 balance sheet at their market value on the reporting date. The effects of their reevaluation are recorded in the "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 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 shareholders' equity. The deferred tax liability 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 book value of the option component is then calculated by deducting the fair value of the debt from the fair value of the convertible bond loan overall. This value is not revalued after the initial accounting. The issue costs that are not directly allocated to the debt component or shareholders' equity are spread between the debt and equity parts on the basis of their respective accounting values.

2.14.3 - 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 flow 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, as well as while it lasts.

The application of 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 balance sheet at its fair value. The change in this fair value is recorded as its counterpart in the income statement, where it is offset by symmetrical changes in the fair value of the hedging financial instruments depending on their effectiveness;
- For future cash flow hedges, the effective portion of the change in fair value of the hedging instruments is directly recorded as a cross entry to shareholders' equity, as the change in the fair value of the hedged portion of the hedged asset is not recorded in the balance sheet. The change in value of the ineffective portion is accounted as "other financial income and expenses." The amounts recorded in shareholders' equity 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 under "other financial income and expenses."

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.

2.15 - Financial Instruments

Financial instruments recognized at fair value are classified by level of fair value as follows:

- Level 1: fair value determined based on unadjusted prices quoted in active markets for identical assets or liabilities.
- Level 2: fair value determined based on observable data (“input”), other than the quoted prices included under level 1, for assets or liabilities, either directly (in the form of prices) or indirectly (calculated based on price).
- Level 3: fair value determined based on valuation techniques that rely partially or fully on non-observable data such as prices on an inactive market or valuation based on multiples for unlisted shares.

2.16 - 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.

2.17 - 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 closing 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 balance sheet 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.

2.18 - Treasury Shares

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

2.19 - 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 that is likely or certain to result in an outflow of resources to this third party without any equivalent compensation, at a minimum, 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.

2.20 - 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 financial 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 regarding 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 payroll expense.

According to the revised IAS 19 standard adopted by the Group in 2006, the net cumulated actuarial gains and losses for the financial 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.)

2.21 - Revenue

In accordance with the IAS 18 “Revenues” standard, sales of connectors are accounted as sales 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.

2.22 - 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 long-term investments and securities, and other assets;
- Impairment of equity securities, loans, goodwill, trademarks, or on other assets;
- Certain provisions;
- Reorganization and restructuring expenses or provisions.

2.23 - Earnings per Share

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

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 financial year. In this calculation, the funds collected for these options are assumed to be earmarked for buying Radiall's shares at the market price.

NOTE 3 - SCOPE OF CONSOLIDATION

3.1 - Change in the Scope

Radiall created Raydiall SAS on September 16, 2011. This subsidiary will be granted Radiall's automotive business on January 1, 2012 as part of a joint venture with an outside partner.

On December 23, 2011, Radiall bought back the 10.2% non-controlling stake in Radiall India Private Limited, bringing its holding to 100%.

3.2 - List of Consolidated Companies

Fully Consolidated Companies	Country	Geographic zone	% interest	% control
RADIAL SA	France	France	100%	100%
RADIAL VENTURES	France	France	100%	100%
INDUSTRIE DOLOISE DE MICRO-MECANIQUE	France	France	100%	100%
D-LIGHTSYS	France	France	97%	97%
RADIAL SYSTEMS	France	France	95%	95%
RAYDIAL SAS	France	France	100%	100%
RADIAL LTD.	Great Britain	Europe	100%	100%
RADIAL G.M.B.H.	Germany	Europe	100%	100%
RADIAL B.V.	Netherlands	Europe	100%	100%
RADIAL A.B.	Sweden	Europe	100%	100%
RADIAL ELETTRONICA SRL.	Italy	Europe	100%	100%
RADIAL AMERICA INC.	United States	Americas	100%	100%
RADIAL USA (PREVIOUSLY JERRIK)	United States	Americas	100%	100%
RADIAL DO BRASIL	Brazil	Americas	99%	99%
RADIAL ELECTRONICS (ASIA) LTD.	Hong Kong	Asia	55%	55%
RADIAL INTERNATIONAL LTD.	Hong Kong	Asia	100%	100%
RADIAL INDIA PRIVATE LTD.	India	Asia	100%	100%
NIHON RADIAL KK	Japan	Asia	100%	100%
SHANGHAI RADIAL ELECTRONICS CO. LTD.	China	Asia	76%	80%

NOTE 4 - SECTOR INFORMATION

4.1 - Business Sectors and Geographic Zones

In accordance with the IFRS 8 standard, the segment information presented is internal information reviewed and used by the main operational decision-makers, and this information is based both on business sector and four geographic zones.

Radial's predominant activity is manufacturing connectors and related components for electronic applications. Radial therefore considers itself to be operating in one single business sector. Radial'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

As at Dec. 31, 2011 (in thousands of euros)	France	Europe outside	Americas	Asia	Elimination	Total
Sales revenue (outside group)	72 268	33 185	62 953	34 931		203 337
Interzone sales	76 768	1 763	7 649	22 490	(108 670)	-
Total	149 036	34 948	70 602	57 421	(108 670)	203 337
Other operating income and expenses	182					182
Operating income	1 859	1 250	3 038	3 785		9 932
Non-current assets	77 661	500	65 091	6 632	(71 655)	78 229
Current assets	97 965	10 822	22 927	27 551	(29 838)	129 427
Non-current liabilities	(18 560)	(51)	(4 418)	(130)	5 210	(17 949)
Current liabilities	(66 220)	(5 510)	(9 916)	(9 605)	28 802	(62 449)
Capital used	90 858	5 755	73 428	19 539	(66 872)	122 708
Investments	6 414	10	946	833		8 203
Depreciation and amortization expenses	(6 470)	(48)	(1 894)	(802)		(9 214)

As at Dec. 31, 2010 (in thousands of euros)	France	Europe outside	Americas	Asia	Elimination	Total
Sales 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
Non-current assets	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	84 205	2 828	69 944	17 706	(58 379)	116 304
Investments	6 582	50	769	414		7 815
Depreciation and amortization expenses	(6 002)	(55)	(1 979)	(762)		(8 798)

4.3 - Sales Revenues According to Customers' Locations

<i>(in thousands of euros)</i>	December 31, 2011		December 31, 2010	
France	43,419	21.4%	36,718	19.8%
Other countries in Europe	46,353	22.8%	44,167	23.9%
Americas	62,953	31.0%	57,200	30.9%
Asia and Rest of the World	50,612	24.9%	46,979	25.4%
Total	203,337	100%	185,064	100%

NOTE 5 - GOODWILL AND INTANGIBLE ASSETS

5.1 - Change in Goodwill

	Goodwill
Dec. 31, 2010	9 223
Change of scope	(343)
Foreign exchange	165
Impairment of goodwill	-
Dec. 31, 2011	9 045

The change in scope reflects the change in Radiall's stake in the capital of Radiall India Private Limited (see § 14.2).

5.2 - Breakdown of Goodwill at Year End

	Dec. 31, 2011	Dec. 31, 2010
Radiall Shanghai	1 456	1 347
Radiall USA	4 629	4 484
Radiall India	1 172	1 604
D-Lightsys	393	393
Radiall Systems	-	-
IDMM	1 395	1 395
TOTAL	9 045	9 223

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 CGU pertaining to the AEP brand, the royalties method was used to calculate the basis of the recoverable value of the unit.

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

The after-tax discounting rates 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 and 2011 are as follows:

Discounting rate for Radiall	United States	Europe	China	India
December 31, 2011	9.4%	10.1%	10.5%	13.4%
December 31, 2010	10.6%	10.2%	11.6%	14%

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.

Trademarks are considered fixed assets with an indefinite lifespan. Therefore, they are subject to a yearly impairment test. To perform this test, trademarks are treated as an isolated asset by calculating their fair value. The value of the AEP trademark was calculated using the royalty method. According to this method, the estimated value of a trademark corresponds to the discounted value of the royalties retained by the Group.

The calculations performed on December 31, 2011 confirm that the recoverable value of the assets is greater than their net carrying amount based on the abovementioned discounting rates.

Sensitivity of the recoverable values

For all CGUs, the sensitivity of the impairment tests to changes in each of the main assumptions was analyzed. The Group determined reasonably conceivable fluctuations in the following assumptions:

- 10% fall in revenue, or
- 10% fall in gross margin, or
- 100 bps increase in the discounting rate, or
- 50 bps fall in growth rate to infinity.

The various sensitivity tests showed that none of the changes in assumptions presented above would lead to a loss in value when viewed individually.

5.3 - Change in the Net Carrying Amount of Other Intangible Assets

Gross value (in thousands of euros)	Research costs	Patents, licenses	Other intangible assets	Total
Dec. 31, 2010	344	11 075	7 531	18 950
Purchases		255	10	265
Disposals		(251)		(251)
Foreign exchange		161	234	395
Other		(5)		(5)
Dec. 31, 2011	344	11 235	7 775	19 354
Amortization and depreciation (in thousands of euros)	Research costs	Patents, licenses	Other intangible assets	Total
Dec. 31, 2010	(185)	(7 009)	(1 792)	(8 986)
Allocations	(68)	(600)	(143)	(811)
Disposals		243		243
Foreign exchange		(80)	(55)	(135)
Other				-
Dec. 31, 2011	(253)	(7 446)	(1 990)	(9 689)
Net value 2010	159	4 066	5 739	9 964
Net value 2011	91	3 789	5 785	9 665

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 financial year. This amortization stemmed primarily 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 Book Value

Gross value <i>(in thousands of euros)</i>	Land	Buildings	Plant and equipment	Other assets	Assets under construction	Total
Dec. 31, 2010	1 189	31 651	97 514	7 901	3 710	141 965
Purchases		554	4 852	546	1 834	7 786
Disposals		(19)	(1 446)	(977)	(125)	(2 567)
Foreign exchange	-	200	1 050	3	12	1 265
Other		177	1 110	19	(1 280)	26
Assets intended for sale		(26)	(5 791)	(197)	(163)	(6 177)
Dec. 31, 2011	1 189	32 537	97 289	7 295	3 988	142 298
Amortization and depreciation <i>(in thousands of euros)</i>	Land	Buildings	Plant and equipment	Other assets	Assets under construction	Total
Dec. 31, 2010		(16 530)	(58 705)	(6 150)		(81 385)
Allocations		(1 421)	(6 401)	(664)		(8 486)
Disposals		12	1 262	969		2 243
Foreign exchange		(83)	(452)	(12)		(547)
Depreciation of assets intended for sale		13	3 391	54		3 458
Dec. 31, 2011		(18 009)	(60 905)	(5 803)		(84 717)
Net value 2010	1 189	15 122	38 809	1 751	3 710	60 581
Net value 2011	1 189	14 528	36 384	1 492	3 988	57 581

6.2 - Leasing Agreements for Fixed Assets

<i>(in thousands of euros)</i>	Land	Buildings	Plant and equipment	Other assets	Total
Net value as at Dec. 31, 2010	351	6 450	3 383	0	10 184
Net value as at Dec. 31, 2011	351	5 946	2 885	0	9 182

6.3 - Information on Other Depreciation of Assets

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

NOTE 7 - OTHER LONG-TERM INVESTMENTS AND SECURITIES

7.1 - Change in the Net Carrying Amount of Other Long-Term Investments and Securities

Net values <i>(in thousands of euros)</i>	Loans and receivables
Dec. 31, 2010	332
Purchases	57
Disposals	(24)
Repayment	(98)
Foreign exchange	(13)
Dec. 31, 2011	254

NOTE 8 - INVENTORIES

8.1 - Change in Inventories

<i>(in thousands of euros)</i>	Dec. 31, 2011	Dec. 31, 2010
Raw materials and supplies	31 524	30 589
In progress goods and services	5 127	5 492
Intermediate and finished products	13 358	13 530
Gross values	50 009	49 611
Depreciation of raw materials and supplies	4 335	4 448
Depreciation of in progress goods and services	72	-
Depreciation of finished products	1 631	1 896
Depreciation	6 038	6 344
Net value	43 971	43 267
Inventory held for sale	(1 363)	
Total inventory	42 608	43 267

The company scrapped inventories for €2,490,000 in 2011 (see Note 13.1).

NOTE 9 - TRADE RECEIVABLES

<i>(in thousands of euros)</i>	Dec. 31, 2011	Dec. 31, 2010
Trade receivables	35 299	32 672
Depreciation	(589)	(796)
Depreciation as a %	1,67%	2,44%
Net values	34 710	31 876

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

NOTE 10 - OTHER RECEIVABLES

<i>(in thousands of euros)</i>	Dec. 31, 2011	Dec. 31, 2010
Tax and social security receivables	4 357	5 266
Prepaid expenses	2 158	1 901
Other miscellaneous receivables	826	1 061
Total	7 341	8 228

NOTE 11 - CASH AND CASH EQUIVALENTS

<i>(in thousands of euros)</i>	Dec. 31, 2011	Dec. 31, 2010
Investments maturing in less than 3 months	16 807	22 443
Cash	20 729	31 125
Provision for depreciation of negotiable securities		(8)
Positive cash position	37 536	53 560
Overdrafts and short-term credit lines	-	-
Net cash	37 536	53 560

All cash equivalents (investments maturing in less than three months) are considered level 1 instruments (prices listed on an active market).

NOTE 12 - EQUITY CAPITAL

12.1 - Composition of Share Capital

As at December 31, 2011, 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 that have been held for at least four years.

12.2 - Stock Options

No stock option plan was in effect during the year 2011.

12.3 - Treasury Stock

The Group bought back Radiall shares after authorizations given by the ordinary general shareholders' meetings. The portion of the share capital held changed as follows:

12.4 - Earnings per Share

<i>(in number of shares)</i>	Dec. 31, 2011	Dec. 31, 2010
Held at the start of the period	37 262	38 335
Purchases of shares	4 963	338 858
Sales of shares	(3 803)	(6 324)
Cancellations during the period	-	(333 607)
Held at the end of the period	38 422	37 262
For market making	7 602	6 436
Held for various objectives	30 820	30 826

<i>(in number of shares)</i>	Dec. 31, 2011	Dec. 31, 2010
Group share of income, in euros	4 735 738	4 239 657
Number of shares (weighted average) outstanding over the period	1 848 124	1 931 526
Number of treasury shares (weighted average) over the period	37 234	38 095
Number of shares held	1 810 890	1 893 431
Earnings per share, in euros	2,62	2,24

12.5 - Diluted Earnings per Share

<i>(in number of shares)</i>	Dec. 31, 2011	Dec. 31, 2010
Net income, Group share, in euros	4 735 738	4 239 657
Weighted average number of ordinary shares outstanding over the period	1 810 890	1 893 431
Dilution effect:		
Stock options awarded for "stock option" plans		
Weighted average number of ordinary shares adjusted for the diluted earnings per share	1 810 890	1 893 431
Net diluted earnings per share, in euros	2,62	2,24

12.6 - Dividend Proposed

The Executive Board meeting held on April 20, 2012 proposed a dividend of €0.90 per share. This dividend will be submitted to the shareholders at the Combined Shareholders' Meeting to be held on May 25, 2012.

NOTE 13 - PROVISIONS

13.1 - Change in Current Asset Provisions

<i>(in thousands of euros)</i>	Dec. 31, 2010	Allocations	Reversals	Foreign exchange difference	Dec. 31, 2011
Trade receivables provisions	796	67	277	3	589
Inventory write-down provisions	6 344	1 040	1 427	81	6 038
Total current asset provisions	7 140	1 107	1 704	84	6 627

13.2 - Change in Current and Non-Current Provisions

(in thousands of euros)

	Dec. 31, 2010	Allocations	Uses	Unused reversals	Actuarial variations	Foreign exchange difference	Liabilities intended for sale	Dec. 31, 2011
Restructuring provisions	767	182	-338					611
Retirement indemnities	5 104	656	-75		-827		-173	4 685
Other non-current provisions	243	23	-146			11		131
Non-current provisions	6 114	861	-559	0	-827	11	-173	5 427
Technical and commercial risks	200							200
Other risks	508	341	-87	-155		7		614
Current provisions	708	341	-87	-155	0	7		814

The provision for restructuring mainly concerns Radiall.

Provisions for career severance indemnities of €4,685,000 include those of Radiall in the amount of €4,530,000 and €155,000 for the other subsidiaries.

13.3 - Pension Commitments

Assumptions used for Lump-Sum End of Career Severance Indemnities

	December 31, 2011	December 31, 2010
Retirement age		
- Born before 1951	60	60
- Born between 1951 and 1956	63	63
- Born after 1956	65	65
Salary increase rate	2.81%	2.80%
Discounting rate	4.6%	3.2%
Turnover		
- From 16 to 39 years	5.82%	5.38%
- From 40 to 49 years	2.33%	2.15%
- From 50 to 54 years	0.58%	0.54%
- 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, 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, in order to anticipate a gradual shift 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 3.15%, which is consistent with the actual rate observed over the past five financial years.

Past Service Cost

<i>(in thousands of euros)</i>	December 31, 2011	December 31, 2010
Past service costs at start of period	5,104	4,695
Past service cost during the financial year	352	258
Benefits paid during financial year	(75)	(302)
Actuarial losses (gains) generated during the financial year	(827)	231
Amortization of change in plan*	86	44
Financial costs for the financial year	218	178
Past service cost at end of financial year	4,858	5,104

*: Following an amendment to the collective bargaining agreement in the metallurgy industry, which has applied to employees of the Radiall Group in France since the year 2010, new schedules of benefits came into effect, thereby increasing the commitment for lump sum career severance indemnities. Pursuant to the IAS 19 standard, the impact of the change in benefit plan is spread out in the consolidated financial statements over the average remaining acquisition period on a straight-line basis. The amortizable balance at December 31, 2011 equals €1,248,000.

Hedging Assets

<i>(in thousands of euros)</i>	December 31, 2011	December 31, 2010
Fair value of assets at the start of year	0	281
Expected return on assets	0	0
Actuarial gain (losses) generated on assets during the financial year	0	0
Benefits used during the year	0	(281)
Employer contributions	0	0
Change in Plan	0	0
Fair value of assets at year end	0	0

Amounts Recognized in the Balance Sheet and Income Statement

<i>(in thousands of euros)</i>	December 31, 2011	December 31, 2010
Liability recognized in the balance sheet	4,858	5,104
Past service cost during the financial year	352	258
Financial costs for the financial year	218	178
Amortization of change in plan	86	44
Expected return on assets		3
Expenses entered in the income statement	656	483
Actuarial losses (gains) recognized in equity capital	(827)	231

<i>(in thousands of euros)</i>	December 31, 2011	December 31, 2010
Liabilities at the start of the year	5,104	4,412
Transfer		
Change in scope		
Expenses entered in the income statement	656	483
Actuarial losses (gains) recognized in equity capital	(827)	231
Benefits paid during the financial year	(75)	(22)
Liabilities held for sale	(173)	
Liabilities at year end	4,685	5,104

NOTE 14 - FINANCIAL DEBTS

December 31, 2011 <i>(in thousands of euros)</i>	Current	Non-current		
	< 1 year	From 1 to 5 years	More than 5 years	Total
Intangible assets		513		513
Provisions for inventory of parts and components	21 266	-		-
Note 5		1 000		1 000
Goodwill	325	1 233	3 774	5 007
Cash advances				-
Total	21 591	2 746	3 774	6 520
Debts in EUR	21 591	2 746	3 774	6 520
Debts in USD				
Debts in other currencies				-
Total	21 591	2 746	3 774	6 520

Repayment of the bond issue in the amount of €18.6 million (see note below).

€1 million credit line taken out as part of the purchase of Radiall India Private Limited shares from non-controlling shareholders.

December 31, 2010 <i>(in thousands of euros)</i>	Current	Non-current		
	< 1 year	From 1 to 5 years	More than 5 years	Total
Repayable loans		575		575
Bond issue (see §14.1)	686	38 774		38 774
Other borrowings	-	1 248		1 248
Lease financing agreements	553	1 185	4 375	5 560
Cash advances				-
Total	1 239	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

14.1 - 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%"
- Effective interest rate:	4.97%
- 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

At their date of issue, the bonds were recognized as follows: the amount of the €39,478,000 issue was divided, after deducing 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.

Three BSAAR (Redeemable Equity Warrants) class A and three BSAAR class B are attached to each bond. The BSAAR class B matured on July 18, 2011.

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

At December 31, 2011, there remained 1,906 outstanding BSAAR class A.

The characteristics of the BSAAR class A are as follows: exercise price of €126.00, with exercise parity of one new share with dividend rights for one BSAAR class A, lifetime: 7 years.

Partial Early Redemption of the OBSAAR Bonds in July 2011

The bonds issued, which totaled €39,478,000, redeemable in full in July 2012, were partially redeemed in July 2011. The amount redeemed totaled €18,600,000.

The interest for the period January 1 to December 31, 2011 represents a charge entered into the consolidated financial statements of €1.4 million.

14.2 - Commitments to Buy Out Minority interests

At the end of 2010, the non-controlling shareholder in Radiall India Private Limited held 10.2% of this company's shares. Radiall holds a call option over these shares, and the non-controlling shareholder holds a put option. The put option could be exercised within five years from September 2007.

The amount of this commitment totaled €1,248,000 as at December 31, 2010.

On December 23, 2011, Radiall India Private Limited's non-controlling shareholder exercised its put option and sold its entire 10.2% stake in Radiall India Private Limited to Radiall for the amount of €903,000. The amount owed was paid up in full on that date.

Pursuant to IFRS standards, this commitment was recognized during the previous years by recording a financial debt at the calculated fair value, which offset a reduction in the minority interests and goodwill corresponding to the difference between the value of the commitment and these minority interests.

Radiall's buyback of the non-controlling interest in late 2011 was reflected, in the Group's consolidated financial statements at December 31, 2011, by a €343,000 decrease in goodwill, equivalent to the difference between the purchase price of the participating interest and the amount of the commitment recorded in the consolidated financial statements.

NOTE 15 - OTHER DEBTS

<i>(in thousands of euros)</i>	Dec. 31, 2011	Dec. 31, 2010
Down payments on orders	334	410
Tax and social security debts	13 986	13 881
Debts to fixed assets suppliers	773	998
Derivative instruments	1 544	2 522
Miscellaneous debts	662	453
Accruals	1 660	1 931
Total	18 959	20 195

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 exposure, 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 exposure 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 shareholders' equity (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.

<i>(in thousands of euros)</i>	2011
Revenue	(9,238)
Impact on shareholders' equity (foreign exchange difference)	(4,729)

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 reputable insurer for the majority of the European and Asiatic entities.

Aged Balance for Trade Receivables		
<i>(in thousands of euros)</i>	December 31, 2011	December 31, 2010
Not outstanding	30 994	28 535
Outstanding:		
- for 30 days	3197	2,569
- 31 to 60 days	761	545
- 61 to 90 days	60	161
- 91 to 180 days	-302	66
Total	34 710	31,876

There are no other significant unpaid financial assets as at December 31, 2011.

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

At December 31, 2011 the variable-rate financial debts corresponded mainly to bonds with redeemable equity warrants (OBSAAR), the interest rate of which 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.

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

16.2 - Instruments Linked to Managing Foreign Exchange Risk as at December 31, 2011

	Nominal value <i>(in thousands of currencies)</i>	Market value <i>(in thousands of euros)</i>
Options (zero premium collar) <i>(USD seller)</i>	6 500	-120
Knock-out products <i>(USD seller)</i>	3 450	-68
Total	9 950	-188
Knock-out products <i>(GBP seller)</i>	2 000	-14
Total	2 000	-14

By the nature of its business activities, Radiall's foreign exchange risk pertains mainly to the euro/dollar exchange rate. In order to hedge its positions according to the exchange rate policy defined by the Company and to hedge and optimize all or part of the Radiall Group's excess cash position in US dollars, Radiall enters into accumulator-type derivative instruments (incremental instruments with knock-out barriers). At December 31, 2011, these instruments represented a cumulative total of USD 9,950,000, to be converted in monthly installments from January to May 2012 based on a USD/EUR conversion rate of 1.2730 to 1.40, and knock-out barriers effective in the event that the cumulative difference reaches USD 15 cents. The Group is also exposed to foreign exchange risk as regards the EUR/GBP exchange rate. At December 31, 2011 this risk was hedged, in the amount of GBP 2,000,000, through accumulator-type financial instruments expiring in March and April of 2012.

16.3 – Instruments Linked to Managing Interest Rate Risk as at December 31, 2011

<i>(in thousands of euros)</i>	Nominal value	Market value
Interest rates swaps variable/variable	800	0
Interest rates swaps variable/fixed	52,268	(1,342)

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

Interest rate swaps implemented in 2011:

- For the maturities of the real-estate lease agreements contracted by Radiall for the extension of the Voreppe site:
 - Interest rate swap in a nominal amount of €2,268,000 until September 30, 2022. Radiall pays a fixed rate of 3.25% per year versus the “3-month Euribor” rate;
 - The market value of this interest rate swap was €-161,000 at December 31, 2011.
- For the maturities of a €10 million line of credit
 - Interest rate swap in a nominal amount of €10,000,000 until July 17, 2016. Radiall receives the “3-month Euribor” rate and pays a fixed rate of:
 - 1.565%, if the “3-month Euribor” rate > 1.20%,
 - 1.565% + 1.20% - the “3-month Euribor” rate, if the “3-month Euribor” rate ≤ 1.20%.It should be noted that in the event that the “3-month Euribor” rate ceases to exist, Radiall would pay a rate of 2.765%;
 - The market value of this interest rate swap was €-296,000 at December 31, 2011.

The fair value of these derivative financial instruments is classified as highly effective. Therefore, any fluctuation in fair value is recorded in equity capital pursuant to the IAS 39 standard.

Interest rate swaps prior to 2011:

- For the maturities of the real-estate lease agreements contracted by Radiall for the extension of the Château-Renault site:
 - Interest rate swap in a nominal amount of €800,000 until January 1, 2012. Radiall pays the “12-month Euribor” rate (with a 3% ceiling if the “12-month Libor” rate is below 4.65%) versus the “3-month Euribor” rate;
 - 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;
 - market value was null.

- Regarding the maturity dates for the OBSAAR bond issue contracted by Radiall SA at the nominal rate of “12-month Euribor – 0.63%”:

In early 2008, Radiall purchased derivative financial instruments from various banking institutions to manage the variable interest for the OBSAAR issue in July 2007 (“12-month Euribor – 0.63%”).

- An initial interest rate swap contract effective until July 18, 2012, for a nominal, non-amortizable amount of €20 million: Radiall receives the variable “pre-fixed 12-month Euribor” rate and pays a fixed rate of 4.395% per year. The market value at December 31, 2011 was €-448,688,
- A second interest rate swap contract effective until July 18, 2012, for a nominal, non-amortizable amount of €20 million: Radiall receives the variable “pre-fixed 12-month Euribor” rate and pays a fixed rate of 4.34% per year. The market value at December 31, 2011 was €-436,104.

These transactions hedge the cash flows relating to the OBSAAR bond issue. Radiall has set up the necessary procedures and documentation to justify the recognition of an effective hedge within the meaning of the IAS 39 standard.

Following the partial redemption of the bond issue in 2011, as described under Note 14.1, a part of this hedge was no longer considered effective under the IAS 39 standard.

At December 31, 2011, the share of the fair value of these two swaps, previously backed by the portion of the OBSAAR bonds redeemed in July 2011, was recognized in the income statement as a €418,000 debit under “other financial income and expenses,” following the elimination of the underlying bonds. The share of the deferred tax asset previously classified as equity capital and now classified as profit represents €139,000.

Breakdown of the Impact of Fair Value on Interest Rate Risk Instruments

<i>(in thousands of euros)</i>	December 31, 2011	
Total ineffective hedging instruments recognized in profit or loss	-	418
Total effective hedging instruments recognized in equity capital	-	897

16.4 - Summary of Financial Instruments

<i>(in thousands of euros)</i>	Dec. 31, 2011	Dec. 31, 2010
Assets	-	-
Liabilities	(202)	(252)
Total foreign exchange risk	(202)	(252)
Assets	-	-
Liabilities	(1 342)	(2 270)
Total interest rate risk	(1 342)	(2 270)
Total assets	-	-
Total liabilities	(1 544)	(2 522)
Total (net)	(1 544)	(2 522)

16.5 - Balance Sheet for each Category of Financial Instrument

<i>(in thousands of euros)</i>	Dec 31, 2011		Breakdown by category of instrument				
	Carrying amount	Fair value	Assets available for sale	Loans and receivables	Debts at depreciated cost	Fair value through profit or loss	Hedging financial instruments
FINANCIAL ASSETS							
Non-current assets							
Other long-term investments and securities	254	254		254			
TOTAL	254	254		254			
Current assets							
Assets held for sale	4,089	4,089	4,089				
Trade accounts receivable	34,710	34,710		34,710			
Other receivables	7,341	7,341		7,341			
Cash and cash equivalents	37,536	37,536				37,536	
TOTAL	83,7676	83,676	4,089	42,051		37,536	
FINANCIAL LIABILITIES							
Non-current financial debts							
Long-term financial debts	6,520			513	6,007		
TOTAL	6,520			513	6,007		
Current debts							
Short-term financial debts	21,590				21,590		
Trade payables	19,731			19,731			
Liabilities held for sale	411			411			
Other debts	18,959			17,415			1,544
TOTAL	60,691			37,557	21,590		1,544

<i>(in thousands of euros)</i>	Dec 31, 2010		Breakdown by category of instrument				
	Balance sheet value	Fair value	Assets available for sale	Loans and receivables	Debts at depreciated cost	Fair value through profit or loss	Hedging financial instruments
FINANCIAL ASSETS							
Non-current assets							
Other long-term investments and securities	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	53,530	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

NOTE 17 – INCOME TAX

17.1 - Analysis of Income Tax Expenses

Income tax expenses may be broken down as follows:

<i>(in thousands of euros)</i>	Dec. 31, 2011	Dec. 31, 2010
France	(556)	(565)
Abroad	(2 088)	(1 731)
Tax payable	(2 644)	(2 296)
France	725	87
Abroad	(227)	(450)
Deferred taxes	498	(363)
Tax revenue (expense)	(2 146)	(2 659)

17.2 - Reconciling Theoretical and Effective Taxation

The reconciled items are as follows:

<i>(in thousands of euros)</i>	Dec. 31, 2011	Dec. 31, 2010
Profit (loss) before tax	7 383	7 523
Theoretical tax at the rates in force in each country	(2 093)	(1 963)
Impact of non-deductible charges and non-taxable revenues	(322)	122
Effect of changes in tax rate		(114)
Deferred taxes not recognized on losses during the period	(613)	(1 394)
Research tax credit	635	587
Reduced rate taxation	426	315
Other	(179)	(212)
Total	(2 146)	(2 659)

17.3 - Net Deferred Tax Position

<i>(in thousands of euros)</i>	Dec. 31, 2011	Dec. 31, 2010
Deferred tax assets	1 684	1 949
Deferred tax liabilities	(5 591)	(5 500)
Net deferred taxes	(3 907)	(3 551)

17.4 - Main Deferred Consolidated Tax Assets and Liabilities

<i>(in thousands of euros)</i>	December 31, 2011	December 31, 2010
Effect of tax loss carryovers	10,321	10,356
Fiscal effect of temporary differences connected with:		
- Goodwill		
- Other non-current assets	(9,531)	(8,843)
- Inventories	599	493
- Other current assets	(19)	(143)
- Provision for contingencies	2,795	3,180
- Other debts	(760)	(1,130)
- Other	(108)	(132)
Tax impact of temporary differences	(7,025)	(6,575)
Gross deferred tax assets (liabilities)	3,296	3,781
Provision for depreciation of deferred tax assets	(7,203)	(7,332)
Net deferred taxes	(3,907)	(3,551)

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's excess depreciation and deferred taxes recognized on Radiall USA's intangible assets.

17.5 - Breakdown of Current Tax in Balance Sheet Assets

<i>(in thousands of euros)</i>	Dec. 31, 2011	Dec. 31, 2010
Corporate taxes		
<i>(advance payments and tax credits)</i>	3 143	3 013
Total under balance sheet assets	3 143	3 013
Tax debt	1 355	1 306
Total under balance sheet liabilities	1 355	1 306

NOTE 18 - HEADCOUNT AND PERSONNEL EXPENSES

<i>(in thousands of euros)</i>	December 31, 2011	December 31, 2010
External staff	11,005	8,236
Salaries	49,762	47,247
Salary expenses	21,403	19,980
Total	82,170	75,463
France	59,785	53,702
International	22,385	21,761
Total	82,170	75,463

<i>(average headcount)</i>	Dec. 31, 2011		Dec. 31, 2010	
	Internal	External	Internal	External
France	1 151	203	1 100	147
International	669	490	686	396
Total	1 820	693	1 786	543

NOTE 19 - RESEARCH AND DEVELOPMENT EXPENSES

<i>(in thousands of euros)</i>	Dec. 31, 2011	Dec. 31, 2010
Non-capitalized costs	15 733	15 605
Amortization of capitalized development costs	68	86
Total expenses incurred	15 801	15 691

NOTE 20 - OTHER OPERATING INCOME AND EXPENSES

<i>(in thousands of euros)</i>	Dec. 31, 2011	Dec. 31, 2010
Foreign exchange revenue	18	218
Revenue from asset disposals	(93)	75
Subsidies	994	910
Other revenues and expenses	(3)	72
Total	917	1 275

NOTE 21 - IMPAIRMENT OF NON-CURRENT ASSETS

Impairment of non-current assets only apply to amortization and depreciation expenses for intangible and tangible assets.

NOTE 22 - IMPAIRMENT OF CURRENT ASSETS AND PROVISION EXPENSES

<i>(in thousands of euros)</i>	Dec. 31, 2011	Dec. 31, 2010
Write-down of inventories	(2 102)	(2 631)
Depreciation of current assets	(61)	(82)
Provisions for contingencies	(193)	(131)
Total	(2 357)	(2 844)

In 2011, inventory write-downs were mainly incurred for Radiall, Radiall USA, IDMM, and Radiall Shanghai.

NOTE 23 - NON-CURRENT EXPENSES AND PROVISIONS

Non-current expenses for the year 2011 correspond to a provision for the restructuring costs of the Italian subsidiary.

In 2010, non-current expenses included the balance of the costs of the buyback of shares and BSAARS (redeemable equity warrants) that took place in February 2010 and the revaluation of commitments related to the 2009 downsizing plan, considering the retirement reform that took effect in France during 2010.

<i>(in thousands of euros)</i>	December 31, 2011	December 31, 2010
Non-current personnel expenses and provisions	182	149
Expenses and provisions for property, plant and equipment	0	0
Expenses and provisions for intangible assets	0	0
Other expenses and provisions on non-current expenses	0	147
Total	182	296

NOTE 24 - OTHER FINANCIAL INCOME AND EXPENSES

<i>(in thousands of euros)</i>	Dec. 31, 2011	Dec. 31, 2010
Foreign exchange gain on intragroup financing and bank balances	861	122
Other financial income	50	10
Financial instruments gains	7	
Total other financial income	918	132
Foreign exchange loss on intragroup financing and bank balances	(1 186)	(3)
Financial instruments expenses	(62)	(78)
Other financial expenses	(631)	(41)
Total other financial expenses	(1 879)	(122)
Total	(961)	10

Other financial expenses include the €418,000 impact related to the disqualification of the swap on the portion of the OBSAAR bonds that were redeemed (see Note 16.3) as well as a €200,000 expense related to the accelerated amortization of commissions and borrowing fees related to the redeemed OBSAAR bonds.

NOTE 25 - AUDITORS' FEES

(in thousands of euros)	MAZARS				FIDUS			
	Amount net of tax		%		Amount net of tax		%	
	2011	2010	2011	2010	2011	2010	2011	2010
Audit								
<i>- Statutory auditors, certificates, separate and consolidated financial statements</i>								
Radiall SA	116	129	33%	37%	60	50	77%	68%
Fully consolidated subsidiaries	169	146	49%	42%	18	23	23%	32%
<i>- Other services directly connected to the statutory auditors' duties</i>								
Radiall SA	5	4	2%	1%				
Fully consolidated subsidiaries	8	8	2%	2%				
Sub-total	298	287	86%	82%	78	73	100%	100%
Other services								
Legal, tax, social	50	35	11%	10%				
Other advisory duties	0	23	3%	8%				
Sub-total	50	58	14%	18%				
TOTAL	348	345	100%	100%	78	73	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 Undrawn Confirmed Lines of Credit

At December 31, 2011, the Group is entitled, under a financing contract signed in July 2011, to withdraw €49 million, €10 million of which represents revolving credit, and €39 million, intended mainly for specific external growth operations.

26.2 - Commitments Relating to Lease Financing Agreements

<i>(in thousands of euros)</i>		December 31, 2011	December 31, 2010
Real estate	Expiry <= 1 year	325	476
	Between 1 and 5 years	1,233	1,185
	More than 5 years	3,774	4,375
	Total	5,332	6,036
Other assets	Expiry <= 1 year	0	77
	Between 1 and 5 years	0	0
	More than 5 years	0	0
	Total	0	77

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

<i>(in thousands of euros)</i>		December 31, 2011	December 31, 2010
Real estate	Expiry <= 1 year	1,632	1,776
	Between 1 and 5 years	5,854	5,314
	More than 5 years	4,015	5,469
	Total	11,502	12,559
Other assets	Expiry <= 1 year	289	214
	Between 1 and 5 years	367	173
	More than 5 years	0	6
	Total	656	393

The main lease contract pertains to Radiall USA, which was party to a lease agreement in November 2008 for the extension of the Obregon site in Mexico, which was signed between IMMOBILIARIA TRENTO, SA de CV and SONORA S. PLAN, SA de CV.

The term of the lease is ten 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 possibility of acquiring the said premises when the contract expires or renewing the lease for an additional ten-year term.

Under this lease, Radiall USA, jointly with its parent company RADIAL 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.

NOTE 27 - ASSETS AND LIABILITIES HELD FOR SALE

The Group's automotive business was converted into a subsidiary on January 1, 2012 through a partial transfer of assets at their carrying amount from Radiall SA to Raydiall SAS. The assets and liabilities transferred consist mainly of inventory at a net value of €1,363,000, fixed assets at a net value of €2,726,000, and €412,000 in employee liabilities related to the personnel transferred.

A portion of Radiall SA's participating interest in Raydiall SAS is intended to be transferred to a partner as part of a joint venture.

NOTE 28 - INFORMATION ON RELATED PARTIES

28.1 - France Télécom and its Subsidiaries (FT)

Mr. Lombard has been a director of Radiall since May 2003. He also served as Chairman of France Télécom until February 11, 2011.

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

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

Radiall's capital was held 51.4% by Hodiall and 32.6% by SIR at December 31, 2011. 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 agreement stipulates that Hodiall shall supply its assistance and advice to Radiall for the following operations: *Group strategy, financial and tax services, financial management and communication, corporate management, legal assistance, legal secretariat, administrative services and management services for the insurance programs.*

The amount Hodiall invoiced Radiall for these services, and Radiall's debt to Hodiall at the end of the year, is shown below:

<i>(in thousands of euros)</i>	December 31, 2011	December 31, 2010
Amount invoiced by Hodiall to Radiall	600	650
Radiall's debt to Hodiall at the end of the year	466	218

There were no transactions between SIR and Radiall for 2011 and 2010.

28.3 - Sums Paid to the Operational Departments Committee (ODC)

The total benefits paid by the Group to the members of the ODC in 2011 and 2010 were as follows:

<i>(in thousands of euros)</i>	December 31, 2011	December 31, 2010
Salaries and other short-term benefits <i>(including employers' charges)</i>	2,264	1,686
Total	2,264	1,686
Average headcount	7.5	7.2

28.4 - 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 €139,628 for 2011 and €137,628 for 2010.

NOTE 29 - POST BALANCE SHEET EVENTS

No event has taken place after the reporting date for the annual accounts closed December 31, 2011 and before the date the Supervisory Board ruled on these accounts.

2. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2011

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, 2011 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 financial statements. We are of the opinion that the information we collected is sufficient and appropriate to provide a basis for our opinion.

We certify that the consolidated financial statements for the financial 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, 2.13, and 2.15 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, at 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

As required by law and in accordance with professional standards applicable in France, we also verified the information presented in the Group's management report.

We have no matters to report as to its accuracy and its consistency with the consolidated financial statements.

Signed in Paris and Courbevoie, May 4, 2012

The Statutory Auditors

MAZARS

SIMON BEILLEVAIRE

FIDUS

FRANCIS BERNARD

III. INDIVIDUAL FINANCIAL STATEMENTS

1. INDIVIDUAL FINANCIAL STATEMENTS	107 - 136
Balance sheet as at December 31, 2011	108 - 109
Income Statement as at December 31, 2011	110
Notes to the Individual Financial Statements	111 - 127
Note 1. Material Events	111
Note 2. Accounting Principles	111 - 113
Note 3. Other Information	114
Note 4. Change in Property, Plant, and Equipment	114
Note 5. Change in Depreciation of Property, Plant, and Equipment	115
Note 6. Change in Non-Current Financial Assets	115 - 116
Note 7. Change in Inventories	116 - 117
Note 8. Trade Accounts Receivable	117
Note 9. Detail of Other Receivables	117
Note 10. Inventory of Negotiable Securities	118
Note 11. Change in Equity Capital	118
Note 12. Shareholding Structure	119
Note 13. Provisions for Contingencies and Charges	119 - 120
Note 14. Debt Maturities	120 - 121
Note 15. Elements Related to Affiliated Companies	122
Note 16. Off-Balance Sheet Commitments	122 - 125
Note 17. Revenue	125
Note 18. Personnel Expenses, Headcount, and Profit-Sharing	125
Note 19. Compensation of Corporate Officers	125
Note 20. Financial Income	126
Note 21. Non-Recurring Income and Expenses	126
Note 22. Corporate Taxes	126 - 127
Note 23. Elements that may Reduce or Increase the Amount of Taxes Payable in the Future	127
Note 24. Research and Development	127
Table of Subsidiaries and Participating Interests as at December 31, 2011	128 - 129
Financial Income of the Company Over the Last Five Years	130
2. STATUTORY AUDITORS' GENERAL REPORT	131- 132
3. STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS	133 - 136

BALANCE SHEET AS AT DECEMBER 31, 2011 – RADIAL SA

Assets (in thousands of euros)	December 31, 2011			December 31, 2010
	Gross	Amort. & Depr.	Net	
Fixed assets				
Intangible assets	6 280	4 518	1762	1778
Research and development costs	344	253	91	159
Patents, licenses	244	243	1	2
Software	4 559	3 952	607	629
Goodwill	70	70	0	
Intangible assets in progress	1 063		1 063	988
Property, plant, and equipment	85 328	61 239	24 089	23 360
Land	435		435	435
Buildings	16 570	12 097	4 473	4 370
Plant and equipment	61 231	45 648	15 583	15 026
Other assets	4 411	3 494	917	968
construction	2 539		2 539	2 313
Advance payments	142		142	248
Financial fixed assets	37 942	4 992	32 950	29 855
Participating interests	36 287	4 992	31 295	28 226
Other fixed securities	6		6	6
Other long-term investments	1 649		1 649	1 623
Total fixed assets	129 550	70 749	58 801	54 993
Current assets				
Inventories and work in progress	30 863	3 740	27 123	27 819
Raw materials and supplies	20 239	2 926	17 313	17 403
In progress goods and services	2 414		2 414	2 710
Intermediate and finished products	8 210	814	7 396	7 706
Trade accounts receivable	24 964	67	24 897	24 733
Other assets	11 554		11 554	12 929
Down payments on orders	25		25	64
Other receivables	11 529		11 529	12 865
Cash	23 719	66	23 653	39 939
Treasury shares	567		567	374
Negotiable securities	16 873	66	16 807	22 403
Cash	6 279		6 279	17 162
Total current assets	91 100	3 873	87 227	105 420
Prepaid expenses	459		459	377
Bond issue expenses to be amortized	505		505	138
Foreign exchange differences	270		270	994
Total assets	221 884	74 622	147 262	161 922

BALANCE SHEET AS AT DECEMBER 31, 2011 – RADIAL SA

Liabilities <i>(in thousands of euros)</i>	December 31, 2011	December 31, 2010
Shareholders' equity		
Capital	2 817	2 817
contributions	21 897	21 897
Legal reserve	339	339
Statutory and contractual reserves	41 767	43 307
Retained earnings	2 740	434
Income for the financial year	5 432	2 305
Regulated provisions	11 867	12 570
Total shareholders' equity	86 859	83 669
Provisions		
For risks	718	1316
For charges	5 131	5 686
Total provisions	5 849	7 002
Payables		
Financial payables	24 909	41 813
Convertible bond issue	20 991	39 611
Bank borrowings	1422	559
Financial debts	2 496	1 643
Trade accounts payable	16 280	15 738
Other debts	12 783	12 685
Down payments on orders	35	53
Tax and social security debts	10 512	10 087
Payables on fixed assets	719	867
Other debts	1 517	1 678
Total payables	53 972	70 236
Unrealized foreign exchange gains	582	1015
Total liabilities	147 262	161 922

INCOME STATEMENT AS AT DECEMBER 31, 2011 – RADIAL SA

<i>(in thousands of euros)</i>	2011	2010
Operating income		
Sales of goods	135 798	121 692
Sales of services	1 060	821
Revenue	136 858	122 513
Inventoried goods	(983)	457
Production for own use	274	250
Operating subsidies	617	479
Write-back of depreciation, provisions, and transfers of expenditure	3 157	2 661
Other income	5 929	5 312
Total operating income	145 852	131 672
Operating expenses		
Purchase of materials and supplies	54 990	52 761
Change in inventories	578	(1 400)
Other external purchases and charges	31 425	25 697
Taxes	3 434	3 051
Salaries	33 139	31 004
Social-security contributions	14 005	12 936
Allocations:		
- To depreciation and amortization and provisions on fixed assets	4 727	4 285
- To depreciation of bond issue expenses	133	92
- To provisions on current assets	41	316
- To provisions for risks and charges	917	815
Other expenses	432	541
Total operating expenses	143 821	130 098
Operating income	2 031	1 574
Financial income		
Financial income	4 580	5 111
Foreign-exchange gains	1 078	1 858
Total financial income	5 658	6 969
Financial expenses		
Financial expenses	2 273	4 659
Foreign-exchange losses	1 210	1 449
Total financial expense	3 483	6 108
Net financial income	2 175	861
Earnings before tax	4 206	2 435
Non-recurring income	3 196	6 412
Non-recurring expenses	2 405	6 314
Non-recurring income	791	98
Income tax (credit)	-435	228
Net profit (loss) for the period	5 432	2 305

Notes to the Separate Financial Statements

NOTE 1. MATERIAL EVENTS

Due to an upswing in business during the year, Radiall recorded a profit of €5,432,000 for 2011.

Operating income stood at €2,031,000, versus €1,574,000 in 2010.

Radiall decided to repay a €18,600,000 portion of the bonds it had issued with redeemable equity warrants (OBSAAR).

NOTE 2. ACCOUNTING PRINCIPLES

Radiall's individual financial statements have been prepared in accordance with the Regulation no. 99-03 of France's Accounting Regulatory Committee, dated 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 Expenses

Research and study costs are not capitalized.

Development costs are recognized as fixed assets when the company can show:

- Its intention, financial capacity and technical capacity to carry the development project through to its completion;
- That it is probable that the future financial benefits resulting from the development costs will go to the company;
- 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 financial 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 |
| • Machinery and equipment | 3 to 20 years |
| • Computer hardware | 3 to 5 years |
| • Other property, plant and equipment | 3 to 15 years |

The difference between the actual useful life and the probable useful life is recorded as accelerated depreciation.

Provisions for the depreciation of fixed assets are recorded as soon as there is any indication of loss of value. 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.

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. Value-in-use is the share of equity capital that the securities represent. This figure is adjusted, if necessary, to take into account projected growth 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 closing 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 last month.

When these shares are held for cancellation or other various reasons, they are recorded in the balance sheet under “non-current financial assets.”

2.9 - Provisions for Risks and Charges

2.9.1. Provisions for Retirement Indemnities

Retirement indemnities payable 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 payroll 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 as financial operations.

NOTE 3. OTHER INFORMATION

Pursuant to law no. 2004.391 of May 4, 2004 relating to training:

- The total number of training hours corresponding to employees' Individual Training Rights (DIF) totaled 116,087;
- The number of hours of training which were not requested totaled 97,885;
- No provision was recognized for DIF as at December 31, 2011.

3.1 – Post-Balance Sheet Events

No event has taken place after the reporting date for the annual accounts closed December 31, 2011 and before the date the Supervisory Board rules on these accounts.

NOTE 4. CHANGE IN INTANGIBLE ASSETS AND PROPERTY, PLANT, AND EQUIPMENT

Intangible assets

<i>(in thousands of euros)</i>	Dec. 31, 2010	Purchases	Transfers	Disposals	Dec. 31, 2011
Research and development costs	344				344
Patents, licenses, software	4 667	172		36	4 803
Goodwill	70				70
Intangible assets in progress	988	75			1 063
Total	6 069	247	-	36	6 280

Property, plant, and equipment

<i>(in thousands of euros)</i>	Dec. 31, 2010	Purchases	Transfers	Disposals	Dec. 31, 2011
Land	435				435
Buildings	15 921	486	176	13	16 570
Plant and equipment	58 331	2 960	1 058	1 118	61 231
Other assets	4 678	385	10	662	4 411
Property, plant, and equip. under construction	2 313	1 349	(998)	125	2 539
Advance payments	248	142	(248)		142
Total	81 926	5 322	(2)	1 918	85 328

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

Amortization of intangible assets

<i>(in thousands of euros)</i>	Dec. 31, 2010	Increase	Decrease	Dec. 31, 2011
Research and development costs	185	68		253
Patents, licenses, software	4 036	195	36	4 195
Goodwill	70			70
Total	4 291	263	36	4 518

Depreciation of property, plant and equipment

<i>(in thousands of euros)</i>	Dec. 31, 2010	Increase	Decrease	Dec. 31, 2011
Buildings	11 551	556	10	12 097
Plant and equipment	43 305	3 466	1 123	45 648
Other assets	3 710	444	660	3 494
Total	58 566	4 466	1 793	61 239

In 2011, a reversal of the provision for depreciation of machinery and equipment was recorded in the amount of €83,000. This covers machinery sold or scrapped during the year.

A €423,000 machinery depreciation expense was recorded.

At December 31, 2011 the balance of the provision for depreciation of machinery and equipment totaled €694,000.

NOTE 6. CHANGE IN NON-CURRENT FINANCIAL ASSETS

<i>(in thousands of euros)</i>	Dec. 31, 2010	Increase	Decrease	Dec. 31, 2011
Equity securities	32 748	3 539		36 287
Other long-term investments	1 629	26		1 655
Gross total	34 377	3 565	0	37 942

Transactions Involving Equity Securities

- Increase in Radiall's participating interest in Radiall Ventures representing 2,500 new shares totaling €2,635,000.
- Increase in Radiall's participating interest in Radiall India Private Limited following the buyback of 239,000 shares at a total purchase price of €889,000.
- The Group's automotive business was converted into a subsidiary on January 1, 2012 through a partial transfer of assets from Radiall to Raydiall.

A portion of Radiall's participating interest in Raydiall is intended to be transferred to a partner as part of a joint venture.

At December 31, 2011, 38,422 treasure shares were held, including 30,820 shares held as long-term investments as part of the buyback program.

Provisions for Depreciation of Non-Current Financial Assets

<i>(in thousands of euros)</i>	Dec. 31, 2010	Increase	Decrease	Dec. 31, 2011
Provision for depreciation of equity securities	4 522	470		4 992
Provision for depreciation of treasury stock	0			0
Total	4 522	470	0	4 992

An additional provision of €470,000 was established for the Radiall Ventures (previously IDFI) shares held by Radiall.

NOTE 7. CHANGE IN INVENTORIES

7.1 – Inventories

<i>(in thousands of euros)</i>	Dec. 31, 2010	Dec. 31, 2011	Change
Raw materials and supplies	20 817	20 239	-578
In progress goods and services	2 710	2 414	-296
Intermediate and finished products	8 898	8 210	-688
Total gross values	32 425	30 863	-1 562

7.2 - Provision for Inventory Write-Downs

<i>(in thousands of euros)</i>	Dec. 31, 2010	Provisions	Reversals	Dec. 31, 2011
Provisions for raw materials and supplies	3 414	83	571	2 926
Provisions for finished products	1 192		378	814
Total provisions	4 606	83	949	3 740

NOTE 8. TRADE ACCOUNTS RECEIVABLE

This line item corresponds to the amount of trade accounts and bills received. Bills totaled €954,000. These line items are due in less than one year.

NOTE 9. DETAIL OF OTHER RECEIVABLES

<i>(in thousands of euros)</i>	December 31, 2011			December 31, 2010		
	< 1 year	> 1 year	Total	< 1 year	> 1 year	Total
Corporate tax	58	1 571	1 629	30	915	945
Other receivables from the government	2 556		2 556	2 849		2 849
Subsidiary current accounts		7 278	7 278		8 800	8 800
Sundry accruals	66		66	271		271
TOTAL	2 680	8 849	11 529	3 150	9 715	12 865

The corporate tax receivable of €1,629,000 corresponds mainly to the research tax credit which is expected to be repaid in 2013 and 2014.

Other receivables from the government, amounting to €2,556,000, include VAT receivables (€1,068,000) and subsidies to be received (€1,436,000).

NOTE 10. INVENTORY OF NEGOTIABLE SECURITIES

Treasury shares according to the market-making agreement: €567,000 (7,602 shares). The valuation of Radiall's shares based on the average share price over the last month of the year did not justify the establishment of a provision for impairment for the year 2011.

At December 31, 2011, unrealized gains on these securities amounted to €3,000,

(in thousands of euros)

Certificate of deposit	:	4 994
Investment in short-term mutual fund	:	11 880
Provision for depreciation	:	(67)
Total	:	16 807

NOTE 11. CHANGE IN EQUITY CAPITAL

(in thousands of euros)

	Dec. 31, 2010	Increase	Decrease	Dec. 31, 2011
Capital	2 817			2 817
Additional paid-in capital	21 897			21 897
Legal reserve	339			339
Statutory and contractual reserves	43 307	31	1 571	41 767
Retained earnings	434	2 306		2 740
Profit (loss)	2 305	5 432	2 305	5 432
Regulated provisions	12 570	1 955	2 658	11 867
Total shareholders' equity	83 669	9 724	6 534	86 859

Dividends distributed by Radiall in 2011 and deducted from the reserves totaled €1,540,000.

As at December 31, 2011 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 that have been held for at least four years.

NOTE 12. SHAREHOLDING STRUCTURE

	Dec. 31, 2011		Dec. 31, 2010	
	% of shares	% of voting rights	% of shares	% of voting rights
- Société d'Investissement Radiall *	32,6	35,3	32,6	35,4
- Hodiall *	51,4	55,5	51,4	55,6
- Pierre Gattaz	2,7	2,9	2,7	2,9
- Public and others **	13,3	6,3	13,3	6,1

* Holdings grouping together the Gattaz family's interests in Radiall.

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

Radiall is fully consolidated by Hodiall.

NOTE 13. PROVISIONS FOR CONTINGENCIES AND CHARGES

13.1 – Change in Provisions

(in thousands of euros)	Dec. 31, 2010	Increases	Reversals	No longer active	Dec. 31, 2011
Exchange-rate risks	994	270	994		270
Technical and commercial risks	127	187		36	278
Miscellaneous risks	195	144	62	107	170
Total provisions for risks	1 316	601	1 056	143	718
Provisions for restructuring	766		338		428
Retirement indemnities	4 920	586	42	761	4 703
Total provisions for charges	5 686	586	380		5 131

13.2. Retirement Indemnities

ASSUMPTIONS	2011	2010
1) Retirement age:		
- Born before 1951	60	60
- Born between 1951 and 1956	63	63
- Born before 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:	2,81%	2,80%
4) Discounting rate:	4,6%	3,2%
5) Turnover:		
- From 16 to 39 years	5,82%	5,38%
- From 40 to 49 years	2,33%	2,15%
- From 50 to 54 years	0,58%	0,54%
- 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, 2011			Dec. 31, 2010		
	< 1 year	> 1 year	Total	< 1 year	> 1 year	Total
Convertible bond issue	20 991		20 991	133	39 478	39 611
Bank borrowings	422	1 000	1 422	559		559
Miscellaneous financial debts	2	6	8	21	28	49
Group current accounts		2 488	2 488		1 594	1 594
Accrued charges	1 955		1 955	887		887
Suppliers	15 044		15 044	15 718		15 718
Advance payments	35		35	53		53
Tax and social security debts	10 512		10 512	10 087		10 087
Other	787	1 312	2 099	1 269	1 424	2 693
Total	49 748	4 806	54 554	28 727	42 524	71 251

Partial buy back of the OBSAAR bonds in the amount of €18,600,000.

€1 million credit line taken out as part of the purchase of Radiall shares from non-controlling shareholders.

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):	<i>“12-month Euribor – 0.63%”</i>
- Effective interest rate:	4.97%
- 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

At their date of issue, the bonds were recognized as follows: the amount of the €39,478,000 issue was divided, after deducing 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.

Three BSAAR (Redeemable Equity Warrants) class A and three BSAAR class B are attached to each bond. The BSAAR class B matured on July 18, 2011.

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

At December 31, 2011, there remained 1,906 outstanding BSAAR class A.

The characteristics of the BSAAR class A are as follows: exercise price of €126.00, with exercise parity of one new share with dividend rights for one BSAAR class A, lifetime: 7 years.

Partial Early Redemption of the OBSAAR Bonds in July 2011

The OBSAAR bonds issued, which totaled €39,478,000, redeemable in full in July 2012, were partially redeemed in July 2011. The amount redeemed totaled €18,600,000.

NOTE 15. ELEMENTS RELATED TO AFFILIATED COMPANIES

<i>(in thousands of euros)</i>	Dec. 31, 2011	Dec. 31, 2010
Interests (gross amounts)	36 287	32 748
Trade accounts receivable	11 794	13 501
Other receivables and negative current accounts	7 278	8 800
Sundry financial debts (current accounts in credit)	(2 488)	(1 594)
Trade accounts payable	(4 229)	(2 795)
Other debts		
Financial expenses	26	30
Financial income	3 288	4 490

NOTE 16. OFF-BALANCE SHEET COMMITMENTS

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

	Nominal value <i>(in thousands of currencies)</i>	Market value <i>(in thousands of euros)</i>
Options (zero premium collar) <i>(USD seller)</i>	6 500	-120
Knock-out products <i>(USD seller)</i>	3 450	-68
Total	9 950	-188
Knock-out products <i>(GBP seller)</i>	2 000	-14
Total	2 000	-14

By the nature of its business activities, Radiall's foreign exchange risk pertains mainly to the euro/dollar exchange rate. In order to hedge its positions according to the exchange rate policy defined by the Company and to hedge and optimize all or part of the Radiall Group's excess cash position in US dollars, Radiall enters into accumulator-type derivative instruments (incremental instruments with knock-out barriers). At December 31, 2011, these instruments represented a cumulative total of USD 9,950,000, to be converted in monthly installments from January to May 2011 based on a USD/EUR conversion rate of 1.2730 to 1.40, and knock-out barriers effective in the event that the cumulative difference reaches USD 15 cents. The Group is also exposed to foreign exchange risk as regards the EUR/GBP exchange rate. At December 31, 2011 this risk was hedged, in the amount of GBP 2,000,000, through accumulator-type financial instruments expiring in March and April of 2012.

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

Interest rate swaps implemented in 2011:

- For the maturities of the real-estate lease agreements contracted by Radiall for the extension of the Voreppe site:
 - Interest rate swap in a nominal amount of €2,268,000 until September 30, 2022. Radiall pays a fixed rate of 3.25% per year versus the “3-month Euribor” rate;
 - The market value of this interest rate swap was €-161,000 at December 31, 2011.

- For the maturities of a €10 million line of credit
 - Interest rate swap in a nominal amount of €10,000,000 until July 17, 2016. Radiall receives the “3-month Euribor” rate and pays a fixed rate of:
 - 1.565%, if the “3-month Euribor” rate > 1.20%,
 - 1.565% + 1.20% - the “3-month Euribor” rate, if the “3-month Euribor” rate ≤ 1.20%.It should be noted that in the event that the “3-month Euribor” rate ceases to exist, Radiall would pay a rate of 2.765%;
 - The market value of this interest rate swap was €-296,000 at December 31, 2011.

The fair value of these derivative financial instruments is classified as highly effective. Therefore, any fluctuation in fair value is recorded in equity capital pursuant to the IAS 39 standard.

Interest rate swaps prior to 2011:

- For the maturities of the real-estate lease agreements contracted by Radiall for the extension of the Château-Renault site:
 - Interest rate swap in a nominal amount of €800,000 until January 1, 2012. Radiall pays the “12-month Euribor” rate (with a 3% ceiling if the “12-month Libor” rate is below 4.65%) versus the “3-month Euribor” rate;
 - 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;
 - market value was null.

- Regarding the maturity dates for the OBSAAR bond issue contracted by Radiall at the nominal rate of “12-month Euribor – 0.63%”:

In early 2008, Radiall purchased derivative financial instruments from various banking institutions to manage the variable interest for the OBSAAR issue in July 2007 (“12 month Euribor – 0.63%”):

- An initial interest rate swap contract effective until July 18, 2012, for a nominal, non-amortizable amount of €20 million: Radiall receives the variable “pre-fixed 12-month Euribor” rate and pays a fixed rate of 4.395% per year. The market value at December 31, 2011 was €-448,688,
- A second interest rate swap contract effective until July 18, 2012, for a nominal, non-amortizable amount of €20 million: Radiall receives the variable “pre-fixed 12-month Euribor” rate and pays a fixed rate of 4.34% per year. The market value at December 31, 2011 was €-436,104.

Leasing Commitments

<i>(in thousands of euros)</i>	< 1 year	From 1 to 5 years	> 5 years	Dec. 31, 2011
Real estate leasing (Ch. Renault)	46			46
Real estate leasing (Voreppe)	169	731	1 291	2 191

The purchase option for the Château-Renault real estate leasing contract is a symbolic €1. Fees paid during the year totaled €237,000.

In 2010, Radiall built a new building at the Voreppe site. The property was sold for €2,354,000 under a sale and leaseback contract in December 2010.

Commitments Relating to Undrawn Confirmed Lines of Credit

At December 31, 2011, the Group is entitled, under a financing contract signed in July 2011, to withdraw €49 million, €10 million of which represents revolving credit, and €39 million, intended mainly for specific external growth operations.

Other Off-Balance Sheet Commitments

At the end of 2010, the non-controlling shareholder in Radiall India Private Limited held 10.2% of this company's shares. Radiall holds a call option over these shares and the non-controlling shareholder a put option.

The put option could be exercised within five years from September 2007. The amount of this commitment totaled €1,247,000 as at December 31, 2010.

On December 23, 2011, Radiall India Private Limited's non-controlling shareholder exercised its put option and sold its entire 10.2% stake in Radiall India Private Limited to Radiall for the amount of €903,000. The amount owed was paid up in full on that date.

NOTE 17. REVENUE

<i>(in thousands of euros)</i>	2011	2010
France	37 177	29 848
- With affiliated companies	638	321
- Other	36 539	29 527
International	99 681	92 665
- With affiliated companies	70 972	68 460
- Other	28 709	24 205
Total	136 858	122 513

NOTE 18. PERSONNEL EXPENSES, HEADCOUNT, AND PROFIT-SHARING

Average headcount changed as shown below:

	December 31, 2011	December 31, 2010
White-collar staff / Blue-collar staff	516	460
Technicians / Supervisors	273	280
Executives and general management	231	224
Total	1020	964

NOTE 19. COMPENSATION OF CORPORATE OFFICERS

<i>(in euros)</i>	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		0
Mr. Marc Ventre	Member of the Supervisory Board		8 000
Mr. Pierre Gattaz	Chairman of the Executive Board	252 791	
Mr. Guy de Royer	Member of the Executive Board	190 099	
Total		442 890	139 628

⁽¹⁾ Over the term of office, including benefits in kind.

⁽²⁾ Paid by Radiall.

NOTE 20. FINANCIAL INCOME

Financial income for the year 2011 mainly comprises dividends collected from subsidiaries totaling €3,103,000.

NOTE 21. NON-RECURRING INCOME AND EXPENSES

<i>(in thousands of euros)</i>	Dec. 31, 2011	Dec. 31, 2010
Non-recurring income from management operations	0	1
Income from sale of fixed assets	198	2 938
Reversals of provision for contingencies	338	772
Reversals of fixed asset write-down provisions	2	313
Reversals of excess depreciation	2 658	2 388
Total non-recurring income	3 196	6 412
Non-recurring expenses for management operations	343	1 253
Net carrying value of the fixed assets sold	107	2 858
Other non-recurring expenses	0	10
Allocation to excess depreciation	1 955	2 044
Allocation to provisions for restructuring plans and depreciation of fixed assets	0	149
Total non-recurring expenses	2 405	6 314

Income from the sale of fixed assets includes the sale of various equipment in the amount of €55,000, as well as profit from the sale of treasury shares in the amount of €101,000 effected under a Radiall share price liquidity contract.

NOTE 22. CORPORATE TAX

In 2009 the Company recorded a research tax credit of €942,000. It also has tax loss carryovers which can be carried over indefinitely totaling €21,227,000.

Breakdown of Corporate Income Tax

<i>(in thousands of euros)</i>	Before tax	After tax
Current income	4 206	4 641
Non-recurring income	791	791
Income tax	435	
Profit (loss)	5 432	5 432

In December 2007, Radiall opted for tax consolidation in France of Radiall (consolidating parent company) and the following French subsidiaries as from January 1, 2010: Radiall Ventures, IDMM, 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, 2011 the Group consolidated by Radiall had cumulative tax losses which can be carried forward indefinitely amounting to €23,914,000.

In addition, as at December 31, 2011 Radiall 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 earnings of this entity.

As at December 31, 2011 Radiall had a tax loss of €658,000, excluding consolidation.

NOTE 23. ELEMENTS THAT MAY REDUCE OR INCREASE THE AMOUNT OF TAXES PAYABLE IN THE FUTURE

<i>(in thousands of euros)</i>	Dec. 31, 2010	Increase	Decrease	Dec. 31, 2011
Regulated provisions and expenses to be re-consolidated later				
Excess depreciation	12 570	1 955	2 658	11 867
Investment subsidies				
Basis for future taxes	12 570	1 955	2 658	11 867
Future taxation				
(based on a tax rate of 33.33%)	4 190			3 956
Non-tax deductible expenses in the year				
Provisions and expenses temporarily not deducted	8 556	1 043	4 348	5 251
ORGANIC	202	227	202	227
Employee profit sharing				
Basis for taxes paid in advance	8 758	1 270	4 550	5 478
Future tax saving	(2 919)			(1 826)
(based on a tax rate of 33.33%)				

NOTE 24. RESEARCH AND DEVELOPMENT

No research and development expenses were incurred in 2011.

2. TABLE OF SUBSIDIARIES AND PARTICIPATING INTERESTS AS AT DECEMBER 31, 2011

As at December 31, 2011	Capital (1)	Retained earnings (1)	% of capital held	Carrying value of securities		Sales revenue excl. tax FY 2011	Net income 2011 (1)	Dividends received by Radiall SA
				Gross	Net			
France								
Radiall Ventures (Rosny-sous-Bois (93))	975	59	100,00	9 232	4 984	-	(1 052)	-
Raydiall (Vairon (38))	5	-	100,00	5	5	-	-	-
FOREIGN								
Radiall GmbH (Germany)	486	427	100,00	229	229	16 703	492	630
Radiall Srl (Italy)	257	2 417	100,00	596	596	7 193	(416)	-
Radiall BV (Netherlands)	16	1 052	100,00	11	11	2 703	352	-
Radiall AB (Sweden)	33	10	100,00	47	47	631	90	-
Radiall America (USA)	11 602	18 927	100,00	13 526	13 526	70 602	1 247	737
Radiall Asia (Hong Kong)	29	43	55,00	18	18	2 338	600	287
Radiall do Brasil (Brazil)	288	(275)	99,87	754	10	-	(17)	-
Radiall Ltd. (UK)	259	1	100,00	2 128	2 128	7 718	121	130
Radiall India Ltd. (India)	396	2 690	99,96	3 350	3 350	5 404	51	-
Nihon Radiall KK (Japan)	410	345	100,00	397	397	4 198	383	170
Shanghai Radiall (China)	9 494	4 211	71,00	5 994	5 994	30 760	1 197	1 149
Radiall Int. Ltd. (Hong Kong)	1	802	100,00	1	1	14 722	460	-

(1) For foreign subsidiaries, amounts in local currencies have been converted at the closing rate for the relevant items in the balance sheet (capital and reserves) and at the average rate for items on the income statement.

Main currencies used:

	Closing rate (in euros)	Average rate (in euros)
US dollar	1,294	1,392
Kong Kong dollar	10,051	10,834
Sterling	0,835	0,868
Swedish krona	8,912	9,028
Indian rupee	68,713	64,867
Japanese yen	100,200	111,021
Chinese yuan	8,159	8,996
Brazilian real	2,416	2,326

3. FINANCIAL INCOME OF THE COMPANY OVER THE LAST FIVE YEARS

<i>(in euros)</i>	2007	2008	2009	2010	2011
Financial position at year-end					
a. Share capital	3 390 186	3 326 366	3 326 037	2 817 455	2 817 455
b. Number of shares issued	2 223 810	2 181 947	2 181 731	1 848 124	1 848 124
Comprehensive income from actual transactions					
a. Sales revenue excl. taxes	134 949 040	127 301 381	97 996 481	122 512 800	136 858 160
b. Earnings before tax, interests, depreciation, amortization, and provisions	12 277 952	10 626 886	(4 545 469)	8 148 312	7 616 832
c. Income tax	(197 969)	(823 849)	(774 909)	227 732	(434 789)
d. Earnings after tax and before interests, depreciation, amortization, and provisions	12 475 921	11 450 732	(3 770 560)	7 920 580	8 051 621
e. Net income	9 661 707	5 116 430	(11 271 431)	2 305 434	5 432 178
f. Amount of earnings distributed	2 899 620	2 072 850	1 386 093	1,570,905	1 663 312 *
Net earnings per share					
a. Earnings after tax and before depreciation, amortization, and provisions	5,52	5,09	-1,73	4,29	4,36
b. Net earnings	4,34	2,34	-5,17	1,25	2,94
c. Dividend paid per share	1,3	0,95	0,75	0,85	0,90 *
Personnel					
a. Employees (average headcount)	1 049	1 048	1 008	964	1 020
b. Total payroll costs	32 305 471	32 285 288	32 123 393	29,233,794	32 469 130
c. Sums paid as employee benefits	12 418 000	12 812 978	12 556 797	12 936 301	14 004 772

* Subject to the approval of the Ordinary General Shareholders' Meeting held to approve the financial statements for 2011.

4. STATUTORY AUDITORS' REPORT ON THE ANNUAL ACCOUNTS

Financial year ended December 31, 2011

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, 2011 on:

- The audit of Radiall's annual accounts, as appended to this report,
- The justification for our assessments,
- the specific verifications and information required by 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 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 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 financial statements. We are of the opinion that the information we collected is sufficient and appropriate to provide a basis for our opinion.

We certify that the annual accounts for the financial year are accurate and genuine with respect to French accounting rules and principles, and give a true picture of the Company's assets and liabilities, financial position, and results at the end of the financial year.

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 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 pursuant to 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.

Pursuant to the law, we are confident that the various information relating to participating interests 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 4, 2012

The Statutory Auditors

MAZARS

SIMON BEILLEVAIRE

FIDUS

FRANCIS BERNARD

5. STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS

Shareholders' meeting to approve the financial statements for the year ended December 31, 2011

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 notifying you, based on the information that has been provided to us, of the main terms and conditions of the agreements and commitments that have been disclosed to us or that we discovered during our audit, without commenting on their relevance or substance or seeking out the existence of other agreements or commitments. 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.

Furthermore, we are responsible for notifying you, where applicable, of the information required under Article R. 225-58 of the Commercial Code relative to the performance, during the past year, of the agreements and commitments already approved by the shareholders.

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 SUBJECT TO SHAREHOLDER APPROVAL

Agreements and Commitments Authorized During the Past Year

Pursuant to Article L. 225-88 of the Commercial Code, we were informed of the following agreements and commitments that your Supervisory Board had authorized.

- **Assistance and advice agreement with HODIALL**

Corporate officers involved: Mr. Pierre Gattaz, Mr. Guy de Royer, Mr. Yvon Gattaz, Mr. Bruno Gattaz, Ms. Roselyne Gattaz

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 services and management services for the insurance programs. This agreement was the subject of a rider approved by the Supervisory Board in its meeting on September 2, 2011. Your Company paid and recognized a total of €600,000, excluding taxes, for this service in 2011.

A new rider, approved by the Supervisory Board in its meeting on December 16, 2011, increased the compensation to €650,000, effective January 1, 2012.

- **Personnel Secondment Agreement with D-LIGHTSYS**

Corporate officer involved: Mr. Pierre Gattaz

Pursuant to the secondment agreement signed on May 18, 2009, your Company provides D-LIGHTSYS with its expertise and experience to support its business growth. A first rider was added to this agreement relative to the compensation paid to your Company under this agreement. This rider set this compensation at €30,300, excluding taxes, per month, from February 1, 2011.

A second rider was approved by the Supervisory Board in their meeting on September 2, 2011 and added to the agreement. This rider took effect on October 1, 2011. As a result, your Company has been paid €44,000 in compensation, excluding taxes, per month, since October 1, 2011.

Under this agreement, the total amount paid to and recognized by your Company for the year 2011 totals €391,300.

- **Agreement on the Partial Transfer of Assets with RAYDIAL SAS (Mondiall Project)**

Corporate officer involved: Mr. Pierre Gattaz

As part of the Mondiall project, it was agreed that your Company's automotive business would be converted into a subsidiary through a partial transfer of assets to a new simplified joint stock company that would initially be wholly owned by your Company then owned equally by your Company and a shareholding partner. This partner should acquire 50% of the new company, RAYDIAL SAS, during the first half of 2012.

The terms and conditions of this agreement were authorized by your Supervisory Board on September 2, 2011.

The partial transfer of assets to the new company RAYDIAL SAS was authorized by your Supervisory Board on December 16, 2011.

- **Agreement to Buyback Shares from RADIALL INDIA PRIVATE LIMITED**

Corporate officers involved: Mr. Pierre Gattaz, Mr. Guy de Royer

The Executive Board proposed, to the Supervisory Board, the buyback of all shares of the company RADIALL INDIA PRIVATE LIMITED, which until that point was 89.9% owned by your Company and 10.2% owned by PROTECTRON ELECTROMECH PRIVATE LIMITED. This buyback was authorized at a price ranging between €900,000 and €1 million.

This agreement was authorized by your Supervisory Board on September 2, 2011.

The transaction took place on December 23, 2011 in the amount of €899,000, recorded in the financial statements of RADIALL SA.

Agreements and Commitments Approved since the Reporting Date

We inform you that we have not been notified of any agreement or engagement approved since the reporting date of the past year and authorized previously by your Supervisory Board.

Agreements and Commitments Not Previously Authorized

Pursuant to Articles L. 225-90 and L. 823-12 of the Commercial Code, we inform you that the following agreements and commitments were not previously authorized by your Supervisory Board.

It is our responsibility to inform you of the circumstances under which the authorization procedure was not followed: these agreements were renewed automatically without the need to be re-approved by your Board.

- **Service agreement with IDMM**

Corporate officer involved: Mr. Pierre Gattaz

This company agreed to provide your Company with support services, as well as machining and consulting services, as part of the establishment of a factory at the Obregon site in Mexico

Your Company paid a total of €323,000, excluding taxes, for this service in 2011.

- **Assistance and Advice Agreement with RADIALL SYSTEMS**

Corporate officer involved: Mr. Pierre Gattaz

Your Company supplies the following assistance and services to RADIALL SYSTEMS SA for the following operations: financial and tax services, legal assistance, legal secretariat, supplying a project engineer, and logistical support.

The annual compensation recognized for the year 2011 totaled €2,000 excluding taxes.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDERS

Agreements and Commitments Approved During Previous Years

a) which continued during the past year

Pursuant to Article R. 225-57 of the Commercial Code, we were notified that the performance of the following agreements and commitments, already approved by the shareholders' meeting during previous years, continued during the past year.

- **Current Account Agreement with Radiall Ventures**

Corporate officer involved: Mr. 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

[Radiall // 2011 Annual Financial Report](#)

annual “12 month Euribor + 0.5 point” rate. During 2011, the maximum amount for this advance was increased to €4,500,000 by way of a rider signed on March 31, 2011.

At December 31, 2011, your Company held a receivable of €2,048,000 against RADIAL VENTURES for this advance, and the interest invoiced and recorded in 2011 totaled €81,000.

This agreement was authorized by your Supervisory Board on Tuesday, April 12, 2011.

- **Current Account Agreement with IDMM**

Corporate officer involved: Mr. Pierre Gattaz

In 2007 your Company granted IDMM a current account advance for a maximum initial 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 to increase the maximum amount of this advance to €5,500,000.

At December 31, 2011, the advance totaled €5,066,000, and the amount of interest invoiced and recorded in 2011 totaled €100,000.

- **Current Account Agreement with HODIAL**

Corporate officers involved: Mr. Pierre Gattaz, Mr. Guy de Royer

RADIAL SA and HODIAL agreed to grant one another a current account advance, paid out depending on the needs and available cash of each, not to exceed one million four hundred thousand euros, repayable in one single payment on December 31, 2015 at the latest.

At December 31, 2011, your Company had a debt of €466,000, and the amount of interest invoiced and recorded in 2011 totaled €7,000.

- **Service Agreement with Radial USA**

Corporate officer involved: Mr. Pierre Gattaz

Your Company agreed to perform training for RADIAL USA’s employees when locating its factory at Obregon in Mexico.

The amount billed by your Company during the year 2011 under this agreement totaled €840,000, excluding taxes.

Signed in Paris and Courbevoie, May 4, 2012
The Statutory Auditors

MAZARS

SIMON BEILLEVAIRE

FIDUS

FRANCIS BERNARD

IV. SHAREHOLDERS' MEETINGS AND MANAGEMENT BODIES

1. DRAFT RESOLUTIONS FOR THE COMBINED SHAREHOLDERS' MEETING OF MAY 25, 2012

1.1 - RESOLUTIONS SUBJECT TO THE APPROVAL OF THE ORDINARY GENERAL SHAREHOLDERS' MEETING

First Resolution: ***Approval of the Individual Financial Statements for the Year Ended December 31, 2011***

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 December 31, 2011 as prepared and presented, as well as 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, 2011***

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 for the Group, the report by the Chairman of the Supervisory Board and the report by the statutory auditors, approves the consolidated financial statements for the year ended December 31, 2011 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, the members of the Supervisory Board, and the statutory auditors full and unreserved discharge for the execution of their mandate for the year.

*Third Resolution: **Approval of the Agreements Governed by 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 the 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.

*Fourth Resolution: **Allocation of Income / Distribution of Dividends***

The Shareholders' Meeting, ruling under the conditions of quorum and majority stipulated for ordinary general shareholders' meetings, acknowledges that the net profit for the year 2011 totals €5,432,178.76.

Considering the available retained earnings carried forward in the amount of €2,739,703.38, the remaining profit available for distribution equals €8,171,882.14.

The Shareholders' Meeting, ruling under the conditions of quorum and majority stipulated for ordinary shareholders' meetings, resolves to allocate the distributable profit for the year 2011 as follows:

- Dividends, at €0.90 per share:€1,663,311.60²
- Balance allocated to retained earnings carried forward:€3,768,867.16

Retained earnings carried forward amount to €6,508,570.54.

The Shareholders' Meeting, ruling under the conditions of quorum and majority stipulated for ordinary shareholders' meetings, resolves to distribute a gross dividend of €0.90 (ninety cents) per share, or a total of €1,663,311.60 (one million, six hundred sixty-three thousand, three hundred eleven euros and sixty cents), the number of existing shares being 1,848,124 (one million, eight hundred forty-eight thousand, one hundred twenty-four).

The dividends will be paid out on June 1, 2012.

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, will be allocated to the general reserve account at the time of payment.

It is also noted that:

- For the income tax on physical persons, the dividend will be eligible, for beneficiaries meeting the required conditions, to the rebate provided for in Article 158-3.2° of the General Tax Code,
- The dividend, when paid to individuals who are not residents 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 21% income-tax rate must inform the Company of this before the date of payment of the dividend.

² Subject to allocation to the general reserve for dividends on shares held by the Company at the time of payment.

The Shareholders' Meeting notes that the dividends distributed during the past three years were as follows:

Year	Number of shares	Net dividend (in euros)
2008	2,181,947	0.95
2009	1,848,124	0.75
2010	1,848,124	0.85

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.

Fifth Resolution: **Authorization Granted by the Executive Board to Buy Back Company Shares**

The Shareholders' Meeting, ruling under the conditions of quorum and majority stipulated for ordinary shareholders' meetings, having heard the report by the Executive Board and the items in the program description drawn up in accordance with Articles 241-1 et seq. of the AMF's general regulations, authorizes the Executive Board, with the option to sub-delegate this authority under the conditions set forth by law, in accordance with the provisions of Article L. 225-209 of the Commercial Code, European Commission Regulation no. 2273/2003 of December 22, 2003, and the AMF's general regulations, to purchase or sell Radiall shares as part of a share buyback program with a view to:

- 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 to optimize the Company's general and financial management, subject to the adoption of the extraordinary eleventh 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 purchase, sale, or transfer of these shares may be effected by any method on regulated markets, multilateral trading facilities, or over-the-counter markets, including through the purchase or sale of blocks of shares, under the conditions allowed by the relevant market authorities. To this end, these methods include the use of any derivative financial instrument traded on regulated markets, multilateral trading facilities, or over-the-counter markets and the use of put or call options.

The maximum purchase price per share may not exceed €100. In the event of a capital increase funded through the capitalization of reserves and the awarding of bonus shares, or in the event of a stock-split or reverse stock-split, the maximum price will be adjusted based on a multiplier equal to the ratio between the number of shares outstanding before and after the transaction. 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.

The maximum number of shares that may be bought under this authorization may not exceed 10% of the total number of shares making up the Company's share capital in accordance with the provisions of Article L.225-209 of the Commercial Code. This 10% limit applies to the Company's total capital and will be adjusted, where applicable, to account for operations affecting the share capital subsequent to this meeting; purchases made by the Company may not, under any circumstances, cause the Company to hold, directly or indirectly through its indirect subsidiaries, more than 10% of the share capital.

This authorization is granted for a maximum of eighteen (18) months from the date of this Shareholders' Meeting. It cancels and replaces the unused portion of the authorization granted by the Combined Shareholders' Meeting of 27 May 2011.

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: Re-election of a Member of the Supervisory Board

The Shareholders' Meeting, ruling under the conditions of quorum and majority stipulated for ordinary shareholders' meetings, acknowledging that Mr. Yvon Gattaz's term as a member of the Supervisory Board expires on this day, re-appoints Mr. Yvon Gattaz as a member of the Supervisory Board for a term expiring at 00:00 on June 17, 2015.

Mr. Yvon Gattaz has declared that he accepts re-election and that he is not affected by any measure that would bar him from exercising this function.

Seventh Resolution: Re-election of a Member of the Supervisory Board

The Shareholders' Meeting, ruling under the conditions of quorum and majority stipulated for ordinary shareholders' meetings, acknowledging that Mr. Bruno Gattaz's term as a member of the Supervisory Board expires on this day, re-appoints Mr. Bruno Gattaz as a member of the Supervisory Board for a term of six (6) years expiring at the end of the Ordinary General Shareholders' Meeting convened to approve the financial statements for the year ended December 31, 2017.

Mr. Bruno Gattaz has declared that he accepts re-election and that he is not affected by any measure that would bar him from exercising this function.

Eighth Resolution: Re-election of a Member of the Supervisory Board

The Shareholders' Meeting, ruling under the conditions of quorum and majority stipulated for ordinary shareholders' meetings, acknowledging that Ms. Roselyne Gattaz's term as a member of the Supervisory Board expires on this day, re-appoints Ms. Roselyne Gattaz as a member of the Supervisory Board for a term of six (6) years expiring at the end of the Ordinary General Shareholders' Meeting convened to approve the financial statements for the year ended December 31, 2017.

Ms. Roselyne Gattaz has declared that she accepts re-election and that she is not affected by any measure that would bar her from exercising this function.

Ninth Resolution: ***Determination of the Attendance Fees Paid to the Supervisory Board for the Year Ended December 31, 2011***

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 thirty-one thousand euros (€31,000) for the year ended December 31, 2011, it being specified that the total sum is to be divided between the members by the Supervisory Board itself.

Tenth 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.

1.2 - RESOLUTIONS SUBJECT TO THE APPROVAL OF THE EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING

Eleventh Resolution: ***Authorization Granted to the Executive Board to Reduce the Share Capital by Canceling Shares***

The Shareholders' Meeting, ruling under the conditions of quorum and majority stipulated for extraordinary general shareholders' meetings, having heard the report by the Executive Board and the special report by the statutory auditors, authorizes the Executive Board to reduce the share capital, on one or more occasions, by canceling shares up to the limits authorized by law, in accordance with the provisions of Article L.225-209 et seq. and Article L.225-213 of the Commercial Code.

The maximum number of Company shares canceled under this authorization may not exceed 10% of the shares making up the Company's capital per period of twenty-four (24) months; it is stipulated that this limit applies to a number of shares that will be adjusted, where applicable, to account for operations affecting the share capital following this Meeting.

The Shareholders' Meeting grants full powers to the Executive Board, with the option to sub-delegate this authority in accordance with the law, to decide, at its sole discretion, to reduce the share capital, to determine the number of shares to be canceled up to a maximum of 10% per period of twenty-four (24) months, out of the total number of shares comprising the share capital as of the date of the operation, to determine the terms and conditions for capital reductions and to recognize such reductions, to attribute the difference between the purchase amount of the canceled shares and their nominal value to any line items for additional paid-in capital or reserves, to modify the bylaws accordingly, and to complete all necessary formalities.

This authorization is granted for a period of eighteen (18) months from the date of this Meeting, and it cancels and replaces any prior authorization with the same purpose with respect to any unused totals.

*Twelfth Resolution: **Employee Share Issue***

The Shareholders' Meeting, ruling under the conditions of quorum and majority stipulated for extraordinary general shareholders' meetings, having heard the report by the Executive Board and the special report by the statutory auditors, resolves, pursuant to the provisions of Article L. 225-129-6 of the Commercial Code, to proceed with a capital increase through the issuance of cash shares reserved for Company employees who participate in the company savings scheme, in accordance with the terms and conditions set forth in Article L. 443-5 of the Labor Code.

Consequently, the Shareholders' Meeting:

- Authorizes the Executive Board, for a period of 26 months from the Shareholders' Meeting, to proceed with a capital increase in a nominal amount not to exceed €1,200,000, on one or more occasions, through the issuance of cash shares reserved for employees who participate in a savings scheme of the Company, in accordance with the provisions of Article L. 443-5 of the Labor Code,
- Therefore decides to eliminate shareholders' pre-emptive subscription rights to these new shares for the benefit of the Company's employees,
- Resolves that the recipients of the shares issued through authorized capital increases will be the members of a savings scheme of the Company or companies related thereto as defined under Article L. 225-180 of the Commercial Code, provided that these members meet any requirements set forth by the Executive Board,
- Resolves that the price of the shares subscribed by the recipients mentioned above, pursuant to this authorization, may not exceed the average of the first listed prices for the share over the 20 trading sessions preceding the date on which the Executive Board made the decision establishing the date of the share issue, nor be more than 20% less than this average, or 30% if the vesting period under the plan, pursuant to Article L. 443-6 of the Labor Code, is greater than or equal to ten years.

The Shareholders' Meeting grants full powers to the Executive Board to exercise this authority and to increase capital and, to this end:

- To establish the requirements that must be met by recipients of new shares resulting from any capital increases issued pursuant to this resolution,
- To determine the number of new shares to be issued and their vesting date, the amount to be issued, the issue price, the date, and the terms and conditions of each share issue,
- To determine, within legal limits, the requirements for the issuance of new shares, as well as the time frame allotted to employees to exercise their rights and the deadlines and terms and conditions for the paying up of new shares,
- To officially recognize any capital increases corresponding to the shares subscribed and to amend the bylaws accordingly,
- To proceed with any operations or formalities required as a result of the capital increase.

*Thirteenth 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.

2. MANAGEMENT BODIES

Supervisory Board

Yvon Gattaz	Chairman of the Supervisory Board
Bruno Gattaz	Vice-Chairman
Roselyne Gattaz	
Didier Lombard	
Marc Ventre	

Executive Board

Pierre Gattaz	Chairman of the Executive Board
Guy de Royer	Financial Director

Management Committee

Pierre Gattaz	Chairman of the Executive Board
Dominique Buttin	Director of the Aeronautic, Defense, & Instrumentation Division and Director Americas Zone
André Hartmann	Director of Human Resources and Support Functions
Dominique Pellizzari**	Director of the Telecoms, Automotive, & Industrial Division
Guy de Royer	Financial Director
Denis Aubourg	Director of Sales
Eric Charlery	Director Asia Zone

*** Joined Committee in July 2011.*

Statutory Auditors

MAZARS

Exaltis - 61 rue Henri Regnault
92 075 La Défense Cedex, France

FIDUS

12, rue de Ponthieu
75008 Paris, France

Alternates:

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, 2011:

- **Yvon Gattaz, Chairman of the Supervisory Board**
Date of first appointment: December 17, 1993
End of current term of office: 2012
Also Chairman of the Supervisory Board of Hodiall and manager of Société Investissement Radiall.
- **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.
- **Marc Ventre, Member of the Supervisory Board**
Date of first appointment: December 7, 2010
End of current term of office: 2014
Also Deputy Chief Executive of the Propulsion Branch of the Safran Group.
- **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 THALES and THOMSON and a member of the Supervisory Board of ST. MICROELECTRONICS. Chairman of FRANCE TÉLÉCOM ORANGE until February 23, 2011.
- **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 4, 1994
End of current term of office: 2012

Also in France, Chairman of the Executive Board of Hodiall and Chairman of Radiall Ventures, Radiall Systems, D-Lightsys, IDMM, and Raydiall, and Manager of Société Investissement Radiall.

In Europe, Director of Radiall Aktiebolag, Radiall Nederland BV, and Radiall Elettronica Srl, Manager of Radiall GmbH and Director of Radiall Ltd.

In Asia, Director of Shanghai Radiall Electronics Co. Ltd, Radiall Electronics (Asia) Ltd, Radiall International Ltd, Nihon Radiall KK, and Radiall India Private Limited.

In the Americas, also Director of Radiall America Inc. and Radiall USA Inc.

- **Guy de Royer, Member of the Executive Board**

Date of first appointment: November 17, 2009

End of current term of office: 2012

In France, also a member of the Executive Board of Hodiall since April 15, 2010.

In Europe, also a Director of Radiall Aktiebolag and Radiall Elettronica Srl, Manager of Radiall GmbH, and Director of Radiall Ltd.

In Asia, Director of Radiall India Private Limited.

➤ **Summary of Gross Compensation (Including Benefits in Kind) and Options and Shares Granted to each Corporate Officer**

	FY 2011	FY 2010
Pierre Gattaz (Chairman of the Executive Board)		
Compensation owed for the year	362,099	396,816
Value of options granted during the financial year	No options allocated in 2011	No options allocated in 2010
Value of performance shares granted during the financial year	No performance shares allocated in 2011	No performance shares allocated in 2010
TOTAL	362,099	396,816
Guy de Royer		
Compensation owed for the year	193,249	181,555
Value of options granted during the financial year	No options allocated in 2011	No options allocated in 2010
Value of performance shares granted during the financial year	No performance shares allocated in 2011	No performance shares allocated in 2010
TOTAL	193,249	181,555

Executive corporate officers as at December 31, 2011	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 Chief Financial Officer 11/17/2009 AGM 2011 accounts	X		X			X		X

➤ **Breakdown of the Gross Compensation (Including Benefits in Kind) Paid During 2010 and 2011 to Corporate Officers by Radiall, its Subsidiaries or Controlling Companies:**

Summary of Compensation Paid to each Executive Corporate Officer*

	FY 2010		FY 2011	
	Amounts owed	Amounts paid	Amounts owed	Amounts paid
Pierre Gattaz Chairman of the Executive Board				
Fixed compensation	292,817	292,817	302,739	302,739
Bonus compensation	58,443	0	14,369	58,443
Exceptional compensation	38,500	38,500	38,500	38,500
Attendance fees				
Benefits in kind	7,056	7,056	6,491	6,491
TOTAL	396,816	338,373	362,099	406,173
Guy de Royer Member of the Executive Board and Financial Director				
Fixed compensation	160,641	160,641	166,794	166,794
Bonus compensation	18,649	9,224	24,127	18,649
Exceptional compensation				
Attendance fees				
Benefits in kind	2,265	2,265	2,328	2,328
TOTAL	181,555	172,130	193,249	187,771

* For their term of office.

The bonus compensation paid to the members of the Executive Board in March 2012 corresponded to the personalized targets relating to the collective and individual results during the year 2011 (growth, profitability, operational excellence, etc.).

Attendance Fees and Other Compensation Received by Non-Executive Corporate Officers

Non-executive corporate officers	Amounts paid during the year 2010	Amounts paid during the year 2011
Yvon Gattaz		
Attendance fees	5,000	5,000
Other compensation *	110,628	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	8,000	8,000
Other compensation		
Robert Papin**		
Attendance fees	6,000	-
Other compensation		
Marc Ventre***		
Attendance fees	0	8,000
Other compensation	0	0

* Indemnities for the post of Chairman of the Supervisory Board of Radiall.

** Corporate officer until December 7, 2010.

*** Corporate officer since 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 2011 financial year, the Executive Board did not grant any 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 AMF regulations, we inform you that, during the 2011 financial year, no share transactions were carried out by executives.

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