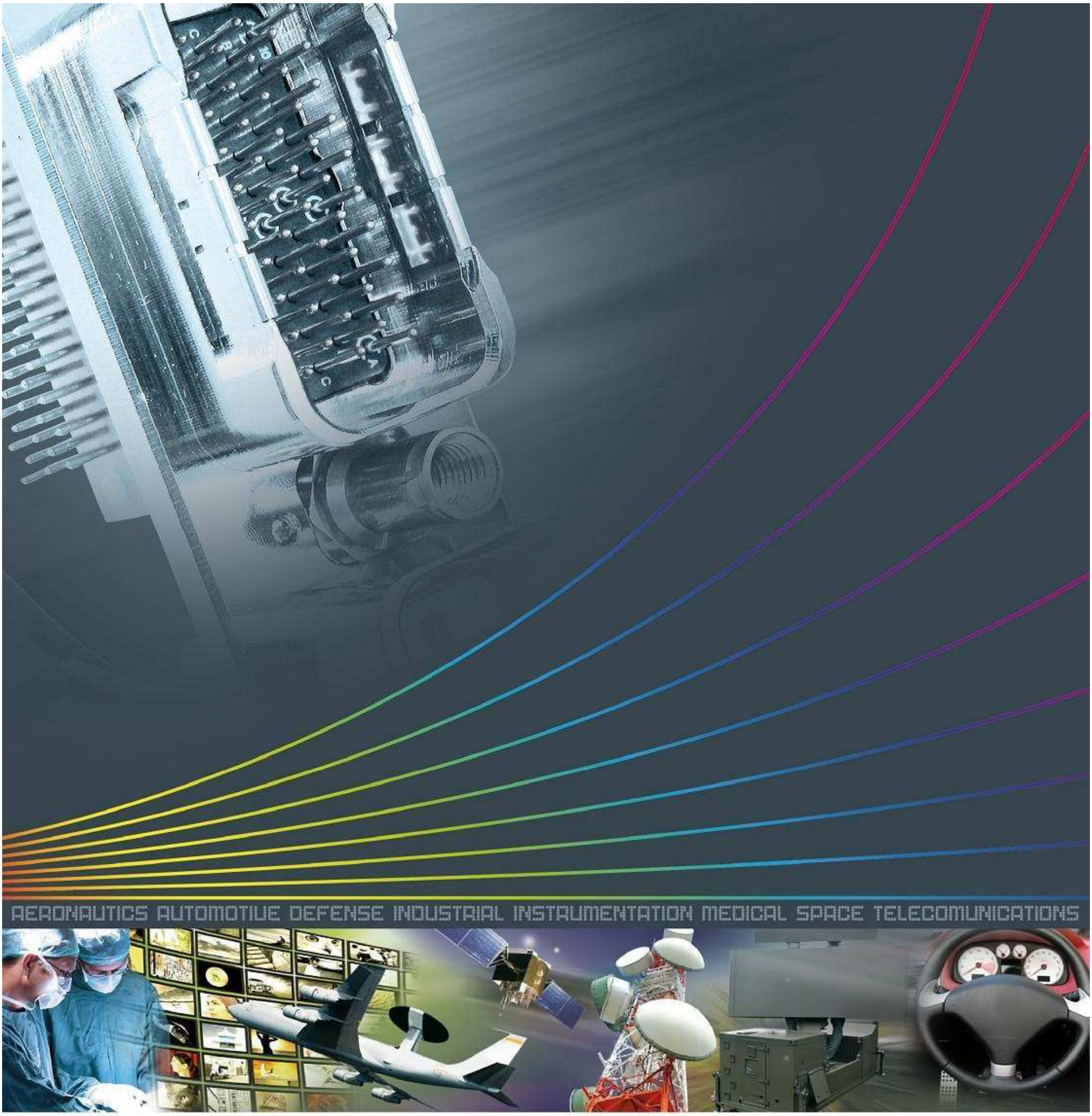

Annual Financial Report 2009

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Annual Financial Report 2009

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

The consolidated financial statements for the financial year ended December 31, 2008 and the corresponding Statutory Auditors' reports on pages 70 to 102 and 103, respectively, of the Reference Document filed with the AMF (Autorité des marchés financiers/French markets authority) on August 7, 2009 under number R.09-070

The consolidated financial statements for the financial year ended December 31, 2007 and the corresponding Statutory Auditors' reports on pages 62 to 96 and 97, respectively, of the Reference Document filed with the AMF on June 19, 2008 under number R0.08-074

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

CONTENTS

I. GENERAL INFORMATION

1. PERSONS RESPONSIBLE

1.1. Person Responsible for the Information

Mr. Pierre Gattaz, Chairman of the Executive Board.

1.2. Statement of the Person Responsible

"I hereby certify, having taken all reasonable measures for this purpose, that, to the best of my knowledge, the information contained in the present Annual Financial Report is true and does not contain any omission that is likely to alter its scope.

I certify that, to the best of my knowledge, the financial statements have been drawn up in accordance with the applicable accounting standards and give a fair view of the assets, financial position, and earnings of the Company and all the companies included in the consolidation, and that the Management Report on pages 21 to 59 and pages 151 to 155 gives a fair view of the business, earnings, and financial position of the Company and all the companies included in the consolidation, as well as the main risks and uncertainties that they face.

I have obtained from the Statutory Auditors a letter confirming that they have completed their work, in which they state that they have checked the information on the financial position and financial statements included in this report and have read the entire document.

The report on the financial statements for the financial year ended December 31, 2009, included in paragraph II, section 2 of the present report, contains no reservations or observations.

The reports on the financial statements for the financial year ended December 31, 2007 and December 31, 2008, included for reference as indicated on the cover page of the present report, contain no reservations or observations."

Signed in Rosny-sous-Bois, May 21, 2010

Pierre Gattaz
Chairman of the Executive Board

2. Overview of Activities

2.1. Main Activities

2.1.1. The Product Range

2.1.1.1. Coaxial Components

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

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

2.1.1.2. Multicontact Connectors

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

2.1.1.3. Optical Components

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

2.1.2. Key Technologies

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

2.1.2.1. Precision Machining

This generic technology includes bar turning, milling, cutting, and various reclaiming methods for metals such as brass, aluminum, stainless steel, and beryllium-coppers.
In particular, the technology is used to manufacture spare parts for coaxial connectors and multicontact connector casings.

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

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

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

2.1.2.2. Foundry

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

2.1.2.3. Plastic Molding

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

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

2.1.2.4. Assembly

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

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

2.2. Main Markets

The company designs, develops, and manufactures electronic components for military and aeronautic equipment, wireless telecommunications, and industrial applications.
Due to the activity of its end users, Radiall's markets can be considered cyclic and mainly depend on capital expenditure by major contractors.
The Company's activity is not hugely seasonal.

2.2.1. Military and Aeronautic Equipment

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

The aeronautic markets, which were flourishing before the economic downturn at the end of 2008, were still feeling the effects of this decline during the second half of 2009 due to the impact of the economic crisis on airlines, the effects of which are set to continue in 2010.

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 us to continue to develop our connectors, which are becoming increasingly 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 which transform a continuous signal into 0 and 1 sequences
- Multiplexers which group, unbundle, and direct communications
- Dispersion compensators which correct certain defects

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

This market remains fragile due to the economic downturn, in particular in Europe and in the United States.

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; these are all applications in which interconnection components are now essential.

2.2.4. Breakdown of Sales Revenue by Market

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

(in thousands of euros)	2009	2008	2007
BY MARKET			
Telecoms	33,847	50,609	54,365
Military, Aeronautics, Space	96,732	111,756	108,738
Automotive telematics	6,496	7,247	8,372
Industrial	22,721	29,064	28,900
Group	**159,796**	**198,676**	**200,374**

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) Huawei (Asia) Foxconn (Asia and USA)	Calearo* (Europe) Delphi (USA) Continental (Europe) Aeroflex* (USA) Philips (Europe) Rhode & Schwartz (Europe)

* *New customers for the 2009 financial year*

In 2009, the Group's 10 top customers, all business segments included, accounted for 34% of the Group's sales revenue. The Company extended its credit insurance in 2009 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 Sales Revenue by Geographic Zone

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

(In thousands of euros – K)	2009		2008		2007	
	€k	%	€k	%	€k	%
France	35,241	22.0	44,854	22.6	46,093	23.0
European Union (excluding France)	37,813	23.7	47,747	24.0	47,786	23.8
Americas	47,172	29.5	59,910	30.2	63,914	31.9
Asia and the Rest of the world	39,570	24.8	46,165	23.2	42,581	21.3
Total	**159,796**	100	**198,676**	100.0	**200,374**	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	2009 sales revenue*	Listing	Capitalization Dec. 2009
Main competitors					
Huber & Suhner	Switzerland	Total	M CHF 631	Zürich	M CHF 765
Amphenol	USA	Aeronautics and Military	M USD 2,820	NYSE	M USD 8,000
Rosenberger	Germany	Telecommunications and Industrial	Unavailable	Not listed	N/A
AMP (subsidiary of Tyco Electronics)	USA	Total	M USD10,256	NYSE	M USD 8,152
Other competitors					
Souriau	France	Aeronautics and Military	Unavailable	Not listed	N/A
Cie Deutsch (subsidiary of Wendel Investissement)	France	Aeronautics and Military	M USD 446.6	Paris	NS

** Source: Company press release.*

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

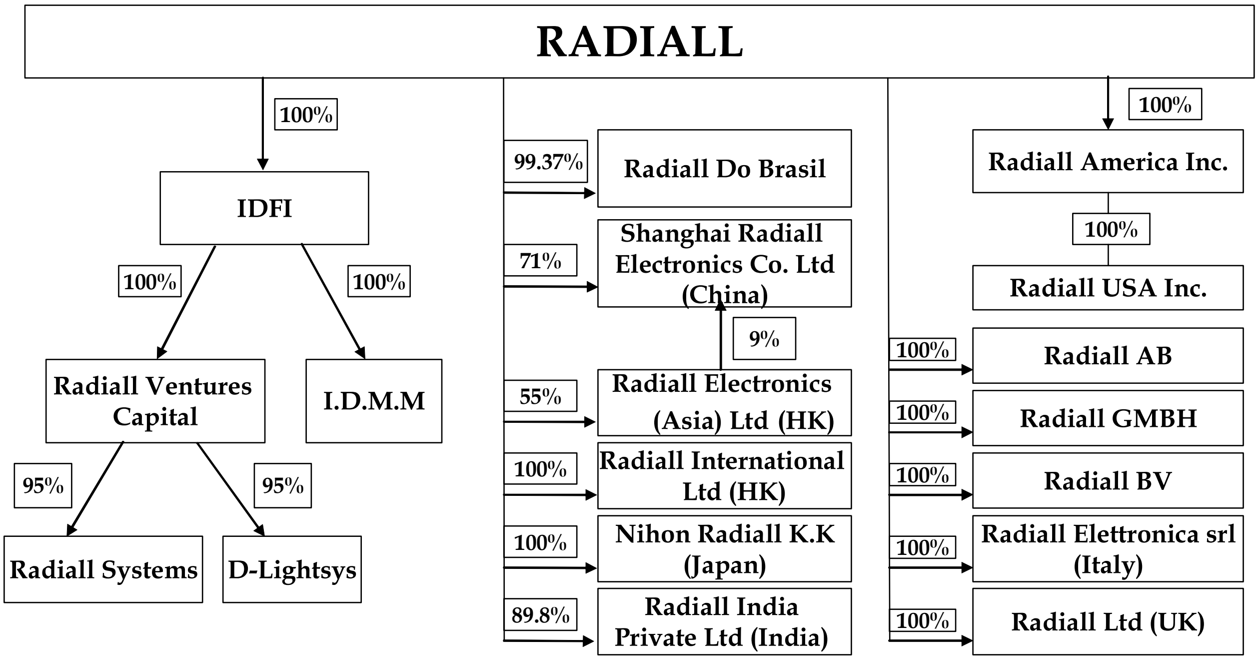
The Company is not dependent upon any patents, licenses, industrial or financial contracts, or commercial contracts with its customers (see paragraph 1.2.5).

3. ORGANIZATION CHART

3.1. Group Organization Chart

The diagram below shows the organization chart for the Company's subsidiaries as at December 31, 2009.

The American legal structure as reorganized on June 1, 2009, via the merger of the Radiall Applied Engineering Products (Radiall AEP) company with Radiall USA (previously Radiall Jerrik). Moreover, Radiall Ventures Capital and IDFI were merged on January 1, 2010, by *" Transmission Universelle de Patrimoine*", to form the Radial Ventures company.



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

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

3.2. The Company's Subsidiaries

As at December 31, 2009, the Company holds the following interests:

EUROPE

France (head office, sales offices, and factories)

- 100% of the capital in Industries Doloises Finances, known by its abbreviation "IDFI," a simplified joint stock company with a capital of €975,000, with head office at Dole (39100) – 13 rue Henri Jeanrenaud – ZA des Grandes Epenottes, and entered in the Dole Trade and Companies Register under number 431 847 599, acquired on January 9, 2007.

IDFI 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. IDFI holds 100% of the capital in the following companies:

- Industries Doloises, known by its abbreviation "IDMM," a simplified joint stock company with a capital of €560,000, with head office at Dole (39100) – 13 rue Henri Jeanrenaud – ZA des Grandes Epenottes, and entered in the Dole Trade and Companies Register under number 395 061 815.
- Radiall Ventures Capital, a simplified joint stock company with a capital of €1,000,000, with registered office at 101 rue Philibert Hoffmann, 93116 Rosny-sous-Bois cedex, entered in the Bobigny Trade and Companies Register under number 400 028 213.

Radiall Ventures Capital holds:

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

The two companies held by Radiall Ventures Capital research and develop new products for the Radiall Group.

The reorganization via the merger of Radiall Ventures Capital and Industries Doloises Finances, with a universal transfer of assets, took place on January 1, 2010. This operation, already authorized by the Company's Supervisory Board on November 20, 2007, was again authorized by the Supervisory Board of December 17, 2009.

The Netherlands (sales office)

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

United Kingdom (sales office)

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

Italy (sales office)

- 100% of Radiall srl, an Italian limited company with 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 capital of €485,727.29, with head office at Carl – Zeiss – Strabe 10 – D-63322 Rödermark, Germany.

Sweden (sales office)

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

AMERICAS

USA (sales offices and factories)

- 100% of Radiall America Inc., a company registered in Delaware state with capital of USD 15,500,000 and with head office at 6825 West Galveston Street, Suite 11, Chandler, Arizona 85226, USA. Radiall America Inc. holds:

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

Brazil (sales office)

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

ASIA

China (sales offices and factories)

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

Hong Kong (sales offices)

- 100% of Radiall International Ltd, a Hong Kong company with capital of HKD 10,000 and head office at Room 212,2F – Elite Industrial Centre – Kowloon and registered under number 679070.
- 55% of Radiall Asia Ltd., a Hong Kong company with capital of HKD 300,000 and head office at Room 212,2F – Elite Industrial Centre – Kowloon and registered under number 207293. Mr. Charles Wu holds the remaining share capital.

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

India (sales offices and factory)

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

Japan (sales office)

- 100% of Nihon Radiall KK, a Japanese company with capital of YEN 44,500,000, and with head office at Kohgetsu Building 4F, Room n° 4 05 – 1 – 5 – 2 Ebisu Shibuya-ku – Tokyo, Japan and registered under number 0110 – 0 – 046762.

4. Real Estate, Factories, and Equipment

4.1. Significant Property, Plant, and Equipment

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

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

The Company's main business premises are located at:

Address	Use	Surface area	Status	Comments
101 rue Philibert Hoffmann 93116 Rosny-sous-Bois cedex - France	Head office and sales office	5,700 m²	Commercial lease dated December 27, 2004 for a term of nine years, beginning on January 1, 2005	433 m² sublet to a third-party company for a term of nine years, beginning on January 1, 2005
Neuville-sur-Brenne and Château-Renault (Indre et Loire) - France	Factory	Neuville: 2010 m² Château-Renault: 8,420 m²	Real estate lease agreement dated June 13, 2001 for a term of 10 years	
642 rue Emile Romanet – 38340 Voreppe - France	Factory - storage	1,340 m²	Commercial lease dated September 1, 2009 for a term of nine years	
641 rue Emile Romanet – 38340 Voreppe - France	Factory	3,560 m²	Owned	
13 rue Henri Jeanrenaud 39100 Dole - France	Factory and sales office	6,900 m²	Rental agreement with the option to purchase dated February 20, 2008 for a term of 15 years, beginning on January 1, 2008	
390 Hong He Road - Shanghai - China	Factory and sales office	4,700 m²	Rental agreement for a term of 30 years beginning on July 1, 1996	

Address	Use	Surface area	Status	Comments
25 (D), II Phase, Peenya Industrial Area, Bangalore 560 058, India	Factory and sales office	3,500 m²	Lease agreement dated July 25, 2000 for a term of three years, beginning on August 1, 2000 and renewable for successive periods of three years	
90 and 104 John W. Murphy Drive, New Haven, Connecticut, USA	Factory and sales office	7.06 acres of land (approximately 28,571 m²) and premises of 65,066 square feet (approximately 8000 m²)	Owned	
Ciudad Obregon, Sonora, Mexique, reporting to Radiall USA Inc.	Factory	12,546 m²	Lease agreement dated November 1, 2006 and rider of March 1, 2007, for a term of 10 years renewable	Comprising three buildings, one of which was completed in June 2008 with a surface area of 3,785 m²

The lease for the Moirans site located at 440 rue du Rocher de Lorzier et rue de Corporat - 38430 Moirans – France ended on September 30, 2009.

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

Site [1]	**Group headcount 2009 including temporary staff and service providers (average 2009)**
Château –Renault (France)	322
Isle-d'Abeau (France)	218
Voiron (France)	124
Voreppe et Moirans (France)	327
Dole (France)	152
Limoges (France)	4
Rosny (France)	77
New Haven (USA)	225
Chandler (USA)	42
Bangalore (India)	182
Shanghai (China)	427
Obregon (Mexico)	188
Others	**71**
GROUP	**2,358**

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

The average annual temporary staff represents 460 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 30% increase in activity. Beyond this, with the exception of the Obregon industrial site, which has significant reserve capacity as it awaits the start of large-scale aeronautic programs, the Company would need to increase sub-contracting or extend the existing industrial sites or create new ones.

5. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

5.1. Research and Development

Radiall is committed to sustained Research and Development whether in terms of the development of new products or the use of new materials. This R&D is performed in three ways: either as part of research projects which are 30 to 50% financed by sponsoring bodies, or via Radiall's design departments cooperating with their customers, or by developing or improving certain components used to manufacture Radiall connectors. The sponsoring bodies who partly finance these projects include OSEO ANVAR, the Limousin Regional Council, or 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.), customers' demands (reducing the product size, reducing the weight of connectors, etc.) or improving Radiall's expertise in terms of materials (aluminum, composite, etc.).

The expenses incurred are presented in the following table:

(in thousands of euros)	2009	2008	2007
Research and development costs*	14,955	14,936	12,719
% of sales revenue	9.4%	7.5%	6.4%

** Amounts before research tax credits.*

The headcount dedicated to research and development is presented in paragraph 3.1 of the present document. The sustained level of research expenditure in 2009 shows the Company's commitment to maintaining a high level of Research and Development given its strategic importance to the Group's future competitiveness, despite an unfavorable economic context.

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. Very detailed information would overload the annex and summarized information would not provide any particular 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 the development is difficult if not impossible. Moreover, the individual sums involved are relatively insignificant

- Larger projects (amount fixed internally at €150,000 or more). These projects are subject to a quarterly technical, financial, and commercial review to evaluate the project's capital value pursuant to the IAS 38 criteria. In 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. Radiall Ventures Capital, a wholly-owned subsidiary of Radiall via IDFI, holds a 95% interest in two innovative start-ups, Radiall Systems and D-Lightsys, therefore strengthening its range of skills in broadband antenna systems and fiber optics for harsh environments.

In 2009, the total amount of Research Tax Credit for Radial SA, Radial Systems, and D-Lightsys amounted to €1,089,000. In 2008, this amounted to €1,202,000.

5.2. Intellectual Property

5.2.1. Patents

The Company holds 262 patents, which can be divided into 70 groups. These patents are generally filed and registered in certain countries in Europe, the United States, China, and in Japan. In particular, they cover the following fields:

- Optics
- Microwave components
- Switching
- Antenna
- 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 46 countries, including the majority of countries within the European Economic Area, the United States, and certain countries in South America, Asia, and Africa. The Company has also registered the following trademarks: QLF Quick Lock Formula, Quick Lock Formula, QLF (logo), Radiall Systems and LuxCis; these have been registered in the majority of countries within the European Economic Area, the United States, Canada, and China.
The company also uses the AEP trademark, mainly in the United States, following the acquisition of the company of the same name in 2007.

6. Financial Management Report

The Executive Board of the Radiall Group, which met on April 9, 2010, chaired by Mr. Pierre Gattaz, examined the consolidated financial statements for the 2009 financial year, which were audited by the statutory auditors.

Key Figures *(in thousands of euros)*	**2009**	**2008**	***Change 2009 - 2008***
Sales revenue	159,796	198,676	*-19.6%*
Current operating income	(3,884)	11,137	*ns*
Current operating margin	(2.4%)	5.6%	
Other operating income and expenses	(7,602)		
Operating income	**(11,486)**	**11,137**	***ns***
Cost of net borrowing	(1,272)	(186)	*583.9%*
Other operating income and expenses	(68)	320	*ns*
Income tax	(397)	(2,169)	*-81.7%*
Net (loss)/profit	**(13,224)**	**9,102**	***ns***
Net margin	(8.3%)	4.6%	
Cash flow from operating activities	23,011	16,639	*+38.3%*
Shareholders' equity (including Minority Interests)	134,640	154,087	*-12.6%*
Net financial borrowings	(20,968)	(7,327)	*186.2%*

6.1. Fall in Activity Levels in 2009

The Group's consolidated sales revenue amounted to €159,796,000 in 2009 compared to €198,676,000 in 2008, representing a fall of 19.6%.

At comparable consolidation scopes and exchange rates, activity fell by 21.4%. This reduced level of activity reflects the continued impact of the worldwide economic environment on the Connections industry in 2009 and there are still no clear signs of recovery for the Company. This fall was felt more in the industrial and telecoms sectors and was seen in the aeronautics sectors at the end of the year; military and space activities showed greater resistance.

In geographic terms, all sales zones were impacted by the reduced activity and France, Europe, and the Americas all showed a drop in activity of around 21% from 2008.

The Rest of the world resisted better with a fall of 14%, with contrasting performances: activity remained relatively sustained in India and in Asia, excluding China, where there was a drop due to its high dependence on telecoms activity.

The sales revenue per geographic zone and market is as follows:

(in thousands of euros)	2009	2008
BY MARKET		
Wireless telephony	33,847	50,609
Military, Aeronautics, Space	96,732	111,756
Automotive telematics	6,496	7,247
Industrial	22,721	29,064
BY GEOGRAPHIC ZONE		
France	35,241	44,854
European Union	37,813	47,747
Americas	47,172	59,910
Asia and the Rest of the world	39,570	46,165
TOTAL GROUP	**159,796**	**198,676**

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 IAS 14.

6.2. Sales Revenue Stabilized During the Fourth Quarter:

Quarterly sales over the last two financial years are as follows:

(in thousands of euros)	2009	2008	*Change 2009 - 2008*
1st quarter	45,144	51,160	*(11.8)%*
2nd quarter	40,838	52,194	*(21.8)%*
3rd quarter	36,859	48,468	*(23.9)%*
4th quarter	36,955	46,854	*(21.1)%*
Year total	159,796	198,676	*(19.6)%*

In 2009, the fall in activity continued during the first three quarters while the 4th quarter saw marked stabilization. The aeronautics and defense sectors, although falling compared to the 4th quarter 2008, showed slight growth in the 4th quarter, while the telecoms segment remained the most affected.

6.3. Current Operating Income Affected by the Drop in Activity

Given the fall in sales revenue, and despite the measures taken from the 4th quarter 2008 to adjust overhead costs to the new economic environment, in 2009, Radiall recorded a €3.9 million deficit in current operating income (-2.4% of the sales revenue) compared to a €11.1 million profit in 2008 (5.6% of sales revenue).

During the financial year, the Group remained committed to its fundamental principles, implementing action plans aimed at:

- Limiting the effects of the drop in activity, lowering its break-even point by reducing its expenditure, and, in particular, reducing the headcount by around 15%
- Organizing the conditions for re-establishing its operational profitability in 2010
- Further improving its cash position via drastic optimization of its working capital requirement and refocusing its investments
- Reinforcing the conditions for future development by pursuing a policy of sustained innovation to adapt to customer demands and prepare for market recovery by refocusing its resources on the most promising segments
- Preparing for renewed activity by redefining its priorities and strategic initiatives, while organizing itself to seize the most promising short-term commercial opportunities

6.4. Non-Current Expenses and Provisions

The measures taken by the Group since the 4th quarter 2008, which are aimed at lowering the break-even point and preparing the Company for future growth, have led the Company to record non-current expenses or provisions, with the following impact on operating income:

(in thousands of euros)	**2009**	**2008**
Non-current personnel expenses and provisions	2,873	0
Expenses and provisions for tangible fixed assets [1]	1,530	0
Expenses and provisions for intangible fixed assets [2]	2,389	0
Other expenses and provisions for non-current expenditure [3]	810	0
Total	**7,602**	**0**

After charging the non-current expenses and provisions, the Group's operating income amounts to a loss of €11.5 million.

6.5. Reduced Headcount

CHANGE IN HEADCOUNTS *	**December 31, 2009**	**December 31, 2008**	***Change 2009 - 2008***
France	1,182	1,312	*(9.9)%*
Europe (excluding France)	41	43	*(4.7)%*
North America	399	559	*(28.6)%*
Asia	588	673	*(12.6)%*
Total	**2,210**	**2,587**	***(14.6)%***

** Includes temporary staff and service providers in Mexico*

The headcount fell in all of the Group's entities during the financial year, in particular in North America and Asia, where the headcounts were reduced by 160 (-28.6%) and 85 people (-12.6%), respectively. The fall in France was proportionately less significant.

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[1]The expenses and provisions for tangible fixed assets relate to the depreciation of facilities or industrial machines linked to restructuring projects for the Grenobois de Voiron and Voreppe sites, and that of Shanghai, for €885,000 and €645,000, respectively.

[2]The expenses and provisions for intangible fixed assets include the amortization of Radiall Systems' goodwill for €67,000 and that of IDMM for €1,350,000. Amortization of the AEP brand of €972,000 was also recorded during the 2nd half 2009, following operational and legal restructuring in the United States.

[3]The other non-current expenses and provisions mainly concern fees incurred for external growth and strategic development studies for €625,000, and a share of €163,000 linked to expenses incurred by the Company to prepare a share buyback in February 2010.

Despite the fall in activity and to prepare for the Group's future growth, research and development costs (€15.0 million or 9.4% of the sales revenue) remained high and was concentrated on technological innovation required to support customers, the standardization of new applications, and development of the product range.

6.6. Net Income 2009

After charging an expense of €1,272,000 for cost of net financial borrowings, a loss of €68,000 for other income and expenses, and a tax charge of €397,000, the Group recorded a negative net income for 2009 of €13.2 million (-8.3% of sales revenue) against a positive net income of €9.1 million in 2008.

6.7. High Generation of Cash Flow in 2009

Against the backdrop of a deficit in the 2009 financial year, the cash flow generated from operating activities was positive, with €23.0 million compared to €16.6 million in 2008.

Investments in tangible and intangible assets, which amounted to €15.1 million in 2007 and €15.8 million in 2008, fell to €5.8 million in 2009. This drop in 2009 follows the refocusing of investments on more strategic investments, linked to customer projects, or investments required to improve the Company's industrial capacities in preparation for the future.

Drastic measures aimed at improving the working capital requirement and in particular focused on reducing inventories and trade receivables, along with the optimization of investment levels, allowed the company to generate €12.1 million in cash flow during the financial year, bringing the net cash to €66.3 million at the end of 2009 compared with €54.2 million at the end of 2008.

Long-term financial borrowings fell from €44,469,000 as at December 31, 2008 to €43,300,000 as at December 31, 2009.

In 2009, the Company pursued a policy of partial foreign exchange hedging to cover itself against the risk of devaluation of foreign exchange assets, in particular dollars (USD).

After allocation of the 2009 income, shareholders' equity amounts to €134,640,000.

6.8. Statutory 2009 results

Sales revenue for the 2009 financial year amounted to €97,996,000, of which just under half concerns inter-company flows.

Operating income recorded a loss of €11,819,000 compared to a negative income of €1,946,000 in 2008.

Financial income amounts to €2,817,000 against €5,494,000 in 2008.

Net income fell to €11,271,000. Radiall did not record income tax due to the previously reported tax losses.

Shareholder's equity amounted to €104,824,000 and net cash position rose from €42,829,000 to €54,663,000.

KEY FIGURES ***(in thousands of euros)***	**December 2007**	**December 2008**	**December 2009**	***Change 2009/2008***
Sales revenue	**136,449**	**127,302**	**97,996**	***(23.0)%***
Operating profit/(loss)	1,740	(1,946)	(11,819)	*(507.3)%*
Operating margin	1.3%	(1.5)%	(12.1)%	
Financial income	8,696	5,494	2,817	*(48.7)%*
Current income	10,436	3,548	(9,002)	*(353.7)%*
Non-recurring income	(972)	744	(3,044)	*(509.1)%*
Income tax	(198)	824	775	*(5.9)%*
Net income	**9,662**	**5,116**	**(11,271)**	***(320.3)%***
Shareholders' equity	122,610	119,460	104,824	*(12.2)%*
Net cash *	54,521	42,829	54,663	*27.6%*

** Cash + Investment securities + Shareholder's equity – Current bank overdrafts.*

Information on Payment Terms for Parent Company Suppliers:

The payment terms for suppliers are generally 45 days from the end of the month.
Pursuant to Article D. 441-4 of the Commercial Code, the schedule for French supplier invoices as at December 31, 2009 comprises amounts payable in under 30 days for €1.9 million and amounts payable between 30 and 45 days for €2.4 million.

6.9. Bond Issue

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

6.10. Post-Balance Sheet Elements

In its session on January 6, 2010, the Supervisory Board decided to implement a Radiall share buyback with its shareholders for 545,450 shares, i.e. approximately 25% of the share capital in (i) a share buyback (OPRA) with a view to their cancellation, in accordance with Articles L. 225-204 and L. 25-207 of the Commercial Code, as well as (ii) a simplified public tender offer (OPAS) as part of the share buyback program, pursuant to Article 225-209 of the Commercial Code, voted by the Combined General Shareholders' Meeting held on May 27, 2009.

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

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

Following cancellation of the repurchased shares by Radiall's Executive Board on March 10, 2010, the public holding was reduced to 11.2% on this date.

6.11. 2010 Outlook

Against the backdrop of the economic crisis and a significant reduction in activity in 2009, the Group focused on its fundamental principles, implementing action plans aimed at:

- Limiting the effects of the drop in activity by lowering the break-even point with a reduction in expenditure
- Further improving its cash position via drastic optimization of its working capital requirement and refocusing its investments
- Organizing the conditions for future development by pursuing a policy of sustained innovation to adapt to customer demands and prepare for market recovery by refocusing its resources on the most promising segments
- Preparing for renewed activity by redefining its priorities and strategic initiatives, while organizing itself to seize the most promising short-term commercial opportunities

In 2010, the Group anticipates a similar sales revenue to that of 2009 in the connections market, which is still uncertain despite certain signs of recovery.

Having lowered the break-even point as a result of action plans implemented in 2009, the Group hopes to achieve a positive current operating income in 2010.

6.12. Main Risk Factors and Hedging

Radiall is a diversified international group operating in multiple sectors.

The main risks listed are as follows:

6.12.1. Impairment of Assets

This risk mainly concerns three 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.

6.12.2. Operating Losses

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

Operating losses also include exchange rate risk on commercial transactions. Radiall, which generates approximately 55% of its sales revenue outside the Euro zone, has a selective hedge policy to cover Euro/dollar flows, taking into account the high cost of premiums and the risks of fluctuations in dollar encashments. As at the end of the 2009 financial year, the Group has on its books several optional Euro/dollar contracts exercisable in 2010 for a total of $10.9 million.

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

6.12.3. Strategic Error or Losing Strategy

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

The conclusions of this project required a review, given the new economic crisis since the end of 2008. The Group therefore launched a strategic analysis during the 4th quarter of 2009; the conclusions and operational consequences of this analysis will be finalized during the first half of 2010.

6.13. Technological Report, Research and Development

Research and development costs	**2009**	2008	2007
(in thousands of euros)	14,955	14,936	12,719
% of sales revenue	9.4%	7.5%	6.2%

Note: Gross expenditure after subsidy, excluding Research Tax Credit.

Radiall maintained a high level of Research and Development in 2009, despite the difficult economic environment.

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 €1,089,000.

6.14. Shareholders' Handbook

Change in shares *(in thousands of euros)*	**Highest**	**Lowest**	**Latest**	**Net profit per share (Group)***
2004 *	75.70	53.90	57.80	2.02
2005 *	70.40	53.05	69.75	4.82
2006	105.00	68.05	98.20	8.68
2007	115.99	90.00	91.00	5.87
2008	91.45	35.05	47.00	3.56
2009	48.50	34.01	43.10	- 6.40

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

Capital Structure	Dec 31, 2009		Dec 31, 2008	
	% shares	% voting rights	% shares	% voting rights
Société d'Investissement Radiall *	27.6	32.1	27.6	30.0
Hodiall *	43.5	50.4	43.5	50.1
Pierre Gattaz	2.2	2.6	2.2	2.6
Public and others **	26.6	14.9	26.6	17.3

** Holdings grouping together the interests of the Gattaz family 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).*

*** The shares held directly or indirectly by employees account for less than 0.2% of the total.*

As at December 31, 2009, Radiall held 8335 shares, i.e. 0.38% of the capital via a liquidity contract and 30,000 shares registered as security holdings, i.e. 1.4%.

As stated in paragraph 10 "Post-Balance Sheet Elements," following the reduction in capital dated March 10, 2010, the public holding was reduced to 11.2% on this date.

Stock Option Plans as at December 31, 2009:

Review of the Allocation of Stock Option Plans

Information on Stock Option Plans

	Plan no. 2
Date of shareholders' meeting	May 17, 2001
Date of Executive Board	September 27, 2005, following authorization of the shareholders' meeting
Number of shares which can be subscribed or purchased	4,207
Including the number which can be subscribed or purchased by the corporate officers:	1,803
- Pierre Gattaz	0
- P. Michel Churg	601
- André Hernandez	601
- Dominique Buttin	601
First date for exercising options	September 21, 2005
Expiration date	December 20, 2009
Subscription or purchase price	56.97
Number of shares subscribed as at December 31, 2009	451
Stock subscription or purchase options that are not valid	3,756
Stock subscription or purchase options remaining at the end of the year	0

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 2009 financial year.

No Corporate Officer Exercised any Stock Options During the Financial Year.

Share Transactions by Executives

In accordance with Article 223-26 of the regulations of the Autorité des Marchés Financiers and 225-100 of the Commercial Code, the Executive Board states that during the course of 2009, executives conducted no transactions on the Company's shares.

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

Financial year	Number of shares	Net dividend *(in euros)*
2004	2,217,960	0.50
2005	2,217,960	0.92
2006	2,218,160	1.12
2007	2,230,477	1.30
2008	2,181,947	0.95

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

Proposal to the Ordinary General Shareholders' Meeting for Financial Year 2009

The Executive Board proposed to the Ordinary General Shareholders' Meeting the distribution of a dividend of €0.75 per share and to allocate the company's profit as follows:

Retained earnings brought forward	€11,705,700.07
- Loss for financial year	€(11,271,431.11)

Retained earnings carried forward	
Allocation of income:	€434,268.96
General Reserve brought forward	€45,187,468.64
- Dividends or €0.75 per share	€1,386,093.00

General Reserve after distribution	€43,801,375.64

Dividends will be paid on June 14, 2010.

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

The General Shareholders' Meeting of May 27, 2009 granted power to the Executive Board, by delegation, to perform one or more capital increases, for a duration of 12 months counting from the date of this meeting.

7. CORPORATE GOVERNANCE AND INTERNAL CONTROL

➢ **Introduction: Statutory Duties**

Pursuant to Article L. 225-68 of the Commercial Code, in the present report, the Chairman of the Supervisory Board details the conditions for preparing and organizing the Board's work and the control procedures currently in force or which are in the process of being introduced within your company.

Moreover, following the publication of the Middlenext corporate governance code for small and medium-sized companies in December 2009, the Company has decided to comply with this code.

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

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

7.1.1. 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 March 27, 2007, the Supervisory Board fixed the amounts below which its prior authorization would not be required to create sureties.

The Supervisory Board has Internal Rules which provide for the use of communication means such as videoconferencing. The Internal Rules were modified following studies performed by the working group during 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.

The Chairman of the Executive Board was seconded by a Deputy Chief Executive, Mr. P**.** Michel Churg until the end of 2009.

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

The Board met five times in 2009.

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

"Majority" members:	Mr. Yvon Gattaz, Chairman
	Ms. Roselyne Gattaz, Member
	Mr. Yvon Gattaz, Vice Chairman
Independent members:	Mr. Robert Papin, Member
	Mr. Didier Lombard, Member

Directors satisfying the definition and criteria in the Middlenext corporate governance code for small and medium sized enterprises of December 2009 are considered independent.

Information on the members of the Supervisory Board and the list of their offices are provided in the 2009 Management Report.

Content of the Supervisory Board Meetings:

The Supervisory Board's main areas of intervention in 2009 were:

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

- **The Executive Board**

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

- Mr. Pierre Gattaz, Chairman
- P. Michel Churg, Member and Deputy Chief Executive; On November 17, 2009, and following the resignation of Mr. P. Michel Churg on September 17, 2009, Mr. Guy de Royer, the Group's Financial Director, was appointed to the Executive Board

Information on the members of the Executive Board and the list of their offices are provided in the 2009 Management Report.

The Executive Board is convened by the Chairman or two of its members. The Executive Board met four times in 2009. All members were present at the meetings.

Content of the Meetings of the Executive Board:

The Executive Board's main areas of intervention in 2009 were:

- Establishing the quarterly business report
- Establishing the financial statements, interim documents, and the Management Report
- Convening the General Shareholders' Meeting

- Discussing the stock option plans, purchase of shares, and allotment of free shares
- Issuing the stock option plan report
- Issuing the list of regulated agreements
- Modifications to the Articles of Association concerning the conditions for holding meetings of the Executive Board and Supervisory Board
- Reduction in share capital within the scope of the share buyback program
- Foreign exchange policy
- External growth or disinvestment projects
- Requests to the Supervisory Board for authorizations to create sureties and guarantee subsidiaries' commitments
- Changes to the members of the Executive Board
- Projects relating to 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, 2009

- 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. André Hartmann, Director Asia Zone
- Mr. Frédéric Perrot, Director of the Telecom, Automotive & Industrial Division
- Mr. Guy de Royer, Financial Director
- Mr. Jean-Pierre Wilsch, Director of Human Resources

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

- Compliance with laws and regulations
- Application of the policies and guidelines fixed by the Executive Board and the Operational Departments Committee
- Proper functioning of internal processes, in particular those which safeguard assets
- Reliability of financial information

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

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

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

During the year, the Company incorporated all of the Working Group's recommendations included in the Reference Framework into their review of the development of their internal control policies. The absence of an internal auditor during the 2009 financial year slowed down the improvements sought by the governing bodies in terms of control activities, permanent monitoring, and the identification and analysis of risks. However a certain number of projects described in the Chairman's report did bring about improvements and the appointment, at the end of 2009, of an internal auditor has meant that a certain number of priority actions have been scheduled for 2010.

Purpose of the report

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

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 preoccupations of the Group for many years, driven by the Chairman of the Supervisory Board, who was one of the founders of the *ETHIC* movement (Human-sized Industrial and Commercial Company).

Radiall's charter focuses on three goals:

- Customer satisfaction, in order to exist
- Personal fulfilment of human resources, in order to build
- Prosperity for the company, in order to last

And seven values:

- Ethics: acting with integrity and respecting our commitments
- Excellence: being the best in our business
- Anticipation: preventing risks and planning change
- Financial discipline: defending a key freedom - financial independence

- Innovation: advancing with new ideas
- Adaptability: knowing how to evolve to win
- Globalization: adapting to international demands

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

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

Those Responsible for Internal Control

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

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

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

- **The Deputy Chief Executive's Office**

It coordinates all the Group's functions and the associated project management.

- **The Finance Department**

It groups together the following functional activities:

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

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

- ***Internal audit***: the internal auditor helps implement the provisions of the LSF (French Financial Security Law) and performs any audits throughout the Group requested by General Management. The replacement of the internal auditor, which was scheduled for 2008, was delayed due to a reorganization of the Finance Department. The post was filled at the end of 2009; a new Internal Audit Charter was established and an initial Audit Schedule for 2010 was presented to the Supervisory Board on December 17, 2009.

- ***Treasury Department***: balances financial flows and manages the investment of the parent company's surpluses (in risk free capital supports). It is also responsible for hedging the Group's foreign exchange risk.
- ***Legal Department***: acts as the Legal Secretariat of Radiall SA, advises the operational departments on drawing up and respecting contractual commitments, and manages litigations. It also manages and optimizes the Group's insurance program. It keeps abreast of changes in French, European, and international law, and provides permanent legal watch. It also ensures that the Company respects its obligations as a listed company and in particular in terms of legislation, following the transposition of European directives into French law.
- ***Credit Management***: collects Radiall's debts, monitors the credit insurance cover for the Group's entities, and handles pre-litigation matters.
- ***Insurance***: develops and implements a comprehensive worldwide insurance policy to cover all insurable risks.
- ***Financial Communication***: publishes press releases and all financial information in compliance with existing legislation. It manages dealings with the AMF, EURONEXT, and financial analysts.

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

- **The Information Systems Department**

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

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

- **The Human Resources Department**

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

In 2007, the Human Resources Department began working on an Ethics and Social Charter. This charter was distributed among employees during the 2nd quarter of 2008 in the form of a booklet in French and English. It contains the seven fundamental values of the Radiall charter, which it illustrates using examples.

- **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 2009.

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.

➢ *Mapping Operational Risks*

In 2007, Radiall mapped the "industrial purchasing" risks based on interviews with the relevant members of Management. The Company continued its policy of continuous improvement in 2008 via self-assessment questionnaires completed by members of the Operational Departments Committee and financial managers during the 4th quarter of 2008. The analyses and summary of the results of these questionnaires will be reviewed and updated in 2010 in order to prioritize the new risks identified and to put in place the appropriate action plans.

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

➢ *Budgeting Process*

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

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

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

➢ *Delegation of Signing Authority*

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

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

During the 4^{th} quarter 2008, a working group was set up to adapt the existing bank and operational delegations and a schedule fixed for the Company's key functions in 2009.

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. Signing delegations for bank transactions at head office in France were also reviewed and reinforced for higher value transactions.

➢ *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.

7.3.5 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 the 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.

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

7.3.6.1. 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.

7.3.6.2. Organization of Accounting and Financial IT systems

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

7.3.6.3. Procedures for Consolidating the Financial Statements:

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

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

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

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

7.3.6.4. 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' balance sheets.

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

7.3.6.5. 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.

7.3.7. Compensation of Executives - Corporate Officers

The Company considers that the recommendations of the Middlenext corporate governance code for small and medium sized enterprises on the compensation of executive corporate officers of listed companies fit in 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.

2010 ACTION PLANS

Concerned with permanently improving the Group's internal control, Radiall's Supervisory Board communicated the following recommendations to the Executive Board for the 2010 financial year.

These focus on the following areas:

- Continued improvement of the quality of economic indicators to ensure better visibility of operational performance, in particular commercial and industrial
- Analysis of our procedures for recording industrial cost of sales and for assessing the intercompany transfer prices with a view to establishing uniform procedures between the different Group sites
- Continued review of the delegation of banking and operational authorities and their written formalization for the Group's main directors
- Ensuring increased competence and added value of the dedicated internal auditor

Signed in Rosny-sous-Bois, April 9, 2010.

Yvon Gattaz
Chairman of the Supervisory Board

8. ENVIRONMENTAL MANAGEMENT REPORT

8.1. Introduction

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

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

It is compiled from 2009 data on:

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

8.2. Impacts

8.2.1. Consumption of Resources in France:

The nature of RADIALL's activity means that the consumption of water, raw materials, and energy on RADIALL's five French industrial sites is negligible.

• 6,148 m^3 of water is consumed for industrial use, a sharp drop of 44% compared to 2008. Efficient cooling systems are now used for all cooling machines.

488 m^3 of artesian water is drawn from a single source.
The water is mainly used for surface treatment at the Voreppe site, cooling at the Isle d'Abeau site, tribofinishing at the Voiron and Dole sites, and washing at the Dole site.

• Energy consumption totaled 16.2 MWh including 4.8 MWh of gas for heating and 11.4 MWh for electricity. This consumption is stable compared to 2008.

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

• The main raw materials used on the sites are copper alloys, plastics, and teflons. The sites also consume numerous chemical products such as solvents and oils. All the products are stored in containment tanks and personnel receive regular training on handling them correctly.

There is an adviser on transporting dangerous materials on the Voreppe site.

8.2.2. Use of land

The land used is restricted to buildings and car parks. There are no depots for materials directly on the land, or spraying.

Containment tanks have been fitted under the machinery at Voiron.

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

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

8.2.3. Air Emissions

Most of the emissions from the gas boilers are carbon dioxide and nitrogen oxides.

In 2009, the quantity of CO^2 (greenhouse gases) emitted by gas and diesel is estimated at 1000 tons, down by 10% compared to 2008.

The boilers are maintained and inspected to keep these emissions to a minimum.

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

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

8.2.4. Water Discharges

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

Discharges are less than 10 m^3 per day.
Measurements are taken daily and sent to the authorities to monitor the discharge of pollutants (cyanide, metals, and COD). A self-monitoring manual was drawn up with the Water Agency to continually improve the quality of the discharges and the means of analysis used.

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

High capital expenditure was incurred on the Voreppe site in 2009 to reduce the risks of pollution, with the introduction of an evapoconcentrator to avoid any polluting discharges caused by surface treatment. The equipment has been installed and will be operational at the end of the first half of 2010.

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

RADIALL received no complaints concerning noise or smells.

The various orders issued by the authorities are applied and updated when necessary.

8.2.5. Waste

All the sites combined produce around 401 tons of non-hazardous industrial waste (NHIW), which increased as a result of works.

This waste comprises paper, cardboard, scrap metal, shavings, scrap plastic, and waste from the Company restaurants, and is processed by approved waste collectors.
More than 45% of this waste is recycled, which is down compared to 2008.

A total of 153 tons of hazardous waste (HW) is produced, down 18%.

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

About 30 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.

8.3. Environmental Measures

Each site has a continuous improvement plan.
These plans contain corrective and preventive measures, which are the result of audits or monitoring of legislative changes.

In 2009, these actions enabled:

- A reduction in water consumption using independent cooling circuits
- Training of numerous employees on managing chemical products and performing spillage and fire exercises

The Voreppe site has an Environmental Management System based on the ISO 14001 standard. The system has been certified since May 2001, and was renewed in 2004 and 2007; its renewal is scheduled for 2010.

The ISO 14001 certificate was also obtained and renewed for the Shanghai and Bangalore sites.

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

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.

The capital expenditure incurred in 2009 relates to an evapoconcentrator for the Voreppe site and water savers for Isle d'Abeau.

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.

Waste management awareness initiatives have been set up on the Voreppe, Isle d'Abeau, and Chateau-Renault sites.

Each new recruit receives an induction course on the environment, which varies depending on the site.

RADIALL did not pay any compensation for pollution, and no claims for damages were brought against the Company in 2009.

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

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

2010 Forecasts

In accordance with RADIALL's policy, the capital expenditure planned for 2010 continues to be implemented and should reach approximately €450,000. This will concern the treatment of atmospheric emissions from the Voreppe site as well as the improvement of the treatment plant for water from tribofinishing at the Dôle site.

8.4. 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 Shanghai (China) and Bangalore (India) factories each have a Surface Treatment laboratory.

The environmental features of the Shanghai factory are as follows:

- 26,139 m^3 of water consumed, 1.7 MWh of electricity. This consumption has fallen down sharply for energy (-18%) and has stabilized for water
- 37 tons of hazardous industrial waste were produced in 2009 (-17%)
- The environmental management system is certified to ISO 14001
- Training and awareness on the environment and safety remained a priority in 2009 – 18 people were trained. Large investment has been earmarked for improving the control of the process, which will in turn improve overall environmental performance

The environmental features of the Bangalore factory are as follows:

- Water and energy consumption are stable, at 576 m^3 and 0.28 MWh respectively
- Hazardous industrial waste amount to 0.9 ton. Improvements were carried out in the form of fire training and a health and safety audit
- All of the RADIALL sites with surface treatment are certified to ISO 14001 for their environmental management system

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

- Very low industrial water consumption (3 m^3), 1 MWh of electricity is used. Consumption is low because the site has no surface treatment
- The site also generates little waste. The efficiency of electricity consumption was improved in 2009 and a three-year improvement plan will be launched in 2010

9. THE STATUTORY AUDITORS' REPORT ON INTERNAL CONTROL

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

Dear Shareholders,

In our capacity as RADIALL SA's Statutory Auditors, and under the provisions of Article L. 225-325 of the Commercial Code, we are presenting you with our report on the Chairman of the Supervisory Board's report on your Company pursuant to Article L. 225-68 of the Commercial Code for the financial year ended December 31, 2009.

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

We are responsible for:

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

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

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

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

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

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

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

Signed in Paris and Courbevoie, May 6, 2010
The Statutory Auditors,

FIDUS	FRANCIS BERNARD
MAZARS	SIMON BEILLEVAIRE

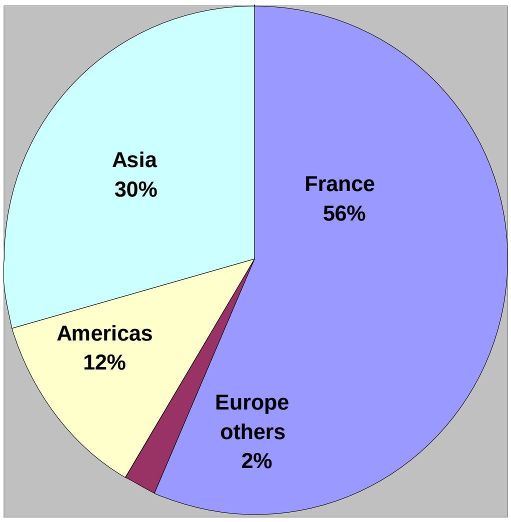
10. STAFF MANAGEMENT REPORT

10.1. Worldwide

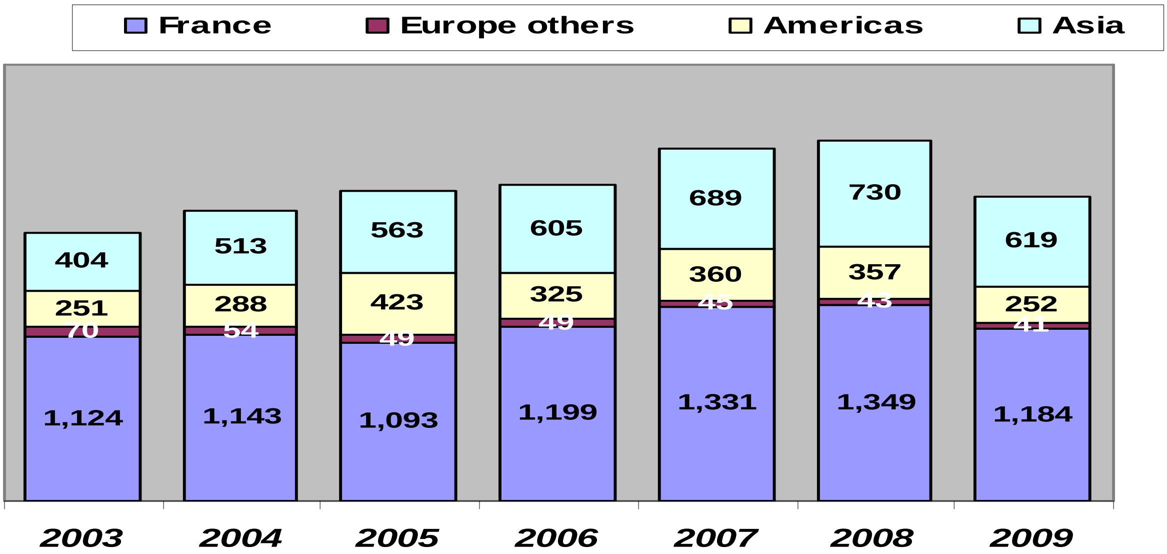
10.1.1. Breakdown of the Total Group Headcount

	Europe	America	Asia	TOTAL
Salaried staff as at December 31, 2009	**1,152**	**235**	**443**	**1,830**
Permanent staff as at December 31, 2009	1,110	235	162	**1,507**
(of which part time)	*102*	*2*		***104***
Fixed term as at December 31, 2009	42		281	**323**

Geographic Breakdown of the Total Headcount:



Change in the Total Headcount:



Change Over Five Years

	Europe	America	Asia	TOTAL
2009	1,152	235	443	**1,830**
2008	1,238	273	464	**1,975**
2007	1,230	246	435	**1,911**
2006	1,097	288	400	**1,785**
2005	1,040	219	349	**1,608**

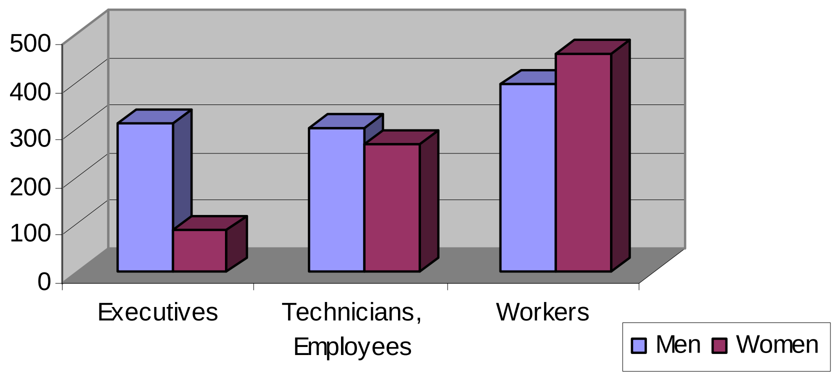
Temporary staff and Service Providers (yearly average)

	Europe	America	Asia	TOTAL
TOTAL	**77**	**206**	**178**	**461**
Service providers	4	189 *(Mexico)*	2	**195**
Temporary staff	73	17	176	**266**

Change Over Five Years

	Europe	America	Asia	TOTAL
2009	77	206	178	**461**
2008	159	284	268	**711**
2007	194	189	254	**637**
2006	152	184	254	**590**
2005	102	189	214	**505**

Men/Women by Work Category



Women represent 45% of the Group's salaried headcount as at December 31, 2009.

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

	France	Europe *(excl. France)*	America	Asia	TOTAL
Recruits	35	1	15	50	**101**
Departures	119	3	53	71	**246**
TOTAL	**-84**	**-2**	**-38**	**-21**	**-145**
Permanent	-65	-2	-38	-3	**-108**
Fixed-term	-19			-18	**-37**

10.2. France Over the Scope of Consolidation

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

		Salaried headcount Dec. 31 2009	Salaried headcount Dec 31, 2008	*Change*
RADIALL SA	Rosny-sous-Bois (93)	71	78	*-7*
	Château-Renault (37)	289	322	*-33*
	Saint-Quentin Fallavier (38)	186	191	*-5*
	Voiron (38)	99	145	*-46*
	Voreppe (38)	319	307	*+12*
D-Lightsys	Rosny-sous-Bois (93) and Saint-Quentin Fallavier (38)	7	6	*+1*
Radiall Systems	Limoges (87)	4	7	*-3*
IDMM	Dôle (39)	136	139	*-3*
		1,111	**1,195**	***-84***

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

	Permanent	Fixed-term	TOTAL
Resignation	9		**9**
Redundancy for economic reasons	3		**3**
Redundancy for other reasons	37		**37**
Death	3		**3**
Retirement	25		**25**
End of trial period	1		**1**
End of contract		38	**38**
Conversion into permanent contract		3	**3**
Total France	**78**	**41**	**119**

Internal Geographic Mobility

France towards France	France towards abroad
33	0

10.2.2. Work Accidents

	No. of work accidents	Average of the contribution to the work accident insurance
2009	19	*1.49%*
2008	29	*1.49%*
2007	18	*1.56%*
2006	11	*1.38%*
2005	15	*1.16%*

10.2.3. Annual payroll

	2009	2008
Gross Radiall SA	€30,469,800	€31,120,501
Gross Radiall Systems	€232,091	€220,609
Gross D-Lightsys	€292,823	€265,807
Gross IDMM	€3,276,694	€3,339,386

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

	Average absenteeism rate
2009	4.64%
2008	4.82%
2007	4.31%
2006	3.83%
2005	4.81%

10.3.3. Profit Sharing and Interest

The level of the company's profits for the year did not give rise to a distribution in 2009 according to the profit-sharing agreement in force.

10.3.4. Employment and Insertion of Disabled Workers

The company has 40.35 units for an obligation of 55, with the balance being settled by a compulsory financial contribution of €63,552 for the year.

10.3.5. Training

The Group's continuous training program meets the three criteria for staff development: *actions for familiarization with the position, improvement or prevention, and training for promotion.*

- **Trainees**

- Number of trainees	464
- Number of interns	724
- Number of intern hours	10,864 hours

- **Training Budget**

The total expenditure for the year allocated to the Radiall SA training plan, in addition to contributions and obligatory payments, represented 2.2% of the wage bill, i.e. €670,803.

- **Training Beneficiaries**

	in % of the number of persons trained	*In % of training hours (within or outside working hours)*
Executives	*31%*	*37%*
TSS	*37%*	*38%*
Workers	*32%*	*25%*

- **Training Areas**

	in % of expenditure	***in % of hours***
Job techniques	*33%*	*33%*
IT and office	*14%*	*10%*
Management and communication	*20%*	*14%*
Quality management	*2%*	*3%*
Languages	*28%*	*36%*
Safety	*3%*	*4%*

II. CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Position as at December 31, 2009

(in thousands of euros)	Note	Dec 31 2009	Dec 31, 2008
Intangible assets	Note 5	9,941	11,935
Goodwill	Note 5	8,440	9,867
Property, plant, and equipment	Note 6	59,507	64,787
Other long-term investments and securities	Note 7	578	727
Deferred tax assets	Note 17	1,894	1,234
NON-CURRENT ASSETS		80,360	88,550
Inventories	Note 8	39,171	54,856
Trade accounts receivables	Note 9	25,934	36,671
Other receivables	Note 10	9,304	9,387
Income tax	Note 17	2,594	5,011
Cash and cash equivalents	Note 11	66,286	54,168
CURRENT ASSETS		143,289	160,093
TOTAL ASSETS		223,649	248,643
Capital		3,326	3,326
Additional paid in capital		11,929	11,929
Consolidated retained earnings		132,927	128,552
Foreign exchange differences		(4,295)	(2,917)
Net income for the year		(13,715)	7,775
Minority interests		4,468	5,422
SHAREHOLDERS' EQUITY	Note 12	134,640	154,087
Deferred tax liabilities	Note 17	4,748	5,578
Long-term financial debt	Note 14	43,788	44,469
Non-current provisions	Note 13	5,872	4,005
NON-CURRENT LIABILITIES		54,408	54,052
Short-term liabilities	Note 14	1,530	2,371
Trade payables		11,659	18,553
Other liabilities	Note 15	19,710	18,212
Current provisions	Note 13	853	586
Income tax	Note 17	849	782
CURRENT LIABILITIES		34,601	40,504
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		223,649	248,643

Consolidated Income Statement as at December 31, 2009

(in thousands of euros)	Note	Dec 31 2009	Dec 31,2008
SALES REVENUE	Note 4	159,796	198,676
License royalties		374	340
Other operating income		(88)	485
INCOME FROM ORDINARY ACTIVITIES		160,082	199,501
Materials		(45,272)	(60,906)
Change in work-in-progress and finished goods inventories		(6,880)	1,636
Personnel expenses	Note 18	(70,892)	(77,752)
External charges		(28,343)	(38,288)
Taxes		(2,990)	(3,736)
Other operating income and expenses	Note 20	1,452	1,694
Impairment of non-current assets	Note 21	(8,886)	(8,869)
Impairment of current assets and provision expenses	Note 22	(2,155)	(2,143)
CURRENT OPERATING INCOME		(3,884)	11,137
Current operating income as % of sales revenue		*(2.43%)*	*5.61%*
Other operating income and expenses	Note 23	(7,602)	0
OPERATING INCOME		(11,486)	11,137
Operating income as % of sales revenue		*(7.19)%*	*5.61%*
Cash income		759	1,989
Cost of gross borrowings		(2,031)	(2,175)
COST OF NET BORROWINGS		(1,272)	(186)
Other financial income and expenses	Note 24	(68)	320
Tax charge	Note 17	(397)	(2,169)
NET INCOME		(13,224)	9,102
Income from minority interests		491	1,327
Net income, Group share		(13,715)	7,775
Earnings per share (in euros)	Note 12	(6.40)	3.58
Diluted earnings per share (in euros)	Note 12	(6.40)	3.58

Statement of Overall Consolidated Income

(in thousands of euros)	December 31, 2009	December 31, 2008
Net income for the period	**(13,224)**	**9,102**
Recognition of actuarial gains and losses in shareholders' equity (net of tax)	(262)	188
Gains (losses) resulting from the fair value valuation of hedging instruments (net of tax)	(1,205)	(654)
Foreign exchange differences	(1,530)	2,639
Total income and expenses recorded directly in shareholders' equity	**(2,997)**	**2,173**
Total income and expenses recognized over the period	**(16,221)**	**11,275**
Attributable to		
- Radiall SA's shareholders	*(16,560)*	*9,433*
- Minority interests	*339*	*1,842*

Cash Flow Statement

(in thousands of euros)	Dec 31, 2009	Dec 31, 2008
Net income, Group share	**(13,715)**	**7,775**
Share of minority interests in consolidated income	491	1,327
Amortization and depreciation	8,886	8,869
Net change in provisions	454	460
Unrealized gains and losses for changes in fair value	33	253
Cost of stock options	2	5
Capital gains/losses on disposals	68	473
Interest expense	2,031	2,175
Tax charge	397	2,169
Allowances entered under other operating income and expenses	4,816	0
Cash flow	**3,465**	**23,506**
Change in inventories	15,342	(1,089)
Change in trade receivables	10,159	(472)
Change in trade payables	(7,336)	(3,018)
Change in other assets and liabilities	3,423	(2,577)
Change in working capital requirement	**21,588**	**(7,156)**
Interest paid	**(1730)**	**(2,035)**
Tax paid	**(310)**	**2,324**
Cash flow from operating activities (A)	**23,013**	**16,639**
Acquisition of intangible assets	(165)	(247)
Acquisition of property, plant, and equipment	(5,904)	(15,426)
Acquisition of long-term investments	(31)	(156)
Disposal of property, plant, and equipment	463	182
Disposal of long-term investments	187	152
Cash flows from investment operations (B)	**(5,450)**	**(15,495)**
Capital increase	0	393
Dividend paid to Radiall's shareholders	(2,033)	(2,827)
Dividend paid to minority shareholders	(1,253)	(329)
Purchase and sale of treasury shares	114	(2,830)
Cash from borrowings	170	562
Repayment of loans	(2,041)	(2,223)
Cash flows from financing activities (C)	**(5,043)**	**(7,254)**
Impact of changes in exchange rates (D)	**(399)**	**663**
Change in cash flow (A+B+C+D)	**12,121**	**(5,447)**
Cash at the beginning of the period	**54,163**	**59,610**
Cash at the end of the period	**66,286**	**54,163**

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

(in thousands of euros)	**December 31, 2009**	**December 31, 2008**
Other negotiable securities	42,991	31,446
Cash	23,310	22,840
Gross cash assets	**66,301**	**54,286**
Depreciation expense for negotiable securities	(15)	(118)
Net cash assets	**66,286**	**54,168**
Overdrafts and short-term credit lines	0	(5)
Net cash	66,286	54,163

Statement of Change in Shareholders' Equity

(in thousands of euros)	Number of shares	Capital	Additional paid in capital	Consolidated reserves	Foreign exchange differences	Group share	Minority interests	Total shareholders' equity
December 31, 2007	**2,223,810**	**3,390**	**11,546**	**134,597**	**(5,041)**	**144,492**	**3,858**	**148,350**
Income and expenses recorded in shareholders' equity				***(466)***	***2,124***	***1,658***	***515***	***2,173***
Capital increase	6,667	10	383			393		393
Cancellation of treasury shares	(48,530)	(74)		74		0		0
Net income for the year				7,775		7,775	1,327	9,102
Dividends				(2,827)		(2,827)	(329)	(3,156)
Treasury shares				(2,831)		(2,831)		(2,831)
Undertaking to purchase minority interests (c.f. Note 14)							51	51
Cost of stock option programs				5		5		5
December 31, 2008	**2,181,947**	**3,326**	**11,929**	**136,327**	**(2,917)**	**148,665**	**5,422**	**154,087**
Income and expenses recorded in shareholders' equity				**(1,467)**	**(1,378)**	**(2,845)**	**(152)**	**(2,997)**
Cancellation of treasury shares	(216)			(16)		(16)		(16)
Net income for the year				(13,715)		(13,715)	491	(13,224)
Dividends				(2033)		(2033)	(1253)	(3286)
Treasury shares				114		114		114
Undertaking to purchase minority interests (c.f. Note 14)							(40)	(40)
Cost of stock option programs				2		2		2
December 31, 2009	**2,181,731**	**3,326**	**11,929**	**119,212**	**(4,295)**	**130,172**	**4,468**	**134,640**

Notes to the Consolidated Financial Statements as at December 31, 2009

NOTE 1 - GENERAL PRESENTATION

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

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

The consolidated financial statements were approved by Radiall's Supervisory Board on April 9, 2010.

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, 2009.

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

The accounting principles applied by the Group are identical to those which were used to prepare the Group's financial statements on December 31, 2008, apart from the following standards, amendments, and interpretations which have applied since January 1, 2009.

Standards, Amendments, and Interpretations that Came into Force on January 1, 2009

- IFRS 8, "Operating segments." This standard, which replaces IAS 14, "Sector information," details the information to be provided according to the operating segments. The application of this new standard has no impact on the presentation of the sector information, as previously set out by the Group.

- Amendments to IAS 1R, "Presentation of financial statements." The application of these amendments by the Group has not had a significant impact on its results, nor on its financial position, nevertheless the Group presents the income and expenses entered during the period in two separate statements: a statement listing the components of the net income ("Consolidated Income Statement") and a statement listing the losses and gains entered directly under shareholders' equity ("Statement of Overall Consolidated

Income”). The Group has also chosen to name the statements by using titles as presented in the standard.

- The IFRIC 13 “Customer loyalty programs”, IFRIC 14 – IAS 19 “Defined benefit assets, minimum funding requirements and their interaction,” and IFRIC 16 “Hedges of a net investment in a foreign operation” interpretations. These interpretations have no impact on the Group’s results, or on its financial position.

- The Group is not affected by the amendment to the IAS 23 standard on borrowing costs, nor by the amendments to IFRS 2 “Payments based on shares,” on the acquisition conditions and cancellations of stock options.

Moreover, the Group has not taken into account the application of the revised IFRS 3 “Business combinations” and IAS 27 “Consolidated and individual financial statements,” applicable in an obligatory and projected way to the years starting from July 1, 2009.

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, 2009.

Accounting Positions held by the Group that are not Covered by the Specific Provisions in the IFRS Standards

These accounting positions are connected to the issues which are currently being analyzed by the IFRIC or IASB. As there are no standards for the situations described below, the Group’s management has used its judgment to define and apply the most relevant accounting positions. They are as follows:

- ***Acquisitions of Minority Interests***

The IFRS standards do not cover the accounting treatment of the acquisition of minority interests at the present time. A response to this technical question is included in the revisions of IFRS 3 “Business Combinations” published in January 2008 by the IASB and applicable from January 1, 2010.

According to the revised IFRS 3, changes in the percentage of the parent company’s interest in any subsidiary that does not lead to a loss of control are accounted as transactions between shareholders in shareholders’ equity. No profit is recognized on these transactions and the amount of goodwill remains unchanged. Any difference between the value of the minority interest recognized in the balance sheet and the amount of the fair value paid or received is recognized directly in shareholders’ equity and is granted to the Group’s shareholders.

The Group is continuing to apply the method used under French accounting principles at the present time and until the revised IFRS 3 standard comes into force, (mandatory from January 1, 2010). If the Group acquires additional interests in a subsidiary, any difference between the acquisition price of the minority interests and their book value in the Group’s consolidated financial statements is accounted as goodwill.

- ***Fixed or Conditional Commitments to Purchase Minority Interests***

The IAS 27 and IAS 32 standards require the Group to record fixed or conditional commitments to purchase minority interest as financial debt for the fair value of the commitment, with an offsetting entry of a reduction in the minority interests. When the value of the commitment exceeds the amount of minority interests, the Group (until the application of revised IFRS 3, mandatory from January 1, 2010) records the difference as goodwill following the same principles stated above for the purchase of minority interests.

Any change in the fair value of the commitment after it is initially recorded, is considered as an adjustment of the amount initially recorded as goodwill.

2.2 - First Adoption of IFRS

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

- Business combinations prior to January 1, 2004 are not restated

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

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

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

2.3 - Consolidation Methods

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

2.4 - Conversion of the Financial Statements of Foreign Subsidiaries

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

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

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

2.5 - Foreign Currency Transactions

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

Receivables and debts in foreign currencies are converted at the rates for these currencies on the 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 shareholders' equity in "foreign exchange differences."

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

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

	Financial year ended December 31, 2009		Financial year ended December 31, 2008	
	Closing rate	**Average rate**	**Closing rate**	**Average rate**
USD	1.441	1.39	1.39	1.47
CNY	9.84	9.52	9.49	10.22
GBP	0.888	0.891	0.95	0.79
HKD	11.17	10.80	10.78	11.45
JPY	133.16	130.23	126.14	152.32
INR	67.04	67.31	68.22	63.72

2.6 - 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, determining the amount of provisions for risks and charges, provisions for inventory write-downs, and deferred tax assets. These assumptions, estimations, or appraisals are established on the basis of information or the situations existing on the date of preparing the financial statements, which may turn out to be different in the future.

The 2008 and 2009 financial years were marked by an economic and financial crisis, the extent and duration of which beyond December 31, 2009 could not be precisely forecasted. The consolidated financial statements for the financial year were established with reference to this environment. Assets valued using long-term forecasts, in particular intangible assets, were valued using assumptions of a gradual recovery in activity from 2011, especially its effects on future cash flows resulting from the activity. The financial parameters used for these valuations were those prevalent on the market.

2.7 - Research and Development Costs

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

- Its intention, and financial and technical capacity, to carry the development project through to its term
- It is probable that the future financial benefits resulting from the development 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 initial contracts.

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

2.8 - Goodwill

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

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

2.9 - Other Intangible Assets

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

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

- Licenses, patents: Contractual term not exceeding 10 years
- Trademarks: Not amortized when the lifespan is undefined: in this case they are annually tested for impairment
- Customer portfolio: Duration determined on the acquisition without exceeding 20 years
- Software: 4 to 8 years

2.10 - Property, Plant, and Equipment

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

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

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

Borrowing costs are excluded from the acquisition costs of assets.

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

- Buildings 20 years
- Machinery and equipment 3 to 20 years
- Computer hardware 3 to 4 years
- Other property, plant, and equipment 3 to 15 years

2.11 - Depreciation of Fixed Assets

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

If the net 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.

2.12 - 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.

2.12.1 - Recognition and Measurement of Financial Assets

Assets Available for Sale

Assets available for sale include equity securities and investment securities. Equity securities represent the Group's interests in the capital of non-consolidated companies. They appear in the 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 which are immediately available, and whose value is not subject to fluctuations in share prices. Money market investments are valued at their market value on the closing date, and changes in value are recorded as "cash income". The net cash in the cash flow statement also includes bank overdrafts and short-term credit lines.

2.12.2 - Recognition and Measurement of Financial Liabilities

Borrowings

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 closing date. The effects of their reevaluation are recorded in "*cost of gross borrowings*" for the period. The changes in the value of the derivative instruments are recorded in the financial income, if there is no hedging relationship, or for the ineffective part of the hedge.

OBSAAR (Bonds with redeemable equity warrants)

Bonds with redeemable equity warrants are composite borrowings with an option component (Radiall SA redeemable equity warrants) giving the warrant holder the option to convert them into the issuer's equity instruments (the "option component") and a financial debt to the bondholder (the "debt component"). The option component is separated from the debt component, and is recorded in shareholders' equity. The deferred tax debt arising from the difference between the accounting base for the debt component and the tax base for the convertible bond is entered as a reduction in shareholders' equity. 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.

2.12.3 - Recognition and Measurement of Derivative Instruments

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

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

Hedging accounting applies if:

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

Applying hedging accounting has the following consequences:

- For fair value hedges of existing assets or liabilities, the hedged portion of these elements is valued in the balance sheet at its fair value. The change in this fair value is recorded as a cross entry in the income statement where it is offset by symmetrical changes in the fair value of the hedging financial instruments depending on its effectiveness
- For future cash flow hedges, the effective portion of the change in fair value of the hedging instruments is directly recorded as a 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 in the "*other operating income and expenses*" entry, if this involves hedging operational flows. If these hedging instruments relate to financing flows, the change in the market value is recorded in "*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.

2.13 - Inventories

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

Inventory write-downs are usually recorded for product obsolescence or sale prospects.

2.14 - Tax

In accordance with the IAS 12 “*Income tax*” standard, deferred taxes are recorded on all temporary differences between the book values 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.

2.15 - Treasury Shares

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

2.16 - Provisions

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

2.17 - Pensions and Related Commitments

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

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

The Group's obligations regarding defined benefit plans concerns future amounts. The 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 unit 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 that is incorporated into the discounting rate and the salary revaluation rate
- Assumptions of increases in salaries and staff turnover

The 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*).

2.18 - Sales 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.

2.19 - Non-Current Expenses and Income

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

Non-current expenses and income include the following:

- Non-recurring and significant income from the sale of: plant, property, and equipment and intangible assets, equity securities, other 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

2.20 - Option Plans

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

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

2.21 - 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.

2.22 - Territorial Economic Contribution from 2010

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

- Company land tax *(CFE)* based on the real estate rental values of the current business tax

- the value-added contribution *(CVAE)*, based on the added value resulting from separate financial statements

The Group enters business tax under operating expenses.

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

NOTE 3 - SCOPE OF CONSOLIDATION

3.1 - Change in the Scope

Merger between two American subsidiaries, wholly owned by the Group.
The two American subsidiaries RADIALL USA and AEP merged on June 1, 2009. Radiall USA took over its sister company AEP.

3.2 - List of Consolidated Companies

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

NOTE 4 - SECTOR INFORMATION

4.1 - Business Sectors and Geographic Zones

As explained in Note 2.1 of the notes to the condensed financial accounts, since January 1, 2009 the Group has applied the IFRS 8 “Operating Segments” standards.

The application of this new standard has no impact on the sector information as previously presented by the Group. The internal information reviewed and used by the main operational decision-makers rest both on a business sector and four geographic zones.

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

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

4.2 - Information According to Subsidiaries’ Location

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

(in thousands of euros) as at December 31, 2008	France	Europe outside France	Americas	Asia	Elimination	Total
Sales revenue (outside Group)	71,926	31,945	59,910	34,895		**198,676**
Interzone sales	74,042	1,407	4,840	19,372	(99,661)	**0**
Total	**145,968**	**33,152**	**64,750**	**54,267**	**(99,661)**	**198,676**
Other operating income and expenses	0	0	0	0	0	**0**
Operating income	4,351	3,006	2,447	5,975	(4,642)	**11,137**
Non-current assets	85,078	798	61,766	7,453	(66,545)	**88,550**
Current assets	139,962	10,793	29,555	30,365	(50,582)	**160,093**
Non-current liabilities	(55,628)	(26)	(4,734)	(86)	6,422	**(54,052)**
Current liabilities	(45,546)	(2,333)	(25,802)	(13,312)	46,489	**(40,504)**
Capital used	123,248	9,247	60,484	24,521	(69,637)	**148,665**
Investments	7,039	19	7,195	1,570		**15,823**
Depreciation and amortization expenses	(6,812)	(58)	(1,367)	(700)		**(8,937)**

4.3 - Sales Revenues According to Customers' Locations

(in thousands of euros)	December 31, 2009		December 31, 2008	
France	35,241	22.0%	44,854	22.6%
Other countries in Europe	37,813	23.7%	47,747	24.0%
Americas	47,172	29.5%	59,910	30.2%
Asia and Rest of the World	39,570	24.8%	46,165	23.2%
Total	**159,796**	**100%**	**198,676**	**100%**

NOTE 5 - GOODWILL AND INTANGIBLE ASSETS

5.1 - Change in Goodwill

(in thousands of euros)	**Goodwill**
December 31, 2008	**9,867**
Commitment to purchase minority interests (c.f. Note 14)	114
Depreciation	(1,417)
Foreign exchange	(124)
December 31, 2009	**8,440**

5.2 - Breakdown of Goodwill at Year End

	December 31, 2009 Gross value	Depreciation	December 31, 2009 Net value	December 31, 2008
AEP				4,304
Radiall Shanghai	1,208		1,208	1,251
Radiall USA	4,157		4,157	0
Radiall India	1,287		1,287	1,107
D-Lightsys	393		393	393
Radiall Systems	67	67	0	67
IDMM	2,745	1,350	1,395	2,745
TOTAL	9,857	1,417	8,440	9,867

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

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

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

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

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

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

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

The 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 2009 are as follows:

- China: 11.1%
- India: 14%
- United States: 10.3%
- Europe: 9.7%

The data used for the discounted forecasted cash flow method come from annual budgets and multi-year plans prepared by the management teams in the business sectors concerned. 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.

Sensitivity of the Recoverable Values

As at December 31, 2009 the sensitivities of the tests performed are as follows:

- For the IDMM CGU, as the fair value is similar to the book value as at December 31, 2009, any negative change in the assumption would result in impairment. A discounting rate above 100 base points to that used would result in entering an impairment of around €1 million. A gross margin rate below 200 base points to that used would result in entering an impairment of around €900,000.

- For the other CGUs, the Group considers unlikely a change in the valuation parameters that would result in the recoverable value of this CGU at its book value. For example, a discounting rate above 200 base points to that used would not result in entering an impairment.

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

5.3 - Change in Net Book Value of Other Intangible Assets

Gross value *(in thousands of euros)*	**Research costs**	**Patents, licenses**	**Other intangible assets**	**Total intangibles**
December 31, 2008	**344**	**10,775**	**7,044**	**18,163**
Acquisitions		149	16	165
Disposals		(98)		(98)
Foreign exchange		(178)	(214)	(392)
Others		(277)	298	21
December 31, 2009	**344**	**10,371**	**7,144**	**17,859**

Amortization and depreciation *(in thousands of euros)*	**Research costs**	**Patents, licenses**	**Other intangible assets**	**Total intangibles**
December 31, 2008	**(52)**	**(5,660)**	**(515)**	**(6,227)**
Expenses	(47)	(752)	(1,107)	(1,906)
Disposals		96		96
Foreign exchange		60	36	96
Others		132	(109)	23
December 31, 2009	**(99)**	**(6,124)**	**(1,695)**	**(7,918)**
Net value 2008	**292**	**5,114**	**6,529**	**11,935**
Net value 2009	**245**	**4,247**	**5,449**	**9,941**

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 mainly results 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 *(in thousands of euros)*	**Land**	**Buildings**	**Plant and equipment**	**Other fixed assets**	**Fixed assets in progress**	**Total**
December 31, 2008	**1,178**	**28,472**	**89,764**	**8,003**	**7,831**	**135,248**
Acquisitions		905	2,668	534	1,538	5,645
Disposals		(157)	(1,871)	(911)	(104)	(3,043)
Foreign exchange	(9)	(184)	(755)	(31)	(4)	(983)
Others		52	5,935	(47)	(6,057)	(117)
	1,169	**29,088**	**95,741**	**7,548**	**3,204**	**136,750**

Amortization and depreciation (in thousands of euros)	**Land**	**Buildings**	**Plant and equipment**	**Other fixed assets**	**Fixed assets in progress**	**Total**
December 31, 2008	**0**	**(14,279)**	**(50,689)**	**(,5493)**	**0**	**(70,461)**
Expenses		(1,446)	(7,048)	(812)		(9,306)
Disposals		121	1,405	704		2,230
Foreign exchange		48	222	24		294
December 31, 2009	**0**	**15,556**	**56,110**	**5,577**	**0**	**77,243**
Net value 2008	**1,178**	**14,193**	**39,075**	**2,510**	**7,831**	**64,787**
Net value 2009	**1,169**	**13,532**	**39,631**	**1,971**	**3,204**	**59,507**

6.2 - Leasing Agreements for Fixed Assets

(in thousands of euros)	**Land**	**Buildings**	**Plant and equipment**	**Other fixed assets**	**Total**
Net value **2008**	**342**	**4,949**	**4,561**	**0**	**9,852**
Net value 2009	**342**	**4,622**	**3,920**	**0**	**8,884**

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

Change in the Net Book Value of Other Long-Term Investments

Net values *(in thousands of euros)*	**Loans and receivables**
December 31, 2008	**727**
Acquisitions	36
Disposals	(173)
Change of scope	
Foreign exchange	(12)
December 31, 2009	**578**

NOTE 8 - INVENTORIES

8.1 - Change in Inventories

(in thousands of euros)	**December 31, 2009**	**December 31, 2008**
Raw materials and supplies	28,704	36,180
In progress goods and services	4,404	5,017
Intermediate and finished products	13,241	21,463
Gross values	**46,349**	**62,660**
Depreciation of raw materials and supplies	(4,832)	(4,917)
Depreciation of in progress goods and services	(93)	
Depreciation of finished products	(2,253)	(2,887)
Depreciation	**(7,178)**	**(7,804)**
Net value	**39,171**	**54,856**

The company scrapped inventories for €2,257,000 in 2009. (Cf. note 13.1)

NOTE 9 - TRADE RECEIVABLES

(in thousands of euros)	December 31, 2009	December 31, 2008
Trade receivables	26,557	37,645
Depreciation	(623)	(974)
Depreciation (in %)	2.3%	2.6%
Net values	**25,934**	**36,671**

All receivables have a due date of less than one year.

NOTE 10 - OTHER RECEIVABLES

(in thousands of euros)	December 31, 2009	December 31, 2008
Tax and social security receivables	6,001	5,613
Prepaid expenses	2,472	2,674
Other miscellaneous receivables	831	1,100
Total	**9,304**	**9,387**

NOTE 11 - CASH AND CASH EQUIVALENTS

(in thousands of euros)	December 31, 2009	December 31, 2008
Investments maturing in less than 3 months	42,991	31,446
Cash	23,310	22,840
Provision for depreciation of negotiable securities	(15)	(118)
Cash assets	66,286	54,168
Overdrafts and short-term credit lines	0	(5)
Net cash	**66,286**	**54,163**

NOTE 12 - SHAREHOLDERS' EQUITY

12.1 - Composition of Share Capital

As at December 31, 2009, the Company's share capital totaled €3,326,036.99, comprising 2,181,731 shares without nominal value. Double voting rights are attached to shares that have been held for at least four years.

The Executive Board reduced the share capital on August 28, 2009, by canceling 216 treasury shares for the sum of €329.29, impacting the share capital and the reserves for a total of €16,450,000.

No new shares were created during the 2009 financial year.

12.2 - Stock Options

Description of the plans	Plan 2	
Date of the Executive Board's decision	09/27/2005	
Date of acquisition of the rights	Sep 2005 to Sep 2009	
Expiration date	12/20/2009	
Number of beneficiaries	7	
Estimated life span	4 years	
Share price on the allotment date	57.45	
Expected volatility	16.5%	
Risk-free rate	3.5%	
Expected dividend ratio	1%	
Strike price	56.97	
Estimated fair value of the options granted	9.5	
Number of options granted	4,207	
	Number	**Strike price**
Options in circulation at the start of the financial year	3,606	56.97
Allotted during the period	0	
Waived during the period	0	
Exercised during the period	0	56.97
Expired during the period	3,606	
In circulation at the end of the period	3,606	
Exercisable at the end of the period	0	
Initial value of the plan	39,900	
Expenses recorded as charges in euros during the financial year	1,871	

12.3 - Treasury Stock

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

(in number of shares)	December 31, 2009	December 31, 2008
Held at the start of the period	40,695	40,763
Purchases of shares	4,860	63,193
Sales of shares	(7,004)	(14,731)
Cancellations during the period	(216)	(48,530)
Held at the end of the period	38,335	40,695
For market making	8,335	10,479
Held for various objectives	30,000	30,216

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

12.4 - Earnings per Share

	December 31, 2009	December 31, 2008
Group share of income, in euros	(13,714,999)	7,775,088
Number of shares (weighted average) outstanding over the period	2,181,731	2,213,338
Number of treasury shares (weighted average) over the period	40,515	42,005
Number of shares held	2,141,360	2,171,333
Earnings per share, in euros	(6.40)	3.58

12.5 - Diluted Earnings per Share

	December 31, 2009	December 31, 2008
Net income, Group share, in euros	(13,714,999)	7,775,088
Weighted average number of ordinary shares outstanding over the period	2,141,360	2,171,333
Dilution effect:		
Stock options awarded for “stock option” plans		309
Weighted average number of ordinary shares adjusted for the diluted earnings per share	2,141,360	2,171,642
Net diluted earnings per share, in euros	(6.40)	3.58

12.6 - Dividend Proposed

The Executive Board meeting held on April 9, 2010 proposed a dividend of €0.75 per share. This dividend will be submitted to the shareholders at the Combined General Shareholders’ Meeting to be held on June 8, 2010.

NOTE 13 - PROVISIONS

13.1 - Change in Current Asset Provisions

(in thousands of euros)	Dec 31, 2008	Expenses	Uses	Unused reversals	Change in scope	Foreign exchange difference	Dec 31, 2009
Trade receivables provisions	974	48	(392)			(7)	623
Inventory write-down provisions	7,804	1,699	(2,257)			(68)	7,178
Total current asset provisions	**8,778**	**1,747**	**(2,649)**			**(75)**	**7,801**

13.2 - Change in Current and Non-Current Provisions

(in thousands of euros)	*Dec 31, 2008*	*Expenses*	*Uses*	*Unused reversals*	*Transfer*	*Reduction in scheme*	*Actuarial variations*	*Foreign exchange difference*	*Dec 31, 2009*
Restructuring provisions	0	1,390							1,390
Lump sum career severance indemnities	4,005	477	30			(491)	393		4,412
Other non-current provisions	0				70				70
Non-current provisions	**4,005**	**1,867**	**30**		**70**	**(491)**	**393**		**5,872**
Technical and commercial risks	290	10	0	(51)	(49)			0	200
Other risks	296	520	(115)	(19)	(21)			(9)	652
Current provisions	**586**	**530**	**(115)**	**(70)**	**(70)**			**(9)**	**853**

The provision for restructuring mainly concerns Radiall SA.

Provisions for career severance indemnities of €4,412,000 include those of Radiall SA for €4,233,000 and €179,000 for the other subsidiaries.

13.3 - Pension Commitments

Assumptions used for Lump-Sum End of Career Severance Indemnities

	December 31, 2009	December 31, 2008
Retirement age		
- Born before 1951	60	60
- Born between 1951 and 1956	63	63
- Born after 1956	65	65
Salary increase rate	2.84%	2.9%
Discounting rate	3.7%	4.4%
Turnover		
- aged 16 to 39	5.37%	5.04%
- aged 40 to 49	2.30%	2.02%
- aged 50 to 54	0.50%	0.50%
- aged 55 to 65	0.00%	0.00%
Mortality table	TF 00-02	TF 00-02

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

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

The average turnover is 3.15%, which is consistent with the actual rate observed over the past five financial years.

Past Service Cost

(in thousands of euros)	December 31, 2009	December 31, 2008
Past service costs at start of period	4,746	4,692
Past service cost during the financial year	278	239
Benefits paid during financial year	(430)	(93)
Actuarial losses (gains) generated during the financial year	380	(302)
Reduction in scheme	(491)	0
Financial costs for the financial year	210	210
Past service cost at end of financial year	**4,695**	**4,746**

Hedging Assets

(in thousands of euros)	December 31, 2009	December 31, 2008
Fair value of assets at the start of year	741	867
Expected return on assets	13	41
Actuarial gain (losses) generated on assets during the financial year	(13)	(20)
Benefits used during the year	(461)	(147)
Employer contributions	0	0
Change in scheme	0	0
Fair value of assets at year end	**281**	**741**

Amounts Recognized in the Balance Sheet and Income Statement

(in thousands of euros)	December 31, 2009	December 31, 2008
Liability recognized in the balance sheet	4,412	4,005
Past service cost during the financial year	278	239
Financial costs for the financial year	210	210
Expected return on assets	(11)	(41)
Expenses entered in the income statement	**477**	**408**
Actuarial losses (gains) recognized in shareholders' equity	393	(282)

(in thousands of euros)	December 31, 2009	December 31, 2008
Liabilities at the start of the year	4,005	3,825
Transfer	0	0
Change in scope	0	0
Expenses entered in the income statement	477	408
Actuarial losses (gains) recognized in shareholders' equity	393	(282)
Benefits paid during the financial year	**30**	**54**
Reduction in scheme	**(491)**	
Liabilities at year end	**4,412**	**4,005**

NOTE 14 - BORROWINGS

December 31, 2009 ***(in thousands of euros)***	**Current**	**Non-current**		
	< 1 year	**From 1 to 5 years**	**More than 5 years**	**Total**
Repayable loans		914		914
Bond issue	664	38,187		38,187
Other borrowings	0	1,010		1,010
Lease financing agreements	866	574	3,103	3,677
Cash advances				
Total	**1,530**	**40,685**	**3,103**	**43,788**
Debts in EUR	1,530	39,740	3,103	42,843
Debts in USD				
Debts in other currencies		945		945
Total	**1,530**	**40,685**	**3,103**	**43,788**

December 31, 2008 ***(in thousands of euros)***	**Current**	**Non-current**		
	< 1 year	**From 1 to 5 years**	**More than 5 years**	**Total**
Repayable loans		1,126		1,126
Bond issue	851	37,699		37,699
Other borrowings	526	967		967
Lease financing agreements	989	1,449	3,228	4,677
Cash advances	5			
Total	**2,371**	**41,241**	**3,228**	**44,469**
Debts in EUR	1,580	41,241	3,228	44,469
Debts in USD				
Debts in other currencies	791			
Total	**2,371**	**41,241**	**3,228**	**44,469**

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 features of this issue are as follows:

Number of bonds issued:	**37,597**
Nominal value in euros/issue price (in euros):	**1,050**
Issue price (in euros):	**1,050**
Total nominal value of issue (in euros):	**39,477,900**
Interest rate (annual payment in arrears):	***"12 month Euribor – 0.63%"***
Number of bonds redeemed during the year:	**0**
Number of bonds outstanding to be redeemed as at December 31, 2008:	**37,597**
Planned redemption date:	**July 18, 2012**

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

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

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

The interest for the period January 1 to December 31, 2009 represents a charge entered into the consolidated financial statements of €1.9 million.

The BSAAR B was listed for trading on the Euronext Paris market on July 20, 2009 under the ISIN FR0010485474 code. The BSAAR A will be listed on July 19, 2010 under the ISIN FR0010485474 code when it becomes exercisable.

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

Main features of the BSAAR	BSAAR class A	BSAAR class B
Strike price	€126.00	€121.00
Exercise parity	1 new share with dividend rights for 1 BSAAR class A	1 new share with dividend rights for 1 BSAAR class B
Term	7 years	4 years
Exercise period	From July 19, 2010 to July 18, 2014 inclusive	From July 20, 2009 to July 18, 2011 inclusive

Commitments to buy out minority interests

At the end of 2009, the minority shareholder in Radiall India Ltd holds 10% of this company's shares. Radiall holds a call option on these shares and the minority shareholder a put option.

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

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

In accordance with the Group's accounting principles, this commitment, recorded in the Group's consolidated financial statements as at December 31, 2009, results in the recognition of a financial debt for the fair value of the commitment, offsetting the reduction in the minority interests and goodwill corresponding to the difference between the value of the commitment and these minority interests.

The amount of this commitment totaled €945,000 at December 31, 2009, up €154,000 compared to December 31, 2008, and is accounted under "*Other borrowings*" in this Note.
The share of the income payable to Radiall India's minority interests on December 31, 2009 was restated, which reduced the goodwill by €40,000 (cf. note 5.1).

NOTE 15 - OTHER DEBTS

(in thousands of euros)	December 31, 2009	December 31, 2008
Down payments on orders	443	224
Tax and social security debts	11,782	13,049
Debts to fixed assets suppliers	518	727
Derivative instruments	2,964	1,124
Miscellaneous debts	1,441	782
Accruals	2,562	2,306
Total	**19,710**	**18,212**

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 Exposure

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.

(in thousands of euros)	**2009**
Sales revenue	(7,577)
Impact on shareholders' equity (foreign exchange difference)	(3,951)

Credit Risk

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

Aged Balance for Trade Receivables

(in thousands of euros)	**December 31, 2009**	**December 31, 2008**
Not outstanding	22,849	31,396
Outstanding:		
- for 30 days	2,220	2,965
- 31 to 60 days	543	1,481
- 61 to 90 days	150	323
- 91 to 180 days	174	506
Total	**25,934**	**36,671**

There are no other significant unpaid financial assets as at December 31, 2009.

Financial Exposure

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

Interest Rate Risk

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

Sensitivity to Movements in Interest Rates

As at December 31, 2009 the variable rate borrowings mainly correspond 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.

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

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 December 31, 2009

	Nominal *(in thousands of foreign currency)*	**Market value** *(in thousands of euros)*
Accumulator *(USD seller)*	10,929	(170)
Total	**10,929**	**(170)**

16.3 – Instruments Linked to Managing Interest Rate Risk as at December 31, 2009

(in thousands of euros)	*Nominal*	*Market value*
EUR		
Interest rates swaps Variable/Variable	800	(4)
Interest rates swaps Variable/Fixed or Variable	40,000	(2,785)

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

- For the maturities of the real-estate lease agreements contracted by Radiall SA for the extension of the Chateau-Renault site:

    - Interest rates swap conditions until January 1, 2012. Radiall is a payer of "*12 month Euribor*" (with a 3% ceiling if *12* month Libor is below 4.65%) compared to 3 month Euribor

    - The notional amount is amortized by €200,000 using the straight-line method. The notional amount totaled €450,000 on December 31, 2009

    - The market value is - €4046

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

    - Radiall used derivative financial instruments to manage the variable interest for the OBSAAR issue in July 2007 ("12 month Euribor – 0.63%"). Radial has set up the necessary procedures and documentation to justify the recognition of an effective hedge within the meaning of the IAS 39 standard

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

- A first interest rate swap contract until July 18, 2012, for a nominal, non-amortizable amount of €20 million: Radiall is a receiver of the variable "*pre-fixed 12 month Euribor*" and payer of the fixed rate of 4.395% a year. The market value on December 31, 2009 was - €1,408,564

- A second interest rate swap contract until July 18, 2012, for a nominal, non-amortizable amount of €20 million: Radiall is a receiver of the variable "*pre-fixed 12 month Euribor*" and payer of the fixed rate of 4.34% a year. The market value on December 31, 2009 was - €1,376,623

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

The negative change in the fair value of these derivative financial instruments was established between the date they were taken out and December 31, 2009, by a reduction in shareholders' equity. As at December 31, 2009, the fair value for both of these swaps was €2,789,000. The corresponding deferred tax asset entered totals €930,000.

16.4 - Summary of Financial Instruments

(in thousands of euros)	December 31, 2009	December 31, 2008
Assets	0	0
Liabilities	(170)	(143)
Total foreign exchange risk	**(170)**	**(143)**
Assets	0	2
Liabilities	(2,789)	(981)
Total interest rate risk	**(2,789)**	**(979)**
Total assets	0	2
Total liabilities	(2,959)	(1,124)
Total (net)	**(2,959)**	**(1,122)**

16.5 - Balance Sheet for each Category of Financial Instrument

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

(in thousands of euros)	**Dec 31, 2008**		**Breakdown by category of instrument**				
	Balance sheet value	**Fair value**	**Assets available for sale**	**Loans and receivables**	**Debts at depreciated cost**	**Fair value per earnings**	**Financial instruments**
FINANCIAL ASSETS							
Non-current assets							
Other long-term investments	727	727		727			
TOTAL	**727**	**727**		**727**			
Current assets							
Trade accounts receivable	36,671	36,671		36,671			
Other receivables	9,387	9,387		9,387			
Cash and cash equivalents	54,168	54,168				54,168	
TOTAL	**100,226**	**100,226**		**46,058**		**54,168**	
FINANCIAL LIABILITIES							
Non-current borrowings							
Long-term borrowings	44,469	44,469		2,093	42,376		
TOTAL	**44,469**	**44,469**		**2,093**	**42,376**		
Current debts							
Short-term borrowings	2,371	2,371		791	1,580		
Trade payables	18,553	18,553		18,553			
Other liabilities	18,212	18,212		17,088			1,124
TOTAL	**39,136**	**39,136**		**36,432**	**1,580**		**1,124**

NOTE 17 – INCOME TAX

17.1 - Analysis of the Tax Charge

The tax charge breaks down as follows:

(in thousands of euros)	Dec 31, 2009	Dec 31, 2008
France	(79)	(129)
Abroad	(943)	(2,266)
Tax payable	(1,022)	(2,395)
France	698	553
Abroad	(73)	(327)
Deferred tax	625	226
Tax revenue (expense)	**(397)**	**(2,169)**

17.2 - Reconciling Theoretical and Effective Taxation

The reconciled items are:

(in thousands of euros)	Dec 31, 2009	Dec 31, 2008
Income before tax	(12,826)	11,271
Theoretical tax at the rates in force in each country	4,545	(2,539)
Impacts of non-deductible charges and non-taxable revenues	(538)	(197)
Effect of changes in tax rate	0	22
Deferred taxes not recognized on losses during the period	(4,972)	(2)
Recognition of tax revenues not capitalized previously		0
Research tax credit	369	401
Reduced rate taxation	120	158
Others	79	(12)
Total	**(397)**	**(2,169)**

The Group has not entered tax revenues on a proportion of the tax losses for the financial year (mainly Radiall SA).

17.3 - Net Deferred Tax Position

(in thousands of euros)	December 31, 2009	December 31, 2008
Deferred tax assets	1,894	1,234
Deferred tax liabilities	(4,748)	(5,578)
Net deferred taxes	(2,854)	(4,344)

17.4 - Main Deferred Consolidated Tax Assets and Liabilities

(in thousands of euros)	**December 31, 2009**	**December 31, 2008**
Effect of tax loss carryovers	7,970	2,886
Fiscal effect of temporary differences connected with:		
- Goodwill	(2)	(2)
- Other non-current assets	(9,852)	(10,643)
- Inventories	846	1,530
- Other current assets	(282)	217
- Provision for contingencies	2,728	2,554
- Other debts	548	(479)
- Other	162	27
Tax impact of temporary differences	(5,852)	(6,796)
Gross deferred tax assets (liabilities)	2,118	(3,910)
Provision for depreciation of deferred tax assets	(4,972)	(434)
Net deferred taxes	(2,854)	(4,344)

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

Deferred taxes on losses can be carried forward without limit.

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

17.5 - Breakdown of Current Tax in Balance Sheet Assets

(in thousands of euros)	**December 31, 2009**	**December 31, 2008**
Corporate taxes *(advance payments and tax credits)*	2,594	5,011
Total	2,594	5,011

The balance of Radiall SA's carry back was repaid during the 2008 financial year.

NOTE 18 - HEADCOUNT AND PERSONNEL EXPENSES

(in thousands of euros)	December 31, 2009	December 31, 2008
External staff	4,763	8,836
Salaries	47,515	48,892
Salary expenses	18,612	20,020
Stock options	2	5
Total	**70,892**	**77,752**
France	50,470	56,136
International	20,422	21,616
Total	**70,892**	**77,752**

(average headcount)	December 31, 2009		December 31, 2008	
	Internal	External	Internal	External
France	1,155	73	1,196	154
International	429	78	786	350
Total	**1,584**	**151**	**1,982**	**504**

NOTE 19 - RESEARCH AND DEVELOPMENT COSTS

(in thousands of euros)	December 31, 2009	December 31, 2008
Non-capitalized costs	14,955	14,965
Amortization of capitalized development costs	47	0
Total expenses incurred	**15,002**	**14,965**

NOTE 20 - OTHER OPERATING INCOME AND EXPENSES

(in thousands of euros)	December 31, 2009	December 31, 2008
Foreign exchange revenue	279	1,094
Revenue from asset disposals	(68)	(472)
Subsidies	1,219	1,121
Other revenues and expenses	22	(49)
Total	**1,452**	**1,694**

NOTE 21 – DEPRECIATION OF NON-CURRENT ASSETS

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

NOTE 22 - DEPRECIATION OF CURRENT ASSETS AND PROVISION EXPENSES

(in thousands of euros)	**December 31, 2009**	**December 31, 2008**
Write-down of inventories	(1,699)	(1,884)
Depreciation of current assets	(144)	31
Provisions for contingencies	(312)	(290)
Total	**(2,155)**	**(2,143)**

The write-downs of inventories were mainly incurred for Radiall SA and Radiall Shanghai.

NOTE 23 - NON-CURRENT EXPENSES AND PROVISIONS

The measures taken by the Group since the 4th quarter 2008, which are aimed at lowering the break-even point and preparing the Company for future growth, have led the Group to record non-current expenses or provisions, with the following impact on operating income:

(in thousands of euros)	**December 31, 2009**	**December 31, 2008**
Non-current personnel expenses and provisions	2,873	0
Expenses and provisions for tangible assets [1]	1,530	0
Expenses and provisions for intangible assets [2]	2,389	0
Other expenses and provisions on non-current expenses [3]	810	0
Total	**7,602**	**0**

1 - The expenses and provisions for tangible assets relate to the depreciation of facilities or industrial machines linked to the restructuring projects for the Grenoblois sites of Voiron and Voreppe, and that of Shanghai, for €885,000 and €645,000, respectively.

2 - The expenses and provisions for intangible assets include goodwill amortization for Radiall Systems of €67,000, and IDMM for €1,350,000. During the second half of 2009 and following the operational and legal reorganizations in the United States, amortization for the AEP brand was recorded for €972,000.

3 - The other non-current expenses and provisions mainly concern fees incurred for external growth and strategic development studies for €625,000, and a share of €163,000 linked to expenses incurred by the company to prepare a public share buyback in February 2010.

NOTE 24 - OTHER FINANCIAL INCOME AND EXPENSES

(in thousands of euros)	December 31, 2009	December 31, 2008
Foreign exchange gain on intragroup financing	11	638
Other financial income	106	116
Total other financial income and expenses	**117**	**754**
Foreign exchange loss on intragroup financing	(103)	0
Negotiable security depreciation expenses	0	(126)
Financial instruments expenses	(33)	(253)
Other financial expenses	(49)	(55)
Total other financial expenses	**(185)**	**(434)**
Total	**(68)**	**320**

NOTE 25 - AUDITORS' FEES

(in thousands of euros)	MAZARS				FIDUS			
	Amount net of tax		In %		Amount net of tax		In %	
	2009	2008	2009	2008	2009	2008	2009	2008
Audit								
- Statutory Auditors, certificates, individual and consolidated financial statements								
Radiall SA	124	243	39%	54%	49	49	68%	68%
Fully consolidated subsidiaries	139	189	45%	42%	23	23	32%	32%
- Other services directly connected to the Statutory Auditors' duties								
Radiall SA	0	0						
Fully consolidated subsidiaries	0	0						
Sub-total	**263**	**432**	**84%**	**96%**	**72**	**72**	**100%**	**100%**
Other services from the networks to fully consolidated subsidiaries								
Legal, tax, social	49	19	16%	4%				
Other advisory duties	0	0						
Sub-total	**49**	**19**	**16%**	**4%**				
TOTAL	**312**	**451**	**100%**	**100%**	**72**	**72**	**100%**	**100%**

NOTE 26 - OFF-BALANCE SHEET COMMITMENTS AND OTHER INFORMATION

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

26.1 - Commitments Relating to Lease Financing Agreements

(in thousands of euros)		December 31, 2009	December 31, 2008
Real estate	Expiry <= 1 year	273	377
	Between 1 and 5 years	683	986
	More than 5 years	3,103	3,228
	Total	**4,059**	**4,591**
Other fixed assets	Expiry <= 1 year	593	785
	Between 1 and 5 years	77	670
	More than 5 years	0	0
	Total	**670**	**1,455**

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

(in thousands of euros)		December 31, 2009	December 31, 2008
Real estate	Expiry <= 1 year	1,662	1,692
	Between 1 and 5 years	4,993	5,045
	More than 5 years	6,131	4,892
	Total	**12,786**	**11,719**
Other fixed assets	Expiry <= 1 year	256	309
	Between 1 and 5 years	210	355
	More than 5 years	6	21
	Total	**472**	**686**

26.3 - Commitments Relating to Rental Agreements with Option to Purchase

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

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

In this lease, Radiall USA jointly with its parent company, Radiall America Inc. granted a guarantee to the lessor, Immobiliaria Trento, SA DE CV, to guarantee Sonora S. Plan, SA

DE CV's undertakings under this lease for the premises that the Company occupies exclusively.

This lease provides for the payment of the rent directly to a financial institution, WELLS FARGO bank.

NOTE 27 - INFORMATION ON RELATED PARTIES

27.1 - France Télécom and its Subsidiaries (FT)

Mr. Lombard has been a director of Radiall since May 2003. Moreover, he is the Chairman of France Telecom.

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.

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

Radiall's capital is held 43.5% by Hodiall and 27.7% by SIR as at December 31, 2009. These companies have considerable influence on the Group and affiliated companies linked to Radiall.

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

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

(in thousands of euros)	**December 31, 2009**	**December 31, 2008**
Amount invoiced by Hodiall to Radiall	700	700
Radiall's debt to Hodiall at the end of the financial year	1,008	493

There were no transactions between SIR and Radiall for 2009 and 2008.

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

The total benefits paid by the Group to the members of the ODC in 2009 and 2008 were as follows:

(in thousands of euros)	December 31, 2009	December 31, 2008
Salaries and other short-term benefits *(including employers' charges)*	1,871	1,907
Share-based payments	0	5
Total	**1,871**	**1,912**
Average headcount	8.5	9

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

The amount of attendance fees and indemnities paid to members of the Supervisory Board and Executive Board totaled €134,139 for 2009 and €131,856 for 2008.

NOTE 28 - POST BALANCE SHEET EVENTS

In its session on January 6, 2010, the Supervisory Board decided to implement a Radiall share buyback with its shareholders for 545,450 shares, i.e. approximately 25% of its share capital as part of (i) an issuer bid ("OPRA") with a view to their cancellation, under application of the provisions of Articles L. 225-204 and L. 25-207 of the Commercial Code, as well as (ii) a simplified takeover bid ("OPAS") carried out as part of the share buyback program, pursuant to Article L. 225-209 of the Commercial Code, passed by the Combined General Shareholders' Meeting, held on May 27, 2009.

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

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

Following cancellation of the repurchased shares by Radiall's Executive Board on March 10, 2010, the public holding was reduced to 11.2% on this date.

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

Year ended December 31, 2009

In performance of the mission which was entrusted to us by your General Meeting, we are presenting our report to you for the financial year ended December 31, 2009 on:

- The audit of Radiall SA'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 financial statements 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 consider that the information we collected is sufficient and appropriate for forming 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

We are informing you of the following information, with regards to Article L. 823-9 of the Commercial Code, concerning the justification for our opinion:

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

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

III - Specific Verification

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

Signed in Paris and Courbevoie, May 6, 2010
The Statutory Auditors

FIDUS	FRANCIS BERNARD
MAZARS	SIMON BEILLEVAIRE

III. STATUTORY FINANCIAL STATEMENTS

1. Statutory accounts

Balance Sheet as at December 31, 2009 – Radiall SA

Assets *(in thousands of euros)*	**December 31, 2009**			**December 31, 2008**
	Gross	**Amort. & Depr.**	**Net**	**Net**
Fixed assets				
Intangible assets	**4,880**	**4,016**	**864**	**1,110**
Research and development costs	344	99	245	292
Patents, licenses	344	311	33	59
Software	4,122	3,536	586	759
Goodwill	70	70		
Property, plant, and equipment	**82,455**	**57,519**	**24,936**	**27,681**
Land	444		444	444
Buildings	15,693	11,071	4,622	4,767
Plant and equipment	58,747	43,113	15,634	18,542
Other assets	4,386	3,335	1,051	1,448
Assets under construction	2,879		2,879	2,274
Advance payments	306		306	206
Financial fixed assets	**36,774**	**2,578**	**34,196**	**36,373**
Participating interests	35,141	2,409	32,732	34,600
Other fixed securities	6		6	6
Other long-term investments	1,627	169	1,458	1,767
Total fixed assets	**124,109**	**64,113**	**59,996**	**65,164**
Current assets				
Inventories and work in progress	**30,567**	**5,215**	**25,352**	**34,288**
Raw materials and supplies	19,270	3,632	15,638	20,204
In progress goods and services	2,454		2,454	2,699
Intermediate and finished products	8,843	1,583	7,260	11,385
Trade accounts receivable	**15,466**	**28**	**15,438**	**26,122**
Other assets	**21,724**		**21,724**	**28,161**
Down payments on orders	93		93	39
Other receivables	20,382		20,382	26,676
Prepaid expenses	1,048		1,048	837
Foreign exchange differences	201		201	609
Cash	**54,791**	**21**	**54,770**	**42,856**
Treasury shares	368	6	362	487
Negotiable securities	42,336	15	42,321	30,928
Cash	12,087		12,087	11,441
Total current assets	**122,548**	**5,264**	**117,284**	**131,427**
Total assets	**246,657**	**69,377**	**177,280**	**196,591**

Balance Sheet as at December 31, 2009 – Radiall SA

Liabilities *(in thousands of euros)*	**December 31, 2009**	**December 31, 2008**
Shareholders' equity		
Capital	3,326	3,326
Additional paid-in capital from issues, mergers, and contributions	21,897	21,897
Legal reserve	339	339
Statutory and contractual reserves	65,914	65,930
Retained earnings	11,705	8,622
Income for the financial year	(11,271)	5,116
Regulated provisions	12,914	14,229
Total shareholders' equity	**104,824**	**119,459**
Provisions		
For risks	661	672
For charges	5,622	3,964
Total provisions	**6,283**	**4,636**
Payables		
Financial payables	**44,457**	**44,501**
Convertible bond issue	39,618	40,329
Bank borrowings	649	27
Financial debts	4,190	4,145
Trade accounts payable	**10,238**	**15,518**
Other payables	**11,478**	**12,477**
Down payments on orders	24	17
Tax and social security debts	8,334	9,516
Payables on fixed assets	201	473
Other payables	2,723	2,110
Unrealized foreign exchange gains	196	361
Total payables	**66,173**	**72,496**
Total liabilities	**177,280**	**196,591**

Income Statement as at December 31, 2009 – Radiall SA

(in thousands of euros)	**2009**	**2008**
Operating income		
Sales of goods	97,287	126,516
Sales of services	709	786
Sales revenue	**97,996**	**127,302**
Inventoried goods	(4,183)	490
Production for own use	334	387
Operating subsidies	795	374
Write-back of depreciation, provisions, and transfers of expenditure	2,204	1,096
Other income	4,184	7,810
Total operating income	**101,330**	**137,459**
Operating expenses		
Purchase of materials and supplies	31,829	55,786
Change in inventories	4,519	(737)
Other external purchases and charges	22,313	28,557
Taxes	3,443	3,810
Salaries	32,123	32,285
Social-security contributions	12,557	12,813
Allocations:		
- to depreciation and amortization of fixed assets	4,911	5,410
- to provisions on current assets	343	220
- to provisions for risks and charges	723	351
Other expenses	388	910
Total operating expenses	**113,149**	**139,405**
Operating income	**(11,819)**	**(1,946)**
Financial income		
Financial income	7,100	6,826
Foreign-exchange gains	849	3,986
Total financial income	**7,949**	**10,812**
Financial expense		
Financial expense	4,060	3,367
Foreign-exchange losses	1,072	1,951
Total financial expense	**5,132**	**5,318**
Net financial income	**2,817**	**5,494**
Earnings before tax	**(9,002)**	**3,548**
Non-recurring income	4,241	5,404
Non-recurring expenses	7,285	4,660
Non-recurring (loss)/profit	**(3,044)**	**744**
Income tax (credit)	(775)	(824)
Net income	**(11,271)**	**5,116**

Notes to the Separate Financial Statements

NOTE 1. MATERIAL EVENTS

Due to a significant decrease in business over the financial year and non-recurring expenses, Radiall SA recorded a loss of €11,271,000 for 2009.

There was an operating loss of €11,819,000 in 2009, compared with a loss of €1,946,000 in 2008.

NOTE 2. ACCOUNTING PRINCIPLES

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

2.1 - Principles and Methods of Evaluation

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

2.2 - Research and Development Costs

Research and study costs are not capitalized.

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

- Its intention, and financial and technical capacity to carry the development project through to its term
- That it is probable that the future financial benefits resulting from the development costs will go to the company
- 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	20 years
• Plant and equipment	3 to 20 years
• Computer hardware	3 to 4 years
• Other property, plant and equipment	3 to 15 years

2.5 - Equity Securities

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

2.6 - Inventories and Work in Progress

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

2.7 - Receivables and Payables

Receivables and payables are recognized at nominal value, and are revalued at the rate on the 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 previous month.

When these shares are held for cancellation, they are recorded in the balance sheet under "Long-term investments."

2.9 - Provisions for Risks and Charges

2.9.1. Provisions for Retirement Indemnities

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

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

These calculations mainly include:

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

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

The cost of discounting and the expected return from assets are recognized as a 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 in financial operations.

NOTE 3. OTHER INFORMATION

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

- The total number of training hours corresponding to employees' Individual Training Rights (DIF) totaled 89,750
- The number of hours of training which were not requested totaled 89,016
- No provision was recognized for DIF as at December 31, 2009

3.1 – Post-Balance Sheet Events

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

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

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

After cancellation of the purchased shares by Radiall's Executive Board on March 10, 2010, the public holding was reduced to 11.2% at this date.

NOTE 4. CHANGE IN PROPERTY, PLANT, AND EQUIPMENT

(in thousands of euros)	**Dec 31, 2008**	**Purchases**	**Transfers**	**Disposals**	**Dec 31, 2009**
Land	444				444
Buildings	15,360	489		156	15,693
Plant and equipment	58,999	1,606		1,858	58,747
Other assets	4,816	330		760	4,386
Assets under construction	2,274	1,333	(628)	100	2,879
Advance payments	206	179	(79)		306
Total	**82,099**	**3,937**	**(707)**	**2,874**	**82,455**

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

(in thousands of euros)	**Dec 31, 2008**	**Increase**	**Decrease**	**Dec 31, 2009**
Buildings	10,593	598	120	11,071
Plant and equipment	40,457	4,050	1,394	43,113
Other assets	3,368	505	538	3,335
Total	**54,418**	**5,153**	**2,052**	**57,519**

A provision for depreciation was made in 2009 for plant and equipment for which impairment tests indicate a loss of value. The provision for depreciation totaled €666,000 in 2009.

NOTE 6. CHANGE IN LONG-TERM INVESTMENTS

(in thousands of euros)	**Dec 31, 2008**	**Increase**	**Decrease**	**Dec 31, 2009**
Equity securities	35,141			35,141
Other long-term investments	1,773	8	148	1,633
Gross total	**36,914**	**8**	**148**	**36,774**

Movements in Other Securities

In 2009, the Company canceled 216 of the 30,216 Radiall shares that it held on December 31, 2008.

As at December 31, 2009, the Company still held 30,000 treasury shares. A provision for depreciation totaling €169,000 was made in 2009, based on the average share price of Radiall shares in December 2009.

Provisions for Depreciation of Long-Term Investments

(in thousands of euros)	**Dec 31, 2008**	**Increase**	**Decrease**	**Dec 31, 2009**
Provision for depreciation of equity securities	541	1,868		2,409
Provision for depreciation of treasury stock	0	169		169
Total	541	2,037		2,578

An additional provision of €203,000 was recorded in order to bring the total provision on shares of the Brazilian subsidiary Radiall do Brasil to 100%.

A provision of €1,666,000 was made for depreciation of IDFI shares held by Radiall.

NOTE 7. CHANGE IN INVENTORIES

7.1 – Inventories

(in thousands of euros)	**Dec 31, 2008**	**Dec 31, 2009**	***Change***
Raw materials and supplies	23,789	19,270	*(4,519)*
In progress goods and services	2,699	2,454	*(245)*
Intermediate and finished products	12,782	8,843	*(3,939)*
Total gross values	**39,270**	**30,567**	***(8,703)***

7.2 - Provision for Inventory Write-Downs

(in thousands of euros)	**Dec 31, 2008**	**Provisions**	**Reversals**	**Dec 31, 2009**
Provisions for raw materials and supplies	3,585	95	48	3,632
Provisions for finished products	1,397	237	51	1,583
Total provisions	**4,982**	**332**	**99**	**5,215**

NOTE 8. TRADE ACCOUNTS RECEIVABLE

This line item corresponds to the amount of trade accounts and bills received. The bills totaled €947,000. These line items are due in less than one year.

NOTE 9. DETAIL OF OTHER RECEIVABLES

(in thousands of euros)	**December 31, 2009**			**December 31, 2008**		
	- 1 year	**+ 1 year**	**Total**	**- 1 year**	**+ 1 year**	**Total**
Corporate tax	1,420		1,420	3,124		3,124
Other receivables from the government	4,006		4,006	3,859		3,859
Subsidiary current accounts		14,363	14,363		19,331	19,331
Sundry accruals	593		593	362		362
TOTAL	**6,019**	**14,363**	**20,382**	**7,345**	**19,331**	**26,676**

The corporate tax receivable of €1,420,000 corresponds mainly to the research tax credit which is expected to be reimbursed in 2010.

Other receivables from the government amount to €4,006,000 and comprise VAT receivables (€605,000), receivables relating to the capping of business tax (€1,583,000) and subsidies to be received (€1,818,000).

NOTE 10. INVENTORY OF NEGOTIABLE SECURITIES

Treasury shares according to the market-making agreement: €368,000 (8,335 shares), with a provision of €6,000.

The provision for depreciation was calculated based on the average Radiall share price in December 2009.

Certificate of deposit	€18,423,000
Investment in short-term mutual fund	€23,913,000
Provision for depreciation	€(15,000)
Total	**€42,321,000**

NOTE 11. CHANGE IN SHAREHOLDERS' EQUITY

(in thousands of euros)	Dec 31, 2009	Increase	Decrease	Dec 31, 2008
Capital	3,326			3,326
Additional paid-in capital	21,897			21,897
Legal reserve	339			339
Statutory and contractual reserves	65,930		16	65,914
Retained earnings	8,622	11,705	8,622	11,705
Net income	5,116	(11,271)	5,116	(11,271)
Regulated provisions	14,229	2,470	3,785	12,914
Total shareholders' equity	**119,459**	**2,904**	**17,539**	**104,824**

Dividends distributed by Radiall SA in 2009 totaled €2,033,000.

As at December 31, 2009 the Company's share capital totaled €3,326,036.99. It comprised 2,181,731 without nominal value. Double voting rights are attached to registered shares which have been held for at least four years.

On August 28, 2009 the Executive Board reduced the Company's share capital by canceling 216 treasury shares for a total of €329.29, with an impact of €16,450,000 on the share capital and reserves.

Share subscription plans underway as at December 31, 2009 were as follows:

	Number of shares
Open at January 1, 2009	**3,606**
Open in the year	0
Exercised in the year	0
Expired in the year	3,606
Open at December 31, 2009	**0**

NOTE 12. SHAREHOLDING STRUCTURE

	Dec 31, 2009		Dec 31, 2008	
	% shares	% voting rights	% shares	% voting rights
- Société d'Investissement Radiall *	27.6	32.1	27.7	30.0
- Hodiall *	43.5	50.4	43.5	50.1
- Pierre Gattaz	2.2	2.6	2.2	2.6
- Public and others **	26.7	14.9	26.6	17.3

** Holding company combining the Gattaz families' interests in Radiall.*
*** Shares directly or indirectly held by staff and representing less than 0.2% of the total.*

NOTE 13. PROVISIONS FOR RISKS AND CHARGES

13.1 – Change in Provisions

(in thousands of euros)	Dec 31, 2008	Increases	Reversals	No longer required	Dec 31, 2009
Exchange-rate risks	609	201	609		201
Technical and commercial risks	27	188	10	9	196
Miscellaneous risks	36	264		36	264
Total provisions for risks	**672**	**653**	**619**	**45**	**661**
Provisions for restructuring	83	1,389	83		1,389
Retirement indemnities	3,881	843		491	4,233
Total provisions for charges	**3,964**	**2,232**	**83**	**491**	**5,622**

13.2. Retirement Indemnities

ASSUMPTIONS	2009	2008
1) Retirement age:		
- Born before 1951	60	60
- Born between 1951 and 1956	63	63
- Born after 1956	65	65
2) Departure:	On the employee's initiative in all cases	On the employee's initiative in all cases
3) Salary increase rate:	2.84%	2.9%
4) Discounting rate:	3.7%	4.4%
5) Turnover:		
- From 16 to 39 years	5.37%	5.04%
- From 40 to 49 years	2.30%	2.02%
- From 50 to 54 years	0.50%	0.50%
- From 55 to 65 years	0.00%	0.00%
6) Mortality table:	TF-00-02	TF-00-02

NOTE 14. DEBT MATURITY SCHEDULE

(in thousands of euros)	Dec 31, 2009			Dec 31, 2008		
	- 1 year	+ 1 year	Total	- 1 year	+ 1 year	Total
Bond issue	140	39,478	39,618	851	39,478	40,329
Bank borrowings	649		649	27		27
Miscellaneous financial debts	246	128	374		751	751
Group current accounts		3,816	3,816		3,394	3,394
Accrued charges	401		401	3,600		3,600
Suppliers	10,038		10,038	12,391		12,391
Advance payments	24		24	17		17
Tax and social security debts	8,334		8,334	9,516		9,516
Other	1,271	1,648	2,919	906	1565	2,471
Total	**21,103**	**45,070**	**66,173**	**27,308**	**45,188**	**72,496**

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

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

The characteristics of this issue are as follows:

- Number of bonds issued 37,597
- Nominal value in euro/issue price (in euros) 1,050
- Issue price (in euros) 1,050
- Total nominal value of issue (in euros) 39,477,900
- Interest rate (annual payment in arrears) .... *"12 month Euribor – 0.63%"*
- Number of bonds redeemed during the financial year 0
- Number of bonds outstanding to be redeemed on December 31, 2009 37,597
- Planned redemption date .... July 18, 2012

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

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

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

The interest for the period January 1 to December 31, 2009 represents a charge of €1.4 million. Costs related to the issue of this instrument are amortized over five years.

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

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

Main features of the BSAAR	**BSAAR class A**	**BSAAR class B**
Exercise price	€126.00	€121.00
Exercise parity	1 new share with dividend rights for 1 BSAAR class A	1 new share with dividend rights for 1 BSAAR class B
Term	7 years	4 years
Exercise period	from July 19, 2010 to July 18, 2014 inclusive	from July 20, 2009 to July 18, 2011 inclusive

NOTE 15. ELEMENTS RELATED TO AFFILIATED COMPANIES

(in thousands of euros)	**Dec 31, 2009**	**Dec 31, 2008**
Interests (gross amounts)	35,141	35,141
Trade accounts receivable	7,389	11,789
Other receivables and negative current accounts	14,497	19,420
Sundry financial debts (current accounts in credit)	(3,816)	(3,483)
Trade accounts payable	(2,469)	(3,120)
Other debts	(883)	
Financial expenses	40	126
Financial income	5,208	4,144

The line item "Other receivables" includes €134,000 in Shanghai subsidies.

The line item "Other debts" comprises the balance of the subsidiary granted to IDMM by Radiall.

NOTE 16. OFF-BALANCE SHEET COMMITMENTS

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

	Nominal value ***(in thousands of currency)***	**Market value** ***(in thousands of euros)***
Accumulator (USD seller)	10,928	(170)
Total	**10,928**	**(170)**

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

- **For the maturities of the real estate leasing contracts contracted by Radiall SA for the extension of the Château-Renault site:**
    - Interest-rate swap conditions until January 1, 2012. Radiall is payer of “12 month Euribor” (with a 3% ceiling if 12 month Libor is below 4.65%) compared to “3 month Euribor”
    -
    - The notional amount is amortized by €200,000 per year using the straight-line method. The notional amount totaled €450,000 on December 31, 2009
    - The market value is €-4046

- **For the maturity dates for the "OBSAAR" bond issue contracted by Radiall SA at the nominal rate of 12 month "12 month Euribor – 0.63%":**

  - A first interest-rate swap contract until July 18, 2012, for a nominal, non-amortizable amount of €20 million: Radiall is receiver of the variable "pre-fixed 12 month Euribor" and payer of the fixed rate of 4.395% a year. The market value as at December 31, 2009 was €-1,408,564
  -
  - A second interest-rate swap contract until July 18, 2012, for a nominal, non-amortizable amount of €20 million: Radiall is receiver of the variable "pre-fixed 12 month Euribor" and payer of the fixed rate of 4.34% a year. The market value as at December 31, 2009 was €-1,376,623

Leasing commitments

(in thousands of euros)	- 1 year	from 1 to 5 years	+ 5 years	Dec 31, 2009
Real estate leasing (1)	176	228		404

(1) Relates to the establishment in Château-Renault.

The call option is a symbolic €1. Fees paid during the year totaled €237,000.

Other Off-Balance Sheet Commitments

At end-2009, the minority shareholder of Radiall India Ltd held 10% of the company's shares. Radiall holds a call option over these shares and the minority shareholder a put option. The put option can be exercised within five years from September 2007. The call option is exercisable at any time between September 2012 and September 2014. An agreement provides for Radiall purchasing these shares on the basis of a calculation determined by the parties.

NOTE 17. SALES REVENUE

(in thousands of euros)	2009	2008
France	28,259	35,601
- With affiliated companies	158	226
- Other	28,101	35,375
International	69,737	91,701
- With affiliated companies	47,407	64,737
- Other	22,330	26,964
Total	**97,996**	**127,302**

NOTE 18. OTHER EXTERNAL PURCHASES AND EXPENSES

Other external purchases and expenses decreased by almost 22% on 2008, in particular due to the fall in sub-contracting and transportation expenses.

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

Average headcount changed as shown below:

	December 31, 2009	December 31, 2008
White-collar staff / Blue-collar staff	476	495
Technicians / Supervisors	303	315
Executives and general management	229	238
Total	**1,008**	**1,048**

NOTE 20. COMPENSATION OF CORPORATE OFFICERS

(in euros)	Post	Net compensation [1] [2]	Attendance fees or indemnities [2]
Mr. Yvon Gattaz	Chairman of the Supervisory Board		114,139
Mr. Didier Lombard	Member of the Supervisory Board		7,000
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		5,000
Mr. Pierre Gattaz	Chairman of the Executive Board	150,429	
Mr. P. Michel Churg	Member of the Executive Board	80,994	
Mr. Guy de Royer	Member of the Executive Board	15,775	
Total		**247,198**	**134,139**

[1] Over the term of office, including benefits in kind.
[2] Paid by Radiall SA

NOTE 21. NET FINANCIAL INCOME

Financial income mainly comprises dividends collected from subsidiaries totaling €4,797,000.

NOTE 22. NON-RECURRING INCOME AND EXPENSES

(in thousands of euros)	**Dec 31, 2009**	**Dec 31, 2008**
Non-recurring income from management operations	4	15
Income from sale of fixed assets	452	1,232
Provision reversals	0	35
Reversals of excess depreciation	3,785	4,122
Total non-recurring income	**4,241**	**5,404**
Non-recurring expenses for management operations	1,801	86
Net carrying value of the fixed assets sold	744	1,386
Other non-recurring expenses	214	152
Allocation to excess depreciation	2,470	3,036
Allocation to provisions for restructuring plans and depreciation of fixed assets	2,056	0
Total non-recurring expenses	**7,285**	**4,660**

Non-recurring expenses for management operations include the subsidy granted to the subsidiary IDMM for €883,000, and non-recurring personnel expenses for €900,000.

The allocation to provisions for restructuring plans includes €1,390,000 for personnel expenses and €666,000 for depreciation of fixed assets located at the Voiron and Voreppe sites in Grenoble, France.

NOTE 23: CORPORATE TAX

In 2009 the Company recorded a research tax credit of €829,000. It also has tax loss carryovers which can be carried over indefinitely totaling €19,630,000.

Breakdown of income tax

in thousands of euros	**Before tax**	**After tax**
Current income	(9,002)	(8,227)
Non-recurring income	(3,044)	(3,044)
Income tax	775	0
Loss	**(11,271)**	**(11,271)**

In December 2007, Radiall SA opted for tax consolidation in France of Radiall SA (consolidating parent company) and the following French subsidiaries as from January 1, 2008: Industrie Doloise Finances, Radiall Ventures Capital, Industrie Doloise de Micro-Mécanique, Radiall Systems, and D-LightSys.

The tax consolidation agreement between the parties provides for the subsidiaries to share the tax between themselves as if they had been taxed separately and there had been no consolidation. As at December 31, 2009 the Group consolidated by Radiall SA had cumulative tax losses which can be carried forward indefinitely amounting to €18,031,000.

In addition, as at December 31, 2009 Radiall SA had tax losses accumulated prior to the tax consolidation which can be carried forward indefinitely totaling €4,932,000. These losses are chargeable to the future earnings of this entity.

As at December 31, 2009 Radiall SA had a tax loss of €14,698,000, excluding consolidation.

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

(in thousands of euros)	Dec 31, 2008	Increase	Decrease	Dec 31, 2009
Regulated provisions and expenses to be re-consolidated later				
Excess depreciation	14,229	2,470	3,785	12,914
Investment subsidies				
Basis for future taxes	**14,229**	**2,470**	**3,785**	**12,914**
Future taxation (based on a tax rate of 33.33%)	4,743			4,305
Non-tax deductible expenses in the year				
Provisions and expenses temporarily not deducted	5,132	3,183	949	7,366
ORGANIC	217	162	217	162
Employee profit sharing				
Basis for taxes paid in advance	**5,349**	**3,345**	**1,166**	7,528
Future tax saving (based on a tax rate of 33.33%)	(1,785)			(2,509)

NOTE 25. RESEARCH AND DEVELOPMENT

No research and development expenses were incurred in 2009.

2. TABLE OF SUBSIDIARIES AND INTERESTS AS AT DECEMBER 31, 2009

As at December 31, 2009	Capital [(1)]	Retained earnings [(1)]	% Capital held	Carrying value of securities		Sales revenue excl. tax FY 2009	Net income 2009 [(1)]	Dividends collected by Radiall SA
				Gross	Net			
FRANCE								
Industrie Doloise Finances *(Rosny-sous-Bois (93))*	975	71	100.00	6,597	4,931	0	(12)	0
FOREIGN								
Radiall GmbH *(Germany)*	486	426	100.00	229	229	10,565	383	1,200
Radiall Srl *(Italy)*	257	2,819	100.00	596	596	6,479	(401)	0
Radiall BV *(Netherlands)*	16	1,018	100.00	11	11	2,515	34	0
Radiall AB *(Sweden)*	29	(11)	100.00	47	47	405	19	0
Radiall America *(USA)*	10,756	17,583	100.00	13,526	13,526	0	(36)	0
Radiall Asia *(Hong Kong)*	27	180	55.00	18	18	2,966	714	790
Radiall do Brasil *(Brazil)*	254	(188)	99.87	754	10	0	(51)	0
Radiall Ltd. *(UK)*	2,516	0	100.00	4,521	4,521	6,248	191	653
Radiall India Ltd. *(India)*	353	1,508	90.00	2,450	2,450	6,274	347	0
Nihon Radiall KK *(Japan)*	334	47	100.00	397	397	1,996	91	0
Shanghai Radiall *(China)*	8,516	6,926	71.00	5,994	5,994	24,956	950	2,154
Radiall Int. Ltd. *(Hong Kong)*	1	762	100.00	1	1	9,625	(17)	0

[(1)] For foreign companies, amounts in local currencies have been converted at the closing rate for the relevant elements of the balance sheet (Capital and reserves) and at the average rate for those on the income statement.

Main currencies used:

	Closing rate *(in euros)*	Average rate *(in euros)*
US Dollars	1.441	1.384
Hong Kong Dollars	11.171	10.724
Sterling	0.888	0.891
Swedish Krona	10.252	10.649
Indian Rupee	67.040	67.109
Yen	133.160	129.510
Yuan	9.835	9.454
Brazilian Réal	2.511	2.826

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

(in thousands of euros)	2005	2006	2007	2008	**2009**
Financial position at year-end					
a. Share capital	3,381,268	3,381,573	3,390,186	3,326,366	3,326,037
b. Number of shares issued	2,217,960	2,218,160	2,223,810	2,181,947	2,181,731
Comprehensive income from actual transactions					
a. Sales revenue excl. taxes	115,101,908	132,300,892	134,949,040	127,301,381	97,996,481
b. Earnings before tax, interests, depreciation, amortization, and provisions	14,320,183	3,367,991	12,277,952	10,626,886	(4,545,469)
c. Income tax	(74,543)	(323,934)	(197,969)	(823,849)	(774,909)
d. Earnings after tax and before interests, depreciation, amortization, and provisions	14,394,726	3,691,925	12,475,921	11,450,732	(3,770,560)
e. Net income	15,055,727	3,247,262	9,661,707	5,116,430	(11,271,431)
f. Amount of earnings distributed	2,040,523	2,484,339	2,899,620	2,072,850	1,386,093*
Net earnings per share					
a. Earnings after tax and before depreciation, amortization, and provisions	6.49	1.66	5.52	5.09	(1.73)
b. Net earnings	6.79	1.46	4.34	2.34	(5.17)
c. Dividend paid per share	0.92	1.12	1.30	0.95	0.75*
Personnel					
a. Employees (average headcount)	992	1,030	1,049	1,048	1,008
b. Total payroll costs	27,878,431	30,307,244	32,305,471	32,285,288	32,123,393
c. **Sums paid as employee benefits**	**11,452,814**	**12,347,092**	**12,418,000**	**12,812,978**	**12,556,797**

** Subject to the approval of the Ordinary Shareholders' Meeting held to approve the financial statements for 2009.*

4. STATUTORY AUDITORS' GENERAL REPORT

Financial year ended December 31, 2009

Dear Shareholders

In performance of the mission which was entrusted to us by your General Shareholders' Meeting, we present you with our report for the financial year ended December 31, 2009 on:

- The audit of the annual accounts of your company RADIALL S.A., as attached to this report,
- The justification for our assessments
- The specific checks and information stipulated by the law

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

I – Opinion on the Annual Accounts

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

We certify that the annual accounts for the financial year are accurate and genuine with respect to French accounting rules and principles, and give a true picture of the assets, financial position, and the results of the Company at the 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 the specific checks in accordance with the professional standards applicable in France.

We have no comments to make on the accuracy and consistency with the annual accounts of the information given in the Executive Board's management report and in the documents addressed to shareholders regarding the financial position and the annual accounts.

Regarding the information supplied in application of the provisions of Article L. 225-102-1 of the Commercial Code on the compensation and benefits paid to corporate officers as well as on the commitments made to them, we have checked that they agree with the accounts or with the data used to prepare the accounts and, if necessary, with the elements gathered by your company from companies controlling your company or controlled by it. Based on this work, we certify the accuracy and sincerity of this information.

In application of the law, we are confident that the various information relating to equity holdings and majority holdings and to the identity of holders of capital have been communicated to you in the management report.

Signed in Paris and Courbevoie, May 6, 2010
The Statutory Auditors

FIDUS	FRANCIS BERNARD
MAZARS	SIMON BEILLEVAIRE

5. STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS

Financial year ended December 31, 2009

Dear Shareholders

In our capacity as the Company's Statutory Auditors, we present our report on regulated party agreements and commitments to you.

Agreements and commitments authorized during the financial year

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

We are not responsible for seeking whether any other agreements or commitments exist but for informing you of the basic characteristics and conditions of those which have been disclosed to us, based on the information given to us, without having to pronounce on their utility or merits. 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.

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.

- **Subsidy for Industrie Doloise de Micro-Mécanique (IDMM)**

Your Company granted a subsidy of €883,000 to IDMM in 2009 for commercial projects.
This agreement was authorized by your Supervisory Board on August 28, 2009.

On December 31, 2009, your company's debt to IDMM totaled €883,000.

- **Current account services agreement with Hodiall**

Agent involved: Pierre Gattaz

Your company and Hodiall have agreed a current account agreement enabling each to benefit from the excess cash of the other depending on the needs and available cash of each, in the form of advances in remunerated current account, up to a maximum of one million four-hundred thousand euros (€1,400,000) repayable in one single payment on December 31, 2015 at the latest. The current account is remunerated at the annual "12 month Euribor + 1.5 point" rate.

This agreement was authorized by your Supervisory Board on December 17, 2009.

On December 31, 2009, your Company held a receivable of €979,000 against Hodiall for this advance and the interest invoiced in 2009 totaled €29,000.

Agreements and commitments approved during previous financial years which continued during the financial year

In addition, under the Commercial Code, we were informed that the following agreements and commitments, which were approved during previous financial years, continued to be performed during the last financial year:

- **Service agreement with Radiall USA**

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

Your Company did not issue any invoices for this agreement in 2009.

- **Service agreement with IDMM**

IDMM agreed to supply machining and appraisal services to your Company.
Your Company paid a total of €90,000 excluding tax for this service in 2009.

- **Assistance and advice agreement with Hodiall**

Hodiall supplies its assistance and advice to your Company for the following operations: Group strategy, financial and tax services, financial management and communication, corporate management, legal assistance, legal secretariat, administrative and management services for the insurance programs. This agreement was the subject of a rider which was approved by the Supervisory Board on December 9, 2008, fixing the amount of compensation for financial years 2008 and 2009.

The Company paid €700,000 excluding tax for this service during 2009.

- **Assistance and advice agreement with Radiall Systems**

Your Company supplies the following assistance and service to Radiall Systems for the following operations: financial and tax services, legal assistance, legal secretariat, supplying a project engineer, and logistic support.

Your Company received €6,000 excluding tax in 2009 as payment for these services.

- **Current account agreement with Industrie Doloise Finances (IDFI)**

Your Company granted IDFI a current account advance of a maximum of €1 million expiring on December 31, 2012. The current account is remunerated at the annual "12 month Euribor + 0.5 point" rate.

On December 31, 2009, your Company held a receivable of €443,000 against IDFI for this advance and the interest invoiced in 2009 totaled €16,000.

- **Current account agreement with IDMM**

Your Company granted IDMM a current account advance for a maximum amount of €6 million, expiring on December 31, 2012. The current account is remunerated at the annual "12 month Euribor + 0.5 point" rate.

On December 31, 2009, the advance totaled €5,467,000 and the amount of interest invoiced in 2009 totaled €205,000.

- **Current account agreement with Radiall Ventures Capital**

On May 16, 2006, your Company granted Radiall Ventures Capital a current account advance to support its development projects, of a maximum of €2.5 million, expiring on December 31, 2012. The current account is remunerated at the annual "12 month Euribor + 0.5 point" rate.

On December 31, 2009, the advance totaled €2,267,000 and the amount of interest invoiced in 2009 totaled €75,000.

Signed in Paris and Courbevoie, May 6, 2010
The Statutory Auditors

FIDUS	FRANCIS BERNARD
MAZARS	SIMON BEILLEVAIRE

IV. MANAGEMENT BODIES AND GENERAL SHAREHOLDERS' MEETINGS

1. DRAFT RESOLUTIONS FOR THE COMBINED SHAREHOLDERS' MEETING OF JUNE 8, 2010

1.1. Resolutions of the Ordinary Shareholders' Meeting

FIRST RESOLUTION

The General Shareholders' Meeting, ruling under the conditions of quorum and majority stipulated for Ordinary Shareholders' Meetings, after having heard the reading of the Executive Board's management report and the Statutory Auditors' general report, approves the separate financial statements for the financial year ended on December 31, 2009 as prepared and presented, and the operations translated in these financial statements or summarized in these reports.
Consequently, the Shareholders' Meeting gives the members of the Executive Board and the Supervisory Board full and unreserved discharge for the execution of their mandate for the year.

SECOND RESOLUTION

The General Shareholders' Meeting, ruling under the conditions of quorum and majority stipulated for Ordinary Shareholders' Meetings, after having heard the reading of the Executive Board's management report for the Group, the report of the Chairman of the Supervisory Board and the report of the Statutory Auditors, approves the consolidated financial statements for the financial year ended on December 31, 2009 as prepared and presented, and the operations translated in these financial statements or summarized in these reports.

Consequently, the Shareholders' Meeting gives the members of the Executive Board and the Supervisory Board full and unreserved discharge for the execution of their mandate for the year.

THIRD RESOLUTION

The General Shareholders' Meeting, ruling under the conditions of quorum and majority stipulated for Ordinary Shareholders' Meetings, decides to allocate the earnings for the 2009 financial year as follows:

Retained earnings	€11,705,700.07
Income for 2009 financial year..	€-11,271,431.11
Retained earnings after allocation of income	€434,268.96
General reserve brought forward..	€45,187,468.64
Distribution of dividends .... or €0.75 per share	€1,386,093.00 (1)
General reserve after distribution	€43,801,375.64

The amount of the general reserve after distribution was €43,801,375.64.

The General Shareholders' Meeting, ruling under the conditions of quorum and majority stipulated for Ordinary Shareholders' Meetings, resolves to distribute a gross dividend of €0.75 (seventy-five cents) per share, or a total of €1,386,093.00 (one million, three-hundred and eighty-six thousand and ninety-three euros), the number of existing shares being 1,848,124 (one million, eight hundred and forty-eight thousand, one hundred and twenty-four).

This dividend is taken from the general reserve, which totaled €45,187,468.64 (forty-five million, one-hundred and eighty-seven thousand, four hundred and sixty-eight euros and sixty-four cents) and was reduced to €43,801,375.64 (forty-three million, eight hundred and one thousand, three hundred and seventy-five euros and sixty-four cents) after distribution of the dividends.

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

The dividends will be paid out on June 14, 2010.

It should be noted that as the shares held by the Company do not entitle the holder to the dividend, the sum corresponding to the unpaid dividend on these treasury shares, during payment, will be allocated to the general reserve account.

It is also noted that:

- For the income tax on physical persons, the dividend will be eligible, for beneficiaries meeting the required conditions, to the rebate provided for in Article 158-3 of the General Tax Code

- the dividend, when paid to individuals not resident for tax purposes in France and whose shares or company interests are not registered in an equity savings plan, will have tax deducted at source for social-security contributions
- The same beneficiaries, who also intend to opt for the flat-rate 18% income-tax rate must inform the Company of this before the date of payment of the dividend

The General Shareholders' Meeting notes that the amount of dividends distributed and the total revenue of the share for the past three years were as follows:

Financial year	Number of shares	Net dividend (in euros)
2006	2,218,260	1.12
2007	2,223,810	1.30
2008	2,181.947	0.95

All the sums mentioned in the table above are eligible for the 40% allowance provided for in Article 158-3-2° of the General Tax Code.

FOURTH RESOLUTION

The General Shareholders' Meeting, ruling under the conditions of quorum and majority stipulated for Ordinary Shareholders' Meetings, after having heard the reading of the Statutory Auditors' special report on agreements referred to in Articles L. 225-86 et seq. of the Commercial Code, takes note of this report and approves the agreements presented in this report.

FIFTH RESOLUTION

The General Shareholders' Meeting authorizes the Executive Board, in accordance with Article L. 225-209 of the Commercial Code, to carry out any purchases or sales, on the stock exchange or off the market, of Radiall shares, up to a maximum of 10% of the share capital (184,812 shares) including in the form of a block(s) of shares, with the aim of:

- Continuing and, if necessary, amending the liquidity agreement signed on July 1, 2005 with ODDO MIDCAP or signing any identical contract with a provider of investment services, in accordance with the provisions of the code of ethics of the AMAFI recognized by the AMF

- Using the shares purchased to facilitate or enable the purchase of a whole number of shares as part of operations to combine shares in the Company

- Canceling shares in accordance with the conditions set by the law, in particular for optimizing the Company's general and financial management, subject to the adoption of the extraordinary seventh resolution presented below

- Honoring the obligations relating to the issue of shares granting access to the share capital, share purchase option programs, the allocation of bonus shares to members of staff and corporate officers, the allocation or disposal of shares to employees as part of profit-sharing schemes, employee shareholding schemes, or company savings schemes

- Keeping the shares purchased and using them in payment or exchange or otherwise for the company's external growth operations

The maximum purchase price per share may not exceed €100. There will be no minimum resale price per share. The maximum amount of funds which the Company may use for this share buyback program is €12,000,000.

This purchase authorization is given for a maximum of 18 months from the date of the General Shareholders' Meeting. It may also be used during a public purchase or exchange offering. It cancels and replaces the unused portion of the authorization granted by the Combined General Shareholders' Meeting of 27 May 2009.

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

The General Shareholders' Meeting, ruling under the conditions of quorum and majority stipulated for Ordinary Shareholders' Meetings, resolves to allocate to the members of the Supervisory Board, as compensation for their activities, in the form of attendance fees, a total annual sum of twenty-seven thousand (27,000) euros for the financial year ended December 31, 2009, it being specified that the total sum is to be divided between the members by the Supervisory Board itself.

1.2. Resolutions of the Extraordinary General Shareholders' Meeting

SEVENTH RESOLUTION

The General Shareholders' Meeting, ruling under the conditions of quorum and majority stipulated for Extraordinary General Shareholders' Meetings, having heard the report of the Executive Board and the special report of the Statutory Auditors, and in accordance with article 225-209 of the Commercial Code:

1. Authorizes the Executive Board to cancel, on its decision alone, on one or more occasions, all or some of the shares that the Company holds or may hold following the use of various authorizations to purchase shares granted to the Executive Board by the General Shareholders' Meeting, up to a limit of 10% per 24-month period of the total number of shares making up the share capital on the date of the operation

2. Authorizes the Executive Board to attribute the difference between the purchase amount of the canceled shares and their nominal value to any available line items for additional paid-in capital or reserves

3. Delegates to the Executive Board, with the option to sub-delegate in accordance with the law, all powers to reduce the share capital following the cancellation operations authorized by this resolution, outsource the corresponding accounting records, proceed with the related modification of the bylaws, and generally carry out all necessary formalities
4. Fixes the term of validity of this authorization at 18 months from the date of this Meeting, which cancels and replaces, for the unused totals, any prior authorization with the same purpose

EIGHTH RESOLUTION

Full powers are given to the bearer of an original or a copy of the minutes of this Meeting to carry out the filings and publications provided for by law.

2. MANAGEMENT BODIES

Supervisory Board

Yvon Gattaz	Chairman of the Supervisory Board
Bruno Gattaz	Vice-Chairman
Roselyne Gattaz	
Didier Lombard	
Robert Papin	

Executive Board

Pierre Gattaz	Chairman of the Executive Board
Michel Churg	Deputy Chief Executive*
Guy de Royer	Financial Director**

** Mandate ended following resignation on September 17, 2009*
*** Mandate started November 17, 2009*

Management Committee

Pierre Gattaz	Chairman of the Executive Board
Michel Churg	Deputy Chief Executive
Dominique Buttin	Director of the Aeronautic, Defense & Instrumentation Division
André Hartmann	Director Asia Zone
André Hernandez	Director Americas Zone*
Michel Molles	Director of Sales**
Frédéric Perrot	Director of the Telecom, Automotive & Industrial Division
Jean-Pierre Wilsch	Director of Human Resources
Guy de Royer	Financial Director
Denis Aubourg	Director of Sales***

** Retired on May 31, 2009*
*** Retired on August 31, 2009*
**** Joined the committee on March 1, 2009*

Statutory Auditors

MAZARS
Exaltis - 61 rue Henri Regnault
92 075 La Défense Cedex

FIDUS
12 rue de Ponthieu
75008 Paris

Alternate:
Guillaume Potel
Eric Lebegue

Person responsible for information:
Guy de Royer (Financial Director)
Tel.: +33 (0)1 49 35 35 35
infofinance@radiall.com

3. INFORMATION ON THE CORPORATE OFFICERS

Information on offices held in all companies as at December 31, 2009:

- **Yvon Gattaz, Chairman of the Supervisory Board**
  Date of first appointment: December 17, 1993
  End of current term of office: 2012

- **Bruno Gattaz, Member of the Supervisory Board**
  Date of first appointment: December 17, 1993
  End of current term of office: 2012
  Also Vice-Chairman of the Supervisory Board of Hodiall

- **Robert Papin, Member of the Supervisory Board**
  Date of first appointment: September 19, 1997
  End of current term of office: 2014

- **Didier Lombard, Member of the Supervisory Board**
  Date of first appointment: May 20, 2003
  End of current term of office: 2014
  Also a director of Orange, Thales, and Thomson and a member of the Supervisory Board of ST. Microelectronics. Chairman of France Télécom

- **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 Chairman of the Executive Board of Hodiall. Member of the Supervisory Board of Cegos S.A

- **Pierre Michel Churg, Member of the Executive Board**
  Date of first appointment: February 10, 1995
  Resigned: September 17, 2009
  Also a member of the Executive Board of Hodiall

- **Guy de Royer, Member of the Executive Board**
  Date of first appointment: November 17, 2009
  End of current term of office: 2012

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

	FY 2009	FY 2008
Pierre Gattaz (Chairman of the Executive Board)		
Compensation owed for the year	**297,569**	**293,712**
Value of options granted during the financial year	No options allocated in 2009	No options allocated in 2008
Value of performance shares granted during the financial year	No performance shares allocated in 2009	No performance shares allocated in 2008
TOTAL	**297,569**	**293,712**
P. Michel Churg * (Member of the Executive Board)		
Compensation owed for the year	**185,405**	**231,179**
Value of options granted during the financial year	No options allocated in 2009	No options allocated in 2008
Value of performance shares granted during the financial year	No performance shares allocated in 2009	No performance shares allocated in 2008
TOTAL	**185,405**	**231,179**
**Guy de Royer ** **		
Compensation owed for the year	**19,458**	
Value of options granted during the financial year	No options allocated in 2009	N/A
Value of performance shares granted during the financial year	No performance shares allocated in 2009	N/A
TOTAL	**19,458**	

** Until September 17, 2009, date of resignation of corporate office.*

*** From November 17, 2009, date of appointment.*

Executive corporate officers as at December 31, 2009	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
P. Michel Churg * Deputy Chief Executive 3/24/2006 9/17/2009	x			x		x		x
Guy de Royer ** Financial Director 11/17/2009 AGM 2011 accounts	x			x		x		x

** Until September 17, 2009, date of resignation of corporate office.*
*** From November 17, 2009, date of appointment.*

- **Breakdown of the Gross Compensation (Including Benefits in Kind) Paid During Financial Years 2008 and 2009 to Corporate Officers by Radiall SA, its Subsidiaries or Controlling Companies:**

Summary of Compensation Paid to each Executive Corporate Officer*

	FY 2008		FY 2009	
	Amounts owed	Amounts owed	Amounts owed	Amounts paid
Pierre Gattaz **Chairman of the Executive Board**				
Fixed compensation	287,433	287,433	290,513	290,513
Bonus compensation	0	0	0	0
Exceptional compensation				
Attendance fees				
Benefits in kind	6,279	6,279	7,056	7,056
TOTAL	**293,712**	**293,712**	**297,569**	**297,569**
P. Michel Churg ** **Member of the Executive Board and Deputy Chief Executive**				
Fixed compensation	223,525	223,525	178,033	178,033
Bonus compensation	5,206	8,619	5,619	5,206
Exceptional compensation				
Attendance fees				
Benefits in kind	2,448	2,448	1,753	1,753
TOTAL	**231,179**	**234,592**	**185,405**	**184,892**
Guy de Royer *** **Member of the Executive Board and Financial Director**				
Fixed compensation	N/A	N/A	19,189	19,189
Bonus compensation	N/A	N/A	N/A	N/A
Exceptional compensation	N/A	N/A		
Attendance fees				
Benefits in kind	N/A	N/A	269	269
TOTAL	N/A	N/A	**19,458**	**19,458**

** For their term of office.*

*** Member of the Executive Board until September 17, 2009.*

*** Member of the Executive Board from November 17, 2009.*

The bonus compensation paid to the members of the Executive Board in March 2009 corresponded to the personalized targets relating to the collective and individual results during the 2008 financial year (growth, profitability, operational excellence, etc.).

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

Non-executive corporate officers	Amounts paid during the 2008 financial year	Amounts paid during the 2009 financial year
Yvon Gattaz		
Attendance fees	4,000	4,000
Other compensation *	107,856	110,139
Bruno Gattaz		
Attendance fees	4,000	4,000
Other compensation		
Roselyne Gattaz		
Attendance fees	4,000	4,000
Other compensation		
Didier Lombard		
Attendance fees	7,000	7,000
Other compensation		
Robert Papin		
Attendance fees	5,000	5,000
Other compensation		

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

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 2009 financial year:

- The Executive Board **did not allocate any share subscription options**
- **No share subscription options** were exercised under the plan granted by the Executive Board on November 21, 2003
- **No share subscription options** were exercised under the plan granted by the Executive Board on September 17, 2005 to the Company's **ten highest-paid employees who are not corporate officers**

5. EXECUTIVE BOARD'S SPECIAL REPORT ON SHARE TRANSACTIONS BY SENIOR CORPORATE OFFICERS

In accordance with the provisions of Article L. 621-18-2 of the Monetary and Financial Code regarding corporate shares and Article 222-14 of the regulation of the AMF, we inform you that, during the 2009 financial year, no share transactions were carried out by executives.

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