Contents

AMF | AUTORITÉ
DES MARCHÉS FINANCIERS

This registration document was filed with the *Autorité des Marchés Financiers* (French Financial Markets Authority) on April 29 2010, in accordance with Articles 212-13 of the AMF’s General Regulation. It may be used to back a financial transaction if it is accompanied by a prospectus signed by the French Financial Markets Authority.

The filing No. of this document is D.10-036

This document references the following:
- The registration document filed with the AMF on May 5, 2009, under number D.09-0396, relating to the parent company and consolidated financial statements for fiscal year 2008.
- The registration document filed with the AMF on April 29, 2008, under number D.08-0319, relating to the parent company and consolidated financial statements for fiscal year 2007.

Audika: the hearing correction specialist

More than 30 years of experience

Interview with the Chairmen

Alain and Jean-Claude Tonnard

How would you sum up the business environment in 2009?

Jean-Claude: There were two phases to the 2009 business year. The first half of the year was consistent with the rate of growth in late 2008, marked by an unprecedented economic crisis. The global crisis has had an impact on the behavior of our customers, who seem to have adopted a wait-and-see attitude, delaying the decision to buy or to upgrade.

Alain: The entire industry was affected in 2009 by the crisis, which, however, in no way jeopardizes the medium- and long-term outlook in our market. Moreover, as the demand for hearing devices remained consistently high, the situation improved gradually as the year progressed. Organic growth therefore improved quarter after quarter, turning positive again by the end of the year.

What was the strategy adopted by Audika during this turbulent period?

Jean-Claude: Buoyed by our excellent financial fundamentals, we decided to stay on the offensive by continuing to invest in our two high-priority areas: developing our networks in France and in Italy and stepping up advertising through our new public relations campaign.

Alain: Our efforts proved effective because our store traffic indicators were good and we were able to revive our growth momentum. Also, starting in late 2008, we began a project to optimize our costs, which allowed us to post the second best performance in the Group's history in terms of operating income in 2009. This is extremely important because it gave us the opportunity to continue to grow our retail network under excellent conditions.

Can you give us an update on the growth of your retail networks?

Jean-Claude: 2009 was a banner year for us as we exceeded our goal of 400 centers in France and now cover almost all of the country. We are continuing to grow through acquisitions and new centers with the aim of solidifying our coverage. 2009 was a year in which we revamped our trading name with a new-look graphic identity which we are starting to roll out to all our centers.

Alain: In 2009, we doubled the size of our retail network in Italy and now have total of 46 hearing centers. So we are a year ahead of our initial schedule. We were able to seize a major opportunity by acquiring a network of 18 hearing centers in the Bologna area. Strengthened by this network, we launched our first advertising campaigns on Italian national television, deploying our brand implantation strategy.

You also began a new public relations campaign in 2009.

Alain: Yes, 2009 was the year of our first advertising campaign of the post Robert Hossein era. Awareness of the Audika brand has increased substantially over the last few years and the time was right to leverage its strength. Although the form has changed, our advertising strategies continue to target the same objective: removing the stigma of wearing a hearing aid, which is the principal obstacle in the way of acceptance.

Jean-Claude: Indeed, the task before us is evangelizing the market because the percentage of hearing aid users among the population with hearing loss is still less than 20%. This is why we are continuing to dedicate nearly 7% of our revenue to national and local marketing and advertising campaigns.

What are your ambitions for 2010?

Alain: We are starting out the new business year with confidence and a different set of goals for France and Italy. In Italy, after experiencing rapid growth, we decided put acquisitions of new centers on hold as we work on making our organization as efficient as possible before resuming expansion. Specifically, we plan to create new hearing centers close to current platforms to optimize the working hours of our teams.

Jean-Claude: In France, we plan to pursue steady growth by actively expanding our retail network. We remain committed to our goal of 30 to 40 new hearing centers a year, underscoring that 14 new centers have already come under our banner since the beginning of 2010. The market remains highly fragmented, with more than 2,000 centers that are either independently operated or part of cooperative retail networks, representing significant opportunities for growth. Our next objective is to reach a total of 700 centers in France.

So your confidence is high for the medium term?

Alain: Yes, our group has been growing in a market that offers bright prospects for growth. The low percentage of hearing aid users and the aging of the population are the main growth drivers, especially since baby boomers are going to be entering our core market as they start turning 65 in 2010. This is expected have a gradual accelerator effect in France and in Italy.

Jean-Claude: Moreover, noise pollution has accelerated the onset of age-related hearing loss (presbycusis) among adults, which is expected to result in new demand soon. Our Group has very bright growth prospects over the next few years.

Rapid growth hand-in-hand with a "family" tradition

1976

Alain and Jean-Claude Tonnard set up a structured network of hearing correction centers in a market consisting entirely of independent hearing aid practitioners.

1977

The Sarffa logistics platform is created.

1979

Audiometry makes its debut in France, revolutionizing the methods used in the hearing aid industry by introducing the concept of a comfort threshold.

1980

Audika launches its first national advertising campaign.
The Audika brand is created and the Group's first TV ad is broadcast.

1998

Audika is listed on the Second Marché of the Paris Stock Exchange on May 26. Development of a growth strategy through mergers and acquisitions, with 4 acquisitions, including 2 of major significance.

2006

The Group operates more than 300 hearing centers in France.

2007

Start-up of Italian operations.

2009

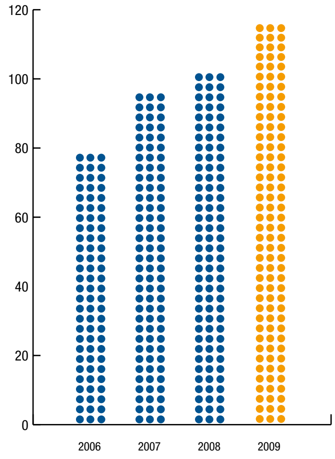
More than 450 centers in France and Italy.

Standing, left to right: Etienne Sirand-Pugnet *(Corporate Secretary, Investor Relations)* - Julien Tonnard *(Program Coordinator)* - Patrick Tonnard (Marketing Director) - Didier van den Berg *(Chief Financial Officer)* - Grégory Ly *(Human Resources Manager)* - Nicolas de Prailles *(Information Systems Director)* - Yannick Ferret *(Retail Network, France)* - Michael Tonnard *(Program Coordinator)* - Philippe Langzam *(Corporate Development Director)*

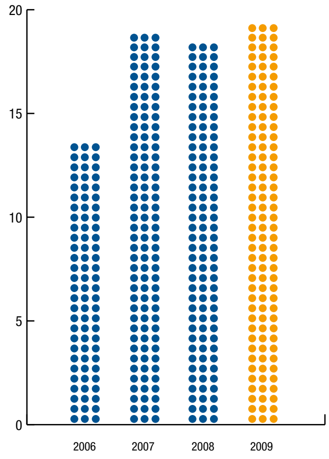
Sitting, left to right: Alain Tonnard *(Co-Founder and Chairman)* - Vincent Brian *(Managing Director of Operations - France)* - Dominique Baudouin-Tonnard *(Public Relations Director)* - Philippe Chapalain *(Managing Director of Operations - Italy)* - Jean-Claude Tonnard *(Co-Founder and Chairman)*

In this context of rapid growth, Audika Group places a great deal of importance on the family nature of the business, built around its two visionary founders, Alain and Jean-Claude Tonnard. In a service business where the men and women who make up Audika's workforce are central to the customer relationship, the Group was able to gradually bring in outside talent while at the same time preserving its tradition of excellence and innovation in terms of products and services.

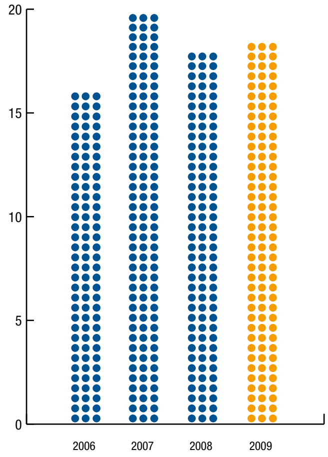
Key figures



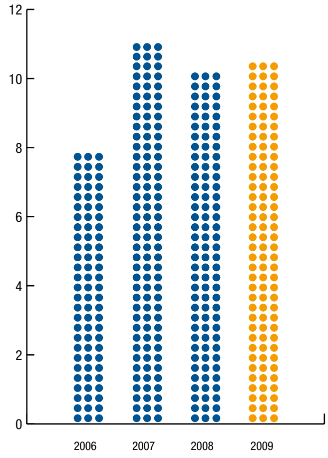
Revenue
(in EUR millions)



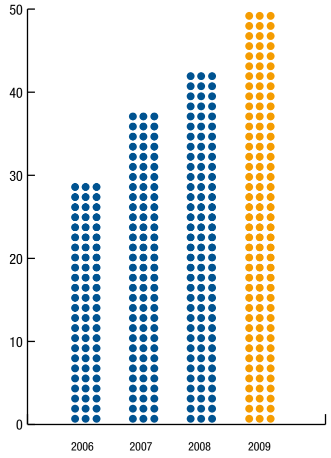
Recurring operating income
(in EUR millions)



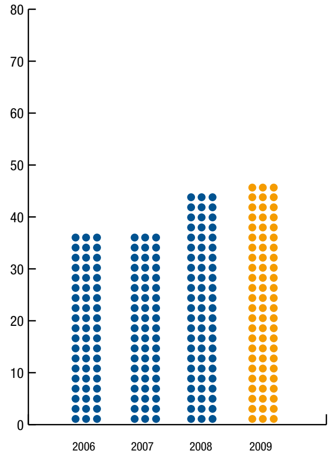
Recurring operating margin (%)



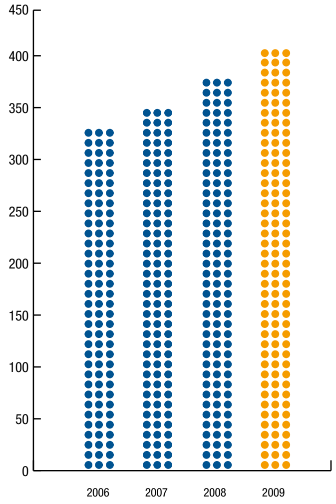
Net income
(in EUR millions)



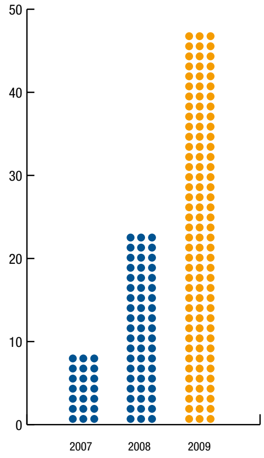
Shareholders'equity
(in EUR millions)



Gearing (%)



Number of Audika
hearing centers in France



Number of Audika
hearing centers in Italy

Shareholders' brochure

Financial institutions that publish financial analyses on Audika

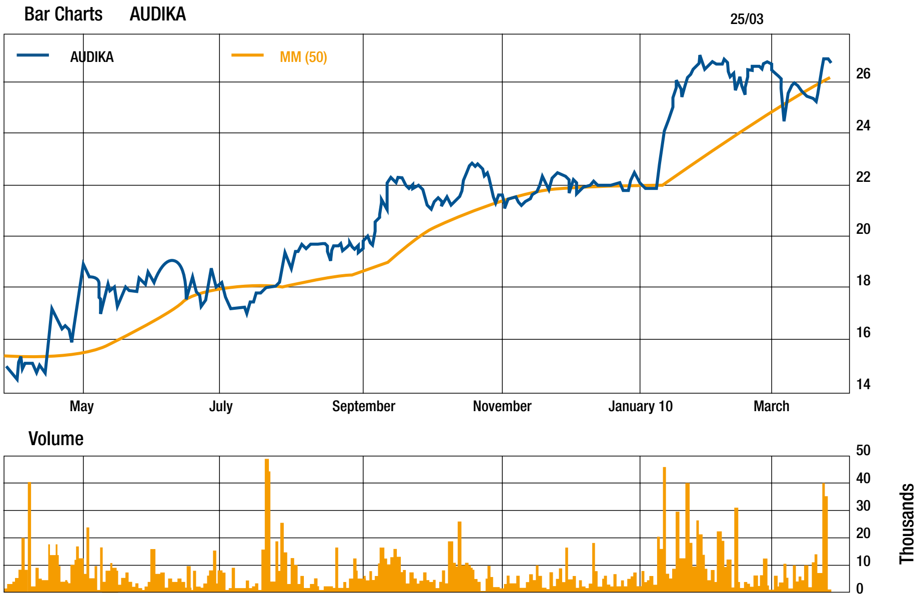
Arkeon Finance, Berenberg Bank, Cheuvreux, Exane, BNP Paribas, Gilbert Dupont, Goldman Sachs, HSBC, Natixis Securities, Oddo Midcaps Portzamparc

Holding structure at December 31, 2009

A steadfast dividend policy

Since its listing on the Second Marché in 1998, Audika Group has implemented a steadfast policy of paying a dividend. Encouraged by its excellent earnings the Group has chosen to continue the policy of distributing 37% of net income, i.e. a dividend of €0.42 per share, for the 2009 reporting period.

1-year share performance



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Audika shares

Number of shares: 9,450,000
Market capitalization at March 25, 2010: EUR 254 million
Audika is listed on NYSE Euronext, Compartment B (Mid Caps), and is included on the SBF 250
CAC Mid & Small 190 and the CAC Small 90 indexes.
ISIN FR0000063752-ADI
Reuters DIKA.PA
Bloomberg ADI

Receive all our financial information free of charge via e-mail
by registering at http://finance.audika.com or www.actus-finance.com

An energetic shareholder-oriented corporate communications policy

In order to maintain regular, transparent and full disclosure to its shareholders, Audika has devised a financial communications policy that includes:

- a full annual report, filed with the Autorité des Marchés Financiers (French Financial Markets Authority) as its reference document;
- financial notices in the economic and financial press as well as numerous press releases generally distributed through stock market websites available to the public;
- regular meetings with analysts, managers and journalists throughout Europe and the United States;
- statutory publications issued through the AMF-approved publication distributor, Actusnewswire, in accordance with the European Transparency Directive;
- a complete, regularly updated website in French and English (www.audika.com).

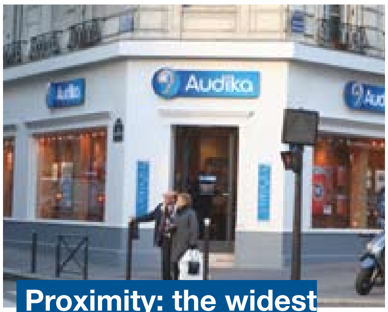
Main financial release dates in 2010

Date	Event
January 23, 2010	Revenue for the fourth quarter of 2009
March 23, 2010	Meeting for the presentation the 2009 financial results
April 12, 2010	Revenue for the first quarter of 2010
June 16, 2010	Shareholders' Meeting
July 19, 2010	Revenue for the second quarter of 2010
September 7, 2010	Meeting for the presentation of 2010 half-yearly results
October 11, 2010	Revenue for the third quarter of 2010

Audika is a major player in the hearing correction market. Today, Audika Group is a partner of the world's leading hearing aid manufacturers, the leading retailer in France and, in the space of just two years, an ambitious challenger in Italy.

A recognized brand

Proven marketing expertise



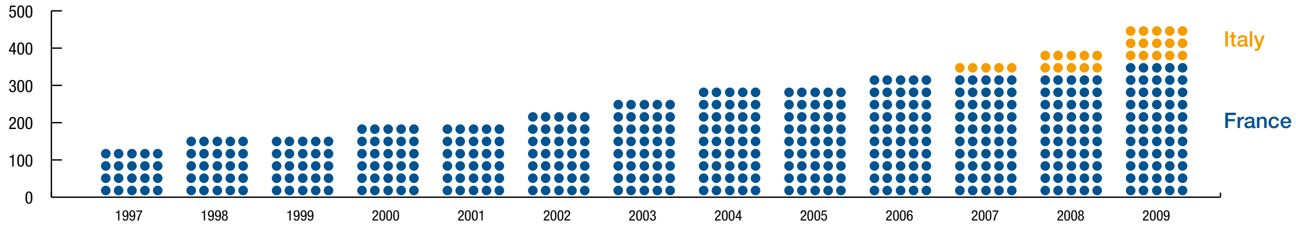
Proximity: the widest network coverage possible

An Attractive federating entity

In France as in Italy, Audika's strategy is focused on 4 key areas of development. The Group has successfully combined the brand's organic growth and marketing expertise with acquisition opportunities thanks to the Group's umbrella appeal and its tradition of excellence.

A network of more than 450 centers in France and in Italy

Since its founding, Audika Group has continually maintained a long-term strategy aiming at rapidly and regularly reinforcing its position in the countries where the Group does business.



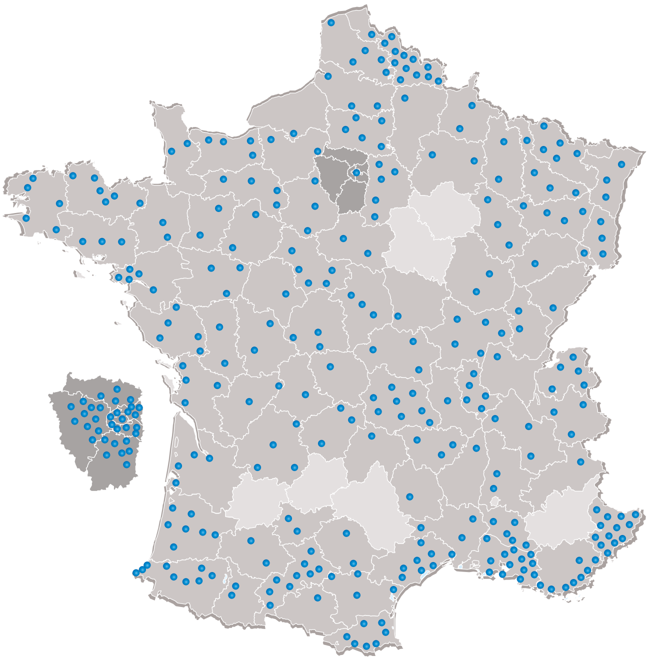
Growth in the number of Audika hearing centers since 1997

Audika's development is pursued through the construction of a network of company-owned retail locations aiming at gradual and complete national coverage. The Group is engaged in bolstering its market position by creating new centers, solidifying its coverage of the market and exploiting all opportunities for growth in any given region.

Relying on a team of highly professional hearing aid practitioners, who receive continuous training in the latest technological advances, the Group is at the heart of relations between the various market participants, from manufacturers to specialist physicians to customers, and is committed to the goal of removing the stigma associated with wearing a hearing aid, an attitude that is still prevalent in European countries.

France: Strengthening our leadership position

In France today, Audika's operations rely on a network of more than 400 hearing centers covering 84 regional departments. This makes Audika the largest network of hearing centers specializing in corrective hearing in France. Hence, the Group is able to provide a conveniently accessible solution to almost anyone worried about hearing loss. This network was built by the steady acquisition of new hearing centers and by starting up new locations in densely populated areas. Today, Audika has a presence in nearly all French regional departments, allowing it to take full advantage of its national advertising campaigns.



A goal of 30 to 40 new hearing centers a year

Given its solid financial position, the Group is actively pursuing the development of its retail network in France. In 2009, with 24 new hearing centers, 17 of which were acquisitions and 7 started up by the company, the Group exceeded its target of 400 centers and is gradually moving toward its medium-term objective of 700 centers.

Table of retail brands in France

(Audiophonology Directory)

Number of hearing centers in February 2010	
AUDIKA	**406**
AMPLIFON	**321**
MUTUAL COMPANIES	**291**
COOPERATIVE BRANDS	**1,026**
INDEPENDENT	**1,351**
MARKET TOTAL	**3,395**

Audika continues to enjoy strong growth potential as the hearing correction market remains very fragmented. Today, the size of hearing correction market is estimated at 3,395 retail centers, 1,351 of which are independently owned and more than 1,000 operated as part of cooperative retail networks, constituting a substantial number of potential acquisition targets for the next few years. In the 2010 business year, Group plans to strengthen its retail network by 30 to 40 new hearing centers, 14 of which were acquired in early 2010, including the Group's first presence in two regional departments: Hautes-Alpes and Lozère.

Italy: A year ahead of the initial development schedule

By of the end of 2009, Audika had built a network of 46 hearing centers and was nearly a year ahead of schedule in its initial development plan. This rapid growth in its network is a testimony to the success of the ambitious program focused on Italian hearing aid practitioners. It was also the result of seizing a major opportunity: the acquisition of a network of 18 hearing centers in the Bologna area.

As planned, the Group has concentrated its development in the main cities of northern Italy and now has several hearing centers in Rome, Milan, Turin, Bologna and Perugia.

Deployment of synergies in 2010 before resuming acquisitions in 2011

Audika has put its acquisition program on hold for 2010 in order to consolidate the organization and improve the efficiency of its retail network. However, the Group will continue expansion by adding proximity to its current market presence so that it can cover a wider area using the same team of hearing aid practitioners.

Initial synergies are also being finalized. Hearing centers in Italy are already benefiting from Group pricing for hearing devices and the introduction of Audika financing services (payments in 10 interest-free installments, Customer Rewards cards, etc.). The Group is also starting up a large-scale training program for its hearing aid practitioners to roll out its corporate culture, underpinned by the quality of customer service, the excellence of its recommendations and services rendered.

Audika therefore plans to consolidate its network before resuming its acquisition program under improved conditions in a market that is considerably behind France in terms of the number of hearing correction centers for an equivalent demographic size.

An Attractive federating group

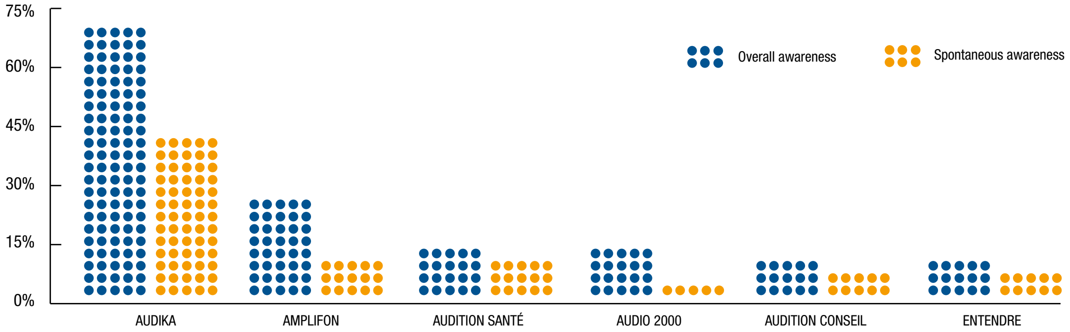
Multiple advantages await any independent hearing aid practitioner who joins Audika Group. Upon joining Audika, the practitioner immediately starts to benefit from the Audika brand marketing strike force, which enables him or her to grow the business with fewer headaches and frees up more time to devote exclusively to the profession. The practitioner can also take advantage of the training programs offered by the Group throughout the year so customers can be regularly updated on the latest advances in the market.

The Audika training team

The 2010 Public Relations Campaign

The shift introduced in 2009 aiming at communicating solely around the brand and no longer through an ambassador fully met the Group's expectations. Audika has increased its lead over the competition in brand awareness. Notably, overall awareness is an outstanding 71% in the core market of consumers over the age of 60.

A brand awareness survey of consumers over the age of 60 (IFOP, February 2010)



2010: Continuous innovation

As a market leader, Audika is required to stay at the cutting edge of the industry and to regularly refresh its advertising campaigns to win over a steadily growing population.

Audika's 2010 public relations campaigns reflect this strategy and will have a new slogan "You can live without hearing well, but why would you want to?" and a new brand signature "Audika, live life to the fullest."

These new messages and sales pitches notably aim at removing the stigma of wearing a hearing aid, which is still perceived as the equivalent of a handicap. Indeed, many people with hearing loss refuse to recognize the impairment. They are also focused on a growing population as the customer base is expected to grow younger in the next few years.

Our advertising spots are designed to demonstrate the consumer benefit (well-being, confidence) of wearing a hearing aid using simulations of situations in which anyone might find themselves one day. This proximity strengthens the affective link to the brand and is in perfect harmony with our strategy of covering all of France.

Audika

la Vie plus intense !

Proven marketing expertise

In 2010, Audika expects to continue investing in public relations, allocating nearly 7% of its revenue to advertising and marketing. Today, Audika Group is an undisputed partner of the world's leading hearing aid manufacturers and is a committed participant in the development of the hearing correction market, especially growth in markets where hearing aid use by persons with hearing loss is low.

The Group's strategy notably relies on persuasive marketing and customer retention expertise that aims to regularly communicate with potential hearing aid prescribers and directly attract potential customers to our hearing centers to convince them that wearing a hearing aid on a daily basis is to their advantage. This public relations strategy is broken down into several focal areas:

Professional advertising

Within the Group's public relations and advertising organization, substantial attention is devoted to developing relationships with ENT doctors, as in France dispensing a hearing aid requires a prescription. Consequently, the Group publishes a quarterly newsletter directed at ENT doctors to keep them abreast of the latest advances in technology or services.

Consumer advertising

30 years of experience in the field has enabled the Group to develop effective marketing tools, notably in managing customer records recognizing that a customer can be expected to upgrade his or her hearing aid every four to five years to achieve better performance. The Group focuses its initiatives on several areas:

National advertising: with the airing of television and radio spots and placing ads in newspapers that are suitable for the core market. In addition to developing Audika's brand awareness, such campaigns aim at facilitating and accelerating contact with hearing aid practitioners at Audika hearing centers by accepting appointments from callers via a toll-free number or reply coupons.

Direct marketing: through mass mailings relying on customer records. The Group will also organize product expos in different cities; for example, in 2009 the Group organized more than 700 such events.

Online marketing: Audika Group, which continually strives for innovation, is gradually developing its presence on the Internet. Seniors are among the most frequent users of this tool. In late 2009, Audika rolled out its first Internet game contest in parallel with mass e-mailing campaigns.

"Image-promoting events"

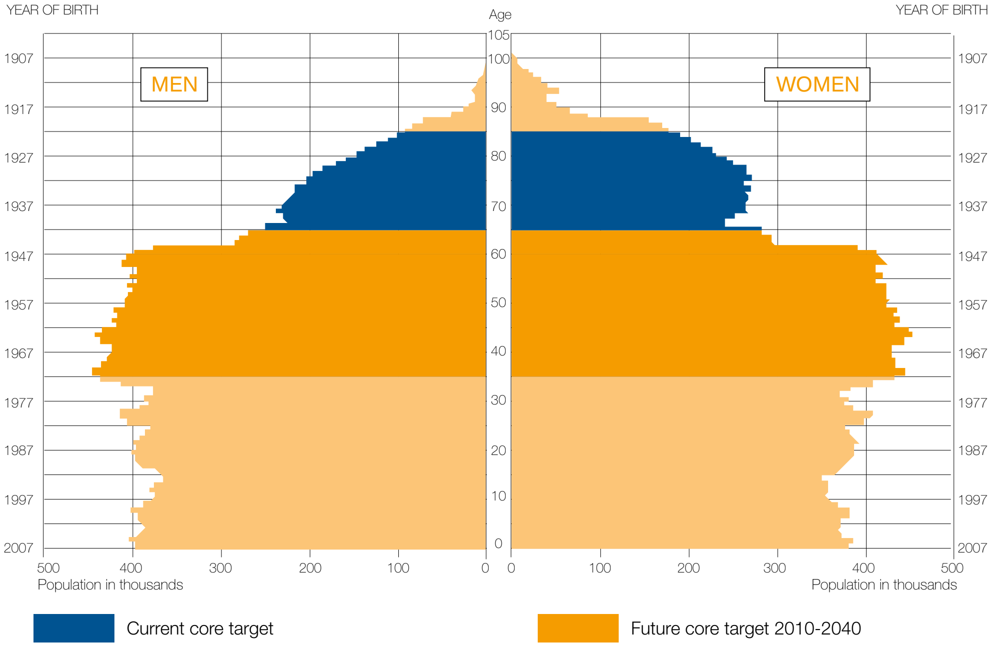
The Group is also a regular participant in institutional events, such as partnering with institutions on National Hearing Day. In a somewhat different vein, Audika has also joined an effort led by DJ David Guetta aiming at raising awareness among youth of the importance of protecting their hearing at concerts.

Distribution of 80,000 earplugs in Ibiza (Summer of 2009)

Favorable demographic trends

The main growth driver in the hearing correction market is the aging of the population.
People are living longer and the elderly enjoy better health. Moreover, average life expectancy has increased by five years for women and nearly four years for men since 1960.
Between 2009 and 2030 the population of people aged 65 and older will grow by 52.3% (40 million).

Purposely positioned on the market for hearing correction solutions aimed at senior citizens and specifically targeting the 65 to 85 age group, Audika and the market as a whole are expected benefit from the gradual arrival of the “oldies boom” generation into their core market. This demographic trend is only in its initial phase, with the peak expected to straddle the years from 2012 to 2015, as indicated by France’s population pyramid (similar to that of Italy).



POPULATION OF FRANCE
PRELIMINARY ESTIMATE AS AT JANUARY 1, 2008

Because the “baby boom” generation was exposed to noisy environments starting at a very early age, the onset of age-related hearing loss (presbycusis) is likely to occur earlier. Furthermore, this population, which communicates heavily, is expected to be less resistant to wearing hearing aids as long as they are less conspicuous and better performing.

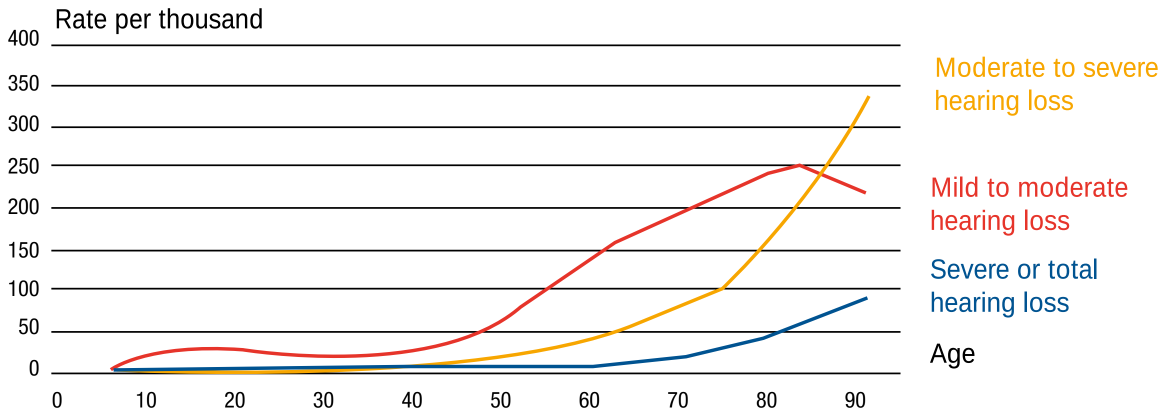
The average age for the first-time purchase of a hearing aid is now over 70 but this is expected to gradually decline. At the same time, with increased life expectancy, hearing aid replacement will occur more frequently, which will automatically have a positive effect on Audika.

Presbycusis, the natural loss of hearing

Presbycusis is an age-related change in hearing which is noticed after the age of 50 and gradually worsens. Although it is difficult to quantify the prevalence of presbycusis with certainty, it remains the most frequent cause of hearing loss in persons over the age of 50. It is estimated that 2/3 of adults over 50 do not hear correctly and 45% have real difficulty in following conversations.

Just like the rest of the body, the hearing system ages and its functions deteriorate. This concerns most parts of the ear but it is specifically the deterioration of sensory cells in the inner ear that is responsible for the greatest impairment. In fact, their degeneration and subsequent disappearance results in a decrease in hearing ability which varies with age and in degree of severity.

The onset of presbycusis generally occurs around 50 years of age and progresses unnoticeably as most people are unaware of the deterioration of their hearing. The reason is due to the fact that there are no benchmark sounds for assessing hearing, unlike vision, where the loss in visual acuity can be noticed while reading.



Prevalence of hearing deficiency based on age and severity

Just one solution, the use of hearing aids

Today, there is no medical treatment for age-related hearing loss. Wearing hearing aids is therefore the only efficient solution. Presbycusis occurs as a result of the natural process of hearing. High noise levels associated with work and entertainment constitute a risk that is reflected either by sharp and dramatic accidents such as hearing trauma or, more likely, by early onset of presbycusis.

Increasingly discreet and effective products

Hearing aids use digital technology that has evolved considerably to increasingly resemble natural hearing. Hearing aids do not change the hearing impairment; instead, they process sound.

Although they have no therapeutic impact, they facilitate communication by the people who wear them with those around them and in their daily lives. Hearing aids amplify sound and for several years now they have been able to process sound digitally. Digital devices are more reliable, easily customizable and, most importantly, more comfortable to wear than the hearing aids of the past. They deliver excellent perception of the surrounding sound environment and improve the wearer's ability to follow conversation. However, noisy environments still remain a challenge.

There two types of hearing devices: those that fit the contour of the outer ear and those worn inside the ear canal. Both types deliver more or less equivalent performance. The hearing aids selected by Audika from the leading manufacturers around the world incorporate both the newest technological advances and extreme miniaturization to offer optimal hearing quality and discretion. Audika is therefore able to offer a wide range of digital hearing solutions boasting cutting-edge technology.

Behind-the-ear aid

Audimini, discretion assured

With its miniature sizing, the Audimini offers ultra-discretion by “disappearing” behind the ear just like a behind-the-ear communications device. With its ultramodern design, the device comes in 17 different colors and the battery is now rechargeable.

Audicom, a wireless communications device

Thanks to Bluetooth technology, this hearing device can communicate wirelessly with everyday devices (if they are Bluetooth-enabled): cell phones, land-line telephones, computers, and MP3 players.

In-the-ear aid

Audipuce, the smallest hearing aid in the world

Thanks to nanotechnology, this hearing aid can be hidden in the ear canal and is totally invisible. Because of the technological strides that are made every year, this device can now cover all degrees of hearing loss.

Products and services with high added value

Since its founding, Audika has been committed to developing products and services with the highest possible degree of quality to make wearing a hearing aid effortless for its customers. The Group provides more than 10,000 hours of training per year to its employees to keep them up-to-date on the latest emerging technology and to impart Audika's good practices (customer service, devices, follow-up) underpinned by more than 30 years of experience.

Removing stigma is a priority

When a person with hearing loss enters one of our centers, in most cases this customer is unconvinced of the necessity of wearing a hearing aid because doing so is still associated in the collective mind with disability and old age. Despite the ergonomic and aesthetic advances of our products, such reticence is frequently encountered, especially when the customers walk in as a result of an advertising campaign.

To address this, Audika Group has developed a personalized customer welcome protocol that enables it to assist the customer, provide reassurance and to enquire about the person's lifestyle so it can recommend the best-suited hearing aid. Recently the Group has organized free trials at its centers, allowing the customer to try out the product on appointment with no commitment and which has been effective in overcoming the acquired preconceptions on wearing a hearing aid.

Hearing aid consultation and adjustment: an essential step in customer satisfaction

Whatever the intrinsic and technological effectiveness of the hearing aid, optimal performance requires proper adjustment. In fact, a certain period of «auditory reeducation» is needed during which the brain learns how to hear and recognize sounds. Two to three follow-up sessions over the first 3 months are needed to make the necessary adjustments and assess the progress of reeducation. This helps the wearer to gradually become gently accustomed to wearing a hearing aid and ensures optimal hearing comfort.

In this respect, Audika has developed its own methodology: the Audirama hearing assessment, an acoustic set-up that recreates the sounds of daily life by diffusing 360° sounds and allows the patient to precisely identify those settings that deliver the best performance and efficiency based on daily habits.

Commitment to customer service

Once the hearing aid has been adjusted, the practitioner usually carries out a few tests – at least 2 on average – to make sure the wearer enjoys consistent long-term comfort. Presbycusis evolves over time and the follow-up provided by Audika experts is needed to adjust the original settings for greater effectiveness.

A comprehensive service offer

Audika has concurrently developed full range of unique services for the marketplace that meet the needs of its customers in the areas of customer assistance, follow-up, protection and financing. The main services offered by the Group are:

The Satisfaction Guarantee If the customer is not fully satisfied with the hearing aid, Audika will exchange it free of charge within two months of purchase.

The Audika Package Bundles a hearing solution, the “Customer Rewards» card (enhanced warranties, rebates) and a comprehensive insurance policy (four-year policy covering hearing aid loss, theft or damage) into a single package.


Nous sommes N°1,
nous vous offrons
une Assistance Nationale

400

Nationwide Customer Service
Audika offers an original solution to address the growing mobility of its customers. Audika customers, no matter where they are, can walk into any Audika hearing center, retrieve their customer record and receive the same quality of service that they get at home.

The 10-installment, interest-free payment plan
Since 2006, the Group has been offering its customers a 10-installment payment plan allowing them to finance their hearing aid over time.

Accessories ranging from comfort to protection
In addition to hearing aids, Audika offers its customers a full range of accessories and services to address their every need. This service offer, duplicated in France and in Italy, and has enabled the Group to stand out from the competition.

All hearing aid accessories, such as batteries, constitute an integral part of hearing aid performance and have been selected for reliability and recommended by experts.

1

Chapter

Persons responsible

Contents

1.1. Person responsible for the 2009 registration document (containing the annual financial report)

Mr. Alain Tonnard, Chairman of the Board of Directors and CEO of Audika.

1.2. Certification of the person responsible for the 2009 registration document certification

I hereby certify that, to the best of my knowledge and having taken all measures to this effect, the disclosures contained in this registration document are true and that there are no omissions that impair its meaning.

I hereby certify that, to the best of my knowledge, the financial statements have been prepared in compliance with all applicable accounting standards and provide a faithful image the assets, financial situation and results of the company and of all companies included in the consolidation scope, and that the Management Report found on pages 139 through 141 fairly describes the development of the business, earnings and financial situation of the company and all companies included within the consolidation scope, including a description of the principal risks and uncertainties to which they are exposed.

I have obtained the Statutory Auditors' certification, stating that they have verified the disclosures made relating to the company's financial position and the financial statements as presented in this registration document and that they have read this registration document in its entirety.

The historical financial disclosures presented in the registration document were addressed by the Statutory Auditors' reports found on pages 117 and 118.

The report on the consolidated financial statements of the period ended December 31, 2009 contains a comment on the change in accounting method for the reporting period.

Paris, April 29, 2010

Alain TONNARD
CEO and Chairman of the Board of Directors

The schedule below summarizes all financial assets based on contractual maturity:

	Not later than 30 days	From 31 to 120 days	From 121 days to 1 year	Later than 1 year	Total
Trade and related accounts	5,151	3,221	1,515		**9,887**
Tax receivables	958	477	636		**2,071**
Social security receivables	38	30	13	96	**177**
Other receivables	7	1,993	27	1,078	**3,105**
Total	**6,154**	**5,721**	**2,191**	**1,174**	**15,240**

There is little risk in cash collection of trade accounts because such receivables are mainly comprised of receivables from social security and from hearing device manufacturers which the Group uses. Receivables from individuals to whom the group has granted deferred payment remain negligible.

Furthermore, nearly 24% of the revenues of French hearing centers are financed by a loan for which the risk of non-recovery is borne by the financial institution.

The vast majority of provisions for impairment of accounts receivable are either provisions made before inclusion in Group consolidation or provisions made after inclusion in Group consolidation and which have triggered an asset guarantee.

4.1.2.3. Risques de liquidité et trésorerie

See Chapter 20, Note 12, Paragraph 12.5.3.

4.2. Legal risks

Audika Group is not involved in any disputes which could have a material effect on its financial position

Like all other paramedical practitioners, hearing care practitioners are obligated to keep the personal information of each customer confidential. The Group's information systems are configured to safeguard this confidentiality.
Finally, the Group is insured against injury caused by hearing care practitioners during the fitting, and notably when making hearing aid moulds.

4.3. Industrials risks associated with the environment

Audika has opted to outsource all manufacturing activities to industrial partners, which are required to meet rigorous selection criteria. As it conducts no manufacturing activities of its own, the Audika Group does not own any industrial manufacturing sites. Indeed, the Group's involvement in industrial processes is essentially restricted to its role as coordinator of the various sub-contractors and suppliers who intervene at each stage in the life cycle of its products and, as such, they are directly liable for environmental impact.

Although its business segment is deemed to produce a low level of pollution, Audika maintains a firm commitment to protecting nature and the environment.

Accordingly, the company's consumption of water and energy remains low, limited to the Group's retail locations and administrative offices.

Pursuant to Decree 99-37 of May 12, 1990, which establishes a regulatory framework for recycling used batteries and power packs, whether or not they are built into a device, all manufacturers, importers or distributors of batteries are required to collect used batteries in accordance with specific directives

Since January 1, 2002, a receptacle for disposing of used batteries is available at every hearing center. These batteries are then packed for shipment to a company that specializes in waste collection and recycling (SCRELEC), which is responsible for collection. SCRELEC is paid through a tax levied by suppliers on all sales in effect since January 1, 2002.

4.4. Commercial risks

See Chapter 20, Note 12, Paragraph 12.5.1.

4.5. Insurance and the level of coverage for all risks

The Audika Group is comprehensively insured against all risks inherent to its activity by AXA Group. Coverage extends to the entire head office (Paris), the logistics and supply chain platform and all hearing instrument fitting centers.

The main insurance policies taken out cover:

	Head office and hearing centers	Clichy facility (logistics platform)
Legal liability	EUR 11,181,000/claim	EUR 11,181,000/claim
Business interruption	EUR 7,068,000/claim	EUR 7,068,000/claim
Company multi-risk	EUR 802,000/claim	EUR 2,801,000/claim

4.6. Social and tax risks

Audika Group is subject to regular tax and benefit audits by the competent entities and agencies. Previous tax audits have had no material effect on the Group’s results.

4.7. Other specific risks

The Audika Group is conducting a review of risks which could have a damaging impact on its business activities, financial position or revenue and deems that there are no other significant risks other than those presented.

4.8. Principal risks and uncertainties to which Audika is exposed

4.8.1. Financial Risks

4.8.1.1. Exposure of the company to price, credit, liquidity and treasury risk.

Audika conducted a special review of its liquidity risk and deems that it is able to meet future scheduled payments.

4.8.1.2. Market risks (interest rates, exchange rates and financial instruments)

- Interest rate risks: Audika carries approximately 99% of the Group's loans. See Section 4.1.1.2.
- Currency risks: Revenue, operating expenses and investments are all denominated in EUR.
- Counterparty risk on financial instruments: negligible.

4.8.2. Use of financial instruments by the company (Company objectives and policies in the area of financial risk)

As at December 31, 2009, Audika had hedged loans against rising interest rates in the amount EUR 15.2 million. This hedge expires on July 25, 2013.

4.8.3. Other significant risks to which the Group is exposed

The company conducted a review of those risks which could have significant negative effect on its business activity, financial position or revenue (or its capacity for attaining its objectives) and deems that there are no other significant risks other than those presented.

5

Chapter

Information on the issuer

Contents

5.1. History and development of the company

5.1.1. Company name

AUDIKA

5.1.2. Company location and registration number

Paris Trade and Companies Registry
SIREN No.: 310 612 387

5.1.3. Registration date and term

Registration date: August 4, 1977
Term: until August 4, 2076 unless extended or dissolved in advance by vote of the Extraordinary Meeting of Shareholders.

5.1.4. Head Office – Legal Form – Governing Law

Address of the head office: 58, avenue Hoche - 75008 PARIS.
Telephone number of the head office: +33 (0)1 55 37 30 30
Legal form: a public limited company (société anonyme) with a Board of Directors
Law governing the issuer's business activities: the laws of France, in particular Articles L.225-1 through L.225-257 of the Commercial Code.
Country of origin: France

5.1.5. Significant events in the company's development

5.1.5.1. Significant equity interests owned by the Group in French companies during the reporting period:

Pursuant to Article L.233-6 of the French Commercial Code, it is noteworthy that during the reporting period, equity interests amounting to over 5%, 10%, 20%, 33.33% or 50% of capital or voting rights, or controlling interests acquired by Audika other companies with their head offices in France, were as follows:

		Threshold breached	
Date	**Corporate name of target company**	**Equity**	**Voting rights**
Jan. 12, 2009	Audition Bonnard (1)	100%	100%
July 2, 2009	Hugo Acoustic (1)	100%	100%
July 1,.2009	Audiocal	100%	100%
Sep. 28, 2009	Centre Acoustique de Montbéliard	100%	100%
Oct. 1, 2009	Audio Conseil F. Carré	100%	100%
Oct. 2, 2009	Gardanne Audition	100%	100%

(1) Audition Bonnard and Hugo Acoustic were acquired during the reporting period

5.1.5.2. Significant interests acquired by the Group in foreign companies during the reporting period

- On March 4, 2009, Audika Italia acquired 100% of the shares of Udito Romagna.

5.2. Investments

5.2.1. Major investments by the company during the periods covered by historical financial disclosures

Audika is primarily a holding company and as such is not designed to own significant intangible assets or property, plant and equipment.

The Audika Group made no significant investment during the reporting period.

5.2.2. Major current investments by the company

Insignificant.

6

Chapter

Business Overview

Contents

6.1. Group core business activity: hearing devices

With more than 30 years of experience, the Audika Group is a key player in hearing correction in Europe and an undisputed partner of major manufacturers of hearing aids worldwide.

The Group relies on a retail network of more than 400 hearing centers covering 84 French regional departments, i.e. 14% of specialist hearing correction retail locations in France. Hence, the Group is able to provide a conveniently accessible solution to almost anyone with hearing loss.

In Italy, with the acquisition of more than 50 hearing centers in two years, the Group is now one of the biggest operating companies in the country.

Each Audika hearing center is staffed by a licensed hearing aid practitioner having a high degree of expertise and trained in the most recent advances as Audika provides more than 10,000 hours of training per year.

Working in close collaboration with the ENT physicians who write hearing aid prescriptions, the hearing aid practitioner, working on appointment only, covers several hearing centers during the week, promoting proximity with customers. Indeed, beginning with initial contact, the role of the hearing aid practitioner is to provide reassurance, instill confidence and to enquire about the person's lifestyle so as to determine the best-suited hearing aids.

This first contact is essential because patients and hearing aid practitioners will be seeing each other regularly to monitor the progress of hearing re-education and to control and adjust the hearing aids. In addition, the Group's employees receive special training in this area.

With 30 years of experience in the field, Audika has developed a unique hearing aid protocol guaranteeing the customer high value added and satisfaction.

The protocol consists of:

- An Audirama hearing assessment (an acoustic set-up which recreates the sounds of everyday life using 360° surround-sound technology) to precisely determine which settings will best ensure a high-performance, efficient hearing aid;
- Selecting the hearing aid best suited to the patient's hearing difficulties;
- Gradual adaptation to the hearing aid over the first three months to progressively reaccustom the customer to different sound environments;
- Monitoring of the hearing aid with technical assessments carried out on average twice a year.

Since 2005, Audika has had a special unit, AUDIKAKIDS, in around twenty hearing centers to provide help to children with hearing impairments.

Audika offers a range of increasingly advanced and discreet products.

Digital hearing devices are constantly being enhanced to increasingly replicate natural hearing.

Hearing aids are actually miniature amplifiers and they do not change the hearing condition of the people who wear them. However, they analyze sound several thousand times a second, converting the output while instantaneously adapting to the needs of the hearing-impaired individual depending on the sound environment in which he or she may be.

Hearing aids are increasingly comfortable, effective and discreet. The hearing aids selected by Audika from the leading manufacturers around the world incorporate both the newest technological advances and extreme miniaturization to offer optimal hearing quality and substantial discretion.

The product range is comprised of:

Audimini, which disappears behind the ear just like a behind-the-ear communications device,

Audicom, which, thanks to Bluetooth technology, communicates wirelessly with cell or land-line phones, computers and MP3 players if they are Bluetooth-enabled,

Audipuce, the world's smallest hearing aid, which is hidden in the ear canal.

Last, Audika has developed a full range of unique services for the marketplace designed to make the acquisition of a hearing aid easier and to win over and retain customers throughout the lifetime of the device.

The Maintenance Kit contains everything needed for maintaining a hearing aid for two months.

The Audika Package, which bundles the hearing solution, the Customer Rewards card (extended warranties, rebates) and a comprehensive insurance policy (4-year policy covering hearing aid loss, theft or damage) into a single package.

Since 2006, the Group has been offering its customers 10 and 20-installment, interest-free payment plans, allowing them to finance their hearing aid over time. One third of our customers take advantage of this facility.

In addition to hearing aids, Audika offers its customers a full range of accessories and services providing a comprehensive solution for all their needs, both in France and in Italy.

6.2. Main markets

Positioned on the seniors market, in particular the 65-85 age bracket, Audika benefits from a fast-growing market underpinned by increasing life expectancy. Moreover, average life expectancy has increased by five years for women and nearly four years for men since 1960.
The progressive arrival into its core market of the "oldies boom" generation, with the peak expected to straddle the years from 2012 to 2015, is expected to buoy growth in this market for years to come.

These "oldies boomers" have been exposed from an early age to very noisy environments. Presbycusis, natural age-related hearing loss and comparable to its counterpart, presbyopia, which affects eyesight, seems to be occurring earlier. There is just one solution: wearing a hearing aid.

The average age at which people buy a first hearing aid is currently 70 but is expected to fall, notably with hearing aids that are less conspicuous and better performing.
The increase life expectancy is favorable to hearing aid upgrades.

The Audika Group operates on a highly fragmented market in France and in Italy.

France has around 3,400 (*) hearing correction centers, 2,377 of which are independent (1,351 independents and 1,025 operating under a cooperative brand).
These centers provide the Group with a wide range of potential acquisition targets.
On the French market, there is only one branch network of significant size (excluding Audika): Amplifon (formerly CCA), which was created in 1980 and operates 321 centers.

(*) estimated data at December 31, 2009
(Source: Audiophonology Directory).

In Italy, over half of the market is made up of independent centers concentrated in large cities. The other half are owned by the Amplifon network, historically present in Italy.

Unlike France, coverage of the entire country has yet to occur as in Italy there are approximately 1,000 hearing centers serving a population of 58 million (compared to 3,000 hearing centers in France serving a population of 61 million).

	France		**Italy**	
	2009	**2008**	**2009**	**2008**
Revenue (in millions of euros)	98.34	96.71	8.18	5.09
Number of hearing centers	405	385	46	28

7

Chapter
Organizational Chart

Sommaire

7.1. Group organizational chart

Audika

100,00 %

SARFFA
Logistics platforms in France

Retail subsidiaries
France

AUDIKA CENTRE AUDIOMETRIQUE	100.00%
AUDIKA AAC	100.00%
IAV	60.00%
AUDIKA ALPES	60.00%
AUDIKA OUEST	100.00%
ELSTAR	99.88%
CFA(1)	100.00%
INDUSTAN INDUSTRIE	100.00%
SCS AUDIKA	99.75%
AUDIKA EST	100.00%
AUDIOCAL	100.00%
AUDIO CONSEIL F. CARRE	100.00%
CENTRE ACOUSTIQUE DE MONTBELIARD	100.00%
GARDANNE AUDITION	100.00%

(1) Sub-subsidiary owned by Industan

Retail subsidiaries
Italy

AUDIKA ITALIA	95.00%
UDITO ROMAGNA (1)	95.00%

(1) Sub-subsidiary owned by AUDIKA ITALIA

7.2. Subsidiaries and investments

The table of subsidiaries and investments can be found in Note 3.4 in the notes to the financial statements in Chapter 20.3.2.3 of this registration document.

Audika's consolidation scope at December 31, 2009 can be found in Note 3 in the notes to the financial statements in Chapter 20.3.1.5 of this registration document.

8

Chapter

Property, plant and equipment

Contents

8.1. Property

The Audika Group does not own any warehouse facility, office or hearing correction center. The Group leases the points of sale that it operates.

8.2. Environmental restrictions likely to impact Audika's use of its facilities (environment and safety)

Informations sur les conséquences de l'activité du groupe sur l'environnement au cours de l'exercice écoulé (articles L.225 102 1 alinéa 5 et R.225 105 du code de commerce) :

1° a) *Consumption of water, raw materials and energy, with measures taken to improve energy efficiency and employ renewable resources:* No particular remarks.

b) *Requirements relating to land use and plant discharges into air, water or soil having a serious impact on the environment:* None (the company does not operate any facilities that could cause soil, air or water pollution);

c) *Noise or odor pollution:* None;

d) *Waste:* Used batteries may be deemed waste and are the focus of collection campaigns at every Audika hearing center (See Chapter 4, Note 4.3.);

2° *Measures taken to limit any damage to the ecological balance, natural ecosystems and protected animal and plant species: Steps taken to assess or certify companies in environment-related areas:* Not applicable;

3° *Steps taken, where applicable, to ensure company compliance with applicable environmental law:* Not applicable;

4° *Spending allocated to containing the environmental footprint of the company's operations:* Not applicable;

5° *Existence of environmental control units within the company, training and notification of employees concerning such units, resources allocated to reducing environmental hazards and structures set up to deal with pollution accidents with consequences extending beyond the company's facilities:* None;

6° *Total provisions and guarantees recognized for environmental risks:* None;

7° *Total fines paid during the fiscal year implementing a court decision pertaining to environmental matters and actions taken to remediate damage to the environment:* None;

8° *Objective criteria that the Group has established for its foreign subsidiaries regarding items 1 to 6 above:* Not applicable.

9

Chapter

Examination of company's financial position and revenue

Contents

9.1. Group's financial position and revenue

9.1.1. Group's financial position for the 2008 and 2009 reporting periods

Audika Group's net debt increased from EUR 19,990,000 at December 31, 2008, to EUR 23,448,000 at December 31, 2009.

In addition, the net debt to shareholders' equity ratio rose slightly, from 46.03% at December 31, 2008 to 46.50% at December 31, 2009, thus giving Audika Group significant leeway to turn to debt financing to pursue its merger and acquisition growth policy. Audika Group generated net cash flow of EUR 14,320,000 in 2009 compared to EUR 13,226,000 in 2008.

9.1.1.1. Examination of the consolidated balance sheet

Retirement and associated benefits

Audika's obligations are measured and recognized at December 31, 2009 in accordance with IAS 19 (revised) – Employee Benefits.

Retirement obligations consist of the payment of retirement benefits, complementary retirement benefits and termination benefits.

Total obligations recognized in balance sheet liabilities were EUR 2,376,000 at December 31, 2009 compared to EUR 2,098,000 at December 31, 2008.

A description of retirement obligations and associated benefits can be found in Chapter 20.3.1.5, Note 15, in this registration document.

Provisions

Provisions classified as current and non-current liabilities amounted to EUR 112,000 at December 31, 2009 compared to EUR 83,000 at December 31, 2008.

See Chapter 20.3.1.5, Note 14, of this registration document.

Other non-current liabilities

Other non-current liabilities amounted to EUR 28,895,000 at December 31, 2009 compared to EUR 25,355,000 at the end of the 2008 business year.

9.1.1.2. Financial structure and debt

Consolidated net debt

Gross borrowing, defined as the sum of current and non-current loans and borrowings including vendor loans, amounted to EUR 34,658,000 at December 31, 2009, compared to EUR 28,421,000 at December 31, 2008.

Cash and cash equivalents rose from EUR 8,431,000 at December 31, 2008, to EUR 11,210,000 at December 31, 2009.

Hence, consolidated net debt (defined as the sum of current and non-current loans and financial debt less cash and cash equivalents) increased from EUR 19,990,000 at December 31, 2008 to EUR 23,448,000 at December 31, 2009.

Shareholders' equity

On December 31, 2009, shareholders' equity amounted to EUR 50,429,000 compared to EUR 43,428,000 on December 31, 2008.

At December 31, 2008, capital stock was comprised of 9,450,000 shares at a par value of EUR 0.03 each for a total of EUR 283,500.

9.1.1.3. Cash flow analysis

Working capital

Because of its retail activities, the Audika Group's working capital requirements were structurally negative.

Working capital requirements amounted to EUR –9,347,000 at December 31, 2009 compared to EUR –11,295,000 at December 31, 2008. See Chapter 20.3.1.5, Note 31.

Consolidated cash flows at December 31, 2009 compared to December 31, 2008 break down as follows:

- Net cash flows from operating activities: Cash generated from operations amounted to EUR 13,636,000 in 2009 versus EUR 12,935,000 in 2008.
  See Chapter 20.3.1.5., Note 31, Paragraph 31.1.
- Net cash flows from investing activities: Cash flows from investing activities represented net cash used of EUR 12,009,000 compared to net cash used of EUR 12,862,000 in 2008.
  See Chapter 20.3.1.5., Note 31, Paragraph 31.2.
- Net cash flows from financing activities: Cash flows from financing activities showed an increase in cash and cash equivalents of EUR 1,152,000 in 2009 compared to cash used in financing activities of EUR 3,821,000 in 2008.
  See Chapter 20.3.1.5., Note 31, Paragraph 31.3.

9.1.2. Group's operating income for the 2008 and 2009 reporting periods

9.1.2.1. Consolidated sales up by over 4.64%

After a difficult start to the year, ongoing marketing drives and the Group's sales dynamic enabled activity to progressively and substantially improve quarter-over-quarter. Accordingly, the Group closed out 2009 with full-year revenues of EUR 106.5 million, an increase of +4.6% (-2.1% in organic terms, of which –6.4% in the first half of the year and +2.3 % in the second half).

In France, Audika Group generated revenues of EUR 98,300,000, up +1.7% (including -2.3% in organic terms).

A total of 24 new startup locations or acquisitions reinforced Audika Group's French network in 2009, enabling Audika to easily surpass the 400 center mark and move towards the Group's future target of 700 centers.

In Italy, Audika generated revenues of EUR 8,200,000, driven by network development, which has seen the Group's number of centers increase from 23 to 46 in one year. Italy now represents almost 8% of the Group's revenues compared to 5% in 2008.

9.1.2.2. Breakdown of consolidated earnings

The principal consolidated figures (in EUR thousands) are shown in the following table:

	2009	2008	% Change
Revenue	106,524	101,802	4.6%
Recurring operating income	18,757	17,654	6.2%
Operating income	18,502	17,654	4.8%
Net financial income (loss)	(1,783)	(1,865)	(4.4%)
Income before tax	16,719	15,789	5.9%
Consolidated net income	10,810	10,274	5.2%
Group share	10,734	10,230	4.9%

Revenue grew by 4.6% compared to 2008 to stand at EUR 106,524,000. Organic growth stood at –2.1% versus +2% in 2008.

Revenue in France came out at EUR 98,345,000, accounting for 92.3% of the Group's activity.
Revenue in Italy stood at EUR 8,178,000 accounting for 7.7% of Group revenue.

Operating expenses amounted to EUR 87,932,000, up by nearly 4.4% on 2008. The main changes related to:

- An increase in the Group's gross margin, which rose from 80.48% to 82.92%, reflecting year-over-year improvement;
- Labor costs, which increased by 7.8% notably because of the increase in Audika Italia expenses due to the March 2009 acquisition of Udito Romagna, comprised of approximately 20 hearing centers. The ratio of payroll/sales increased modestly compared to 2008, rising from 34.7% to 35.8% of sales;
- Amortization and depreciation expense climbed 8.6% to EUR 3,191,000.

Current operating income amounted to EUR 18,757,000, up by almost 6.3% on 2008, and operating margin rose by 27 basis points to 17.61% versus 17.34% in 2008. This improvement is due to the cost control effort initiated at the beginning of the reporting period.

Net financial income was EUR –1,783,000 compared to EUR –1,865,000 in 2008. This change is due to the decline in interest rates throughout the 2009 business year and the consequent impact on the measurement of financial instruments (EUR –367,000). Interest expenses therefore declined from 1.83% to 1.67% of revenue. Net debt deteriorated slightly to 46.50% of shareholders' equity versus 46.03% in 2008.

Income from ordinary activities before tax amounted to EUR 16,719,000 compared to EUR 15,789,000 in 2008, up by nearly 6%.

The Group's income tax expense amounted to EUR 5,910,000 in 2009 versus EUR 5,515,000 in 2008. The tax rate of 35.3% remains close to the theoretical rate (33.33%).

Consolidated net income amounted to EUR 10,810,000, up by over 5% on 2008.
Consolidated net income was 10.15% of revenue versus 10.09% in 2008.
Consolidated net income, group share, amounted to EUR 10,734,000, up by over 5% on 2008 and represents nearly 10.2% of revenue.

9.2. Company's financial position and revenue

9.2.1. Company's financial position for the 2008 and 2009 reporting periods

9.2.1.1. Audika funding

See Chapter 20.3.2.3, Note 4.5.

9.2.1.2. Off-balance sheet commitments and contractual obligations

See Chapter 20.3.2.3, Note 7.

9.2.2. Company's financial position for the 2008 and 2009 reporting periods

An examination of the income statement for the reporting period ended December 31, 2009 highlights the following elements:

	2009 in EUR thousands	2008 in EUR thousands	% Change
Revenue	21,335	19,292	10.59%
Operating income	6,217	4,639	34.02%
Net financial income	(831)	391	N.S.
Recurring income before tax	5,386	5,030	7.08%
Net exceptional items	(99)	(65)	52.31%
Net income for the year	3,459	3,804	(9.07%)

Revenue, primarily consisting of the provision of services, amounted to EUR 21,335,000, an improvement of 11% over 2008.

Operating income amounted to EUR 15,958,000, up slightly (EUR 227,000) on the previous year.

The principal changes notably include:

- Other purchases and external expenses increased by nearly 5% notably because of the increased costs of the advertising campaign (+EUR 325,000), property leases (+EUR 410,000), miscellaneous expenses (+EUR 44,000), insurance (+EUR 32,000) as well as the decline in the number of outsourcing items (EUR -46,000), temporary staff (EUR -55,000), compensation (EUR -142,000), travel and entertainment expenses (EUR -94,000) and bank charges (EUR -227,000).
- Amortization and depreciation of non-current assets decreased by EUR 71,000.
- Depreciation expenses on property, plant and equipment increased by EUR 46,000 due to new investments.
- Amortization expenses on deferred charges (EUR 48,000) related to the deferment of borrowing costs in 2008.

Operating income amounted to EUR 6,217,000, an increase of EUR 1,578,000 or +34% on the previous year.

Net financial income decreased by EUR 1,222,000 due notably to:

- The depreciation of financial instruments (EUR 1,125,000),
- Distributed dividends, which rose by EUR 5,000,
- Lower income from cash accounts by EUR 184,000,
- Interest expenses on bank loans and the Holton advance, which decreased by EUR 50,000,
- Overdraft expenses and commercial debt, which decreased by EUR 33,000.

With net exceptional items of EUR -99,000, employee profit sharing of EUR 299,000 and corporate income tax of EUR 1,529,000, the surplus for the period amounted to EUR 3,459,000, down by 9.1% compared to 2008.

10

Chapter

Cash and equity

Contents

10.1. Information on Group equity

This paragraph presents an analysis of the consolidated balance sheet at December 31, 2009 compared to that at December 31, 2008.
See Chapter 9, Paragraph 20.3.1.5., Note 11

10.2. Source and amount of consolidated Group cash flows and description of such flows

See Chapter 9, Paragraph 9.1.1.3.

10.3. Funding and liquidity resources (funding structure)

See Chapter 9, Paragraph 9.2.1.

10.4. Information on restrictions on the use of capital resources having a material impact or likely to have a significant influence on the company’s operations

Not applicable.

10.5. Information on anticipated sources of funding or necessary to meet certain obligations

Not applicable.

10.6. Company's repayment schedule for trade payables

Pursuant to Article D-441-4 and L.441-6-1 of the French Commercial Code, the table below shows the breakdown at December 31, 2009, of outstanding trade payables by due date.

However, as this is the first year of enforcement, no comparison to the previous reporting period is presented for this reporting period.

	Coming due	Less than 30 days	From 31 to 60 days	From 61 to 90 days	More than 90 days	Undetermined	Total
Trade goods & services	221,680	1,323,506	149,755	72,371	10,033		**1,777,345**
Trade fixed assets		4,842	5,327				**10,169**
Goods & services accrued invoices						401,118	**401,118**
Fixed asset accrued invoices						220,064	**220,064**
Total	**221,680**	**1,328,348**	**155,082**	**72,371**	**10,033**	**621,182**	**2,408,696**

10.6.1 Supplier-granted payment terms

The average payment term granted by suppliers is 64 days.

10.6.2 Payment terms granted to customers

The average payment term granted to customers is: 66 days.

11

Chapter

Research and development, patents and licenses

The companies included in consolidation do not engage in research and development activity.

12 Chapter Information on trends

Contents

12.1. Key developments between the balance sheet date and the date of this report

See Chapter 20.3.1, Note 32.

12.2. Foreseeable trends and outlook for the current reporting period

12.2.1. Foreseeable trends and outlook for the current reporting period

Although adopting a prudent stance, the Audika Group forecasts progressive improvement in its business activity thanks to its new public relations campaign. The Group also expects to benefit from the integration of hearing center start-ups or acquisitions (20 in France and 18 in Italy) during the 2009 business year and hearing center start-ups or acquisitions since January 1, 2010.

The group also underscores that keeping profitability high and pursuing the development of its retail networks in France and in Italy are its top priorities this year.

12.2.2. Foreseeable trends and outlook for the current reporting period

As the economy gradually recovers, Audika expects modest revenue growth in 2010. In order to preserve its level of profitability, the company intends to continue its policy of reducing non-strategic costs and maintaining its investment in advertising, notably its new advertising campaign launched in January 2010.

13

Chapter

Earnings forecasts or estimates

Audika does not publish 2010 earnings forecasts or estimates.

14

Chapter

Administrative, Supervisory and Management Bodies

Contents

14.1. Administrative and Management Bodies

14.1.1. General Management Mandate

Pursuant to Article R.225-102 of the French Commercial Code, it is underscored that the Board of Directors Meeting of June 12, 2002 voted that the general management of the company would fall to the Chairman of the Board of Directors.

14.1.2. Corporate officers and members of the Board of Directors

List of corporate officers with their business addresses:

CEO and Chairman of the Board of Directors:
Mr. **Alain TONNARD**
58 avenue Hoche 75008 Paris

Vice President:
Mr. **Jean-Claude TONNARD**
58 avenue Hoche 75008 Paris

Directors:
Mr. **Alain TONNARD**
58 avenue Hoche 75008 Paris

HOLTON (represented by
Mr. **Jean-Claude TONNARD**)
58 avenue Hoche 75008 Paris

Mrs. **Dominique BAUDOUIN TONNARD**
58 avenue Hoche 75008 Paris

European Capital S.A. SICAR
(a venture capital investment company)
112 avenue Kléber 75784 Paris Cedex 16

Mr. **Tristan PARISOT**
c/o European Capital, 112 avenue Kléber 75784 Paris Cedex 16

It is specified that Mr. Alain Tonnard and Mr. Jean-Claude Tonnard are brothers and that Mrs. Dominique Baudouin Tonnard is the spouse of Mr. Alain Tonnard.

In the last five years, none of the persons listed above has been convicted of fraud, associated with bankruptcy, receivership, or liquidation proceedings, subject to charges or official public sanction by statutory or regulatory authorities (including designated professional bodies) or barred from acting as a member of a governing, management or supervisory body or participating in a company's business management or governance.

14.1.3. List of duties and offices held in each company by each of the directors and officers during the past year

Pursuant to Article L. 225-102-1 of the French Commercial Code, the list of mandates and offices held in any company by each of the directors and officers during the past year is as follows:

- Mr. **Alain TONNARD**

Chairman of the Board of Directors and CEO of Audika, a public limited company
Head office: 58 avenue Hoche 75008 Paris,
Paris Trade and Companies Registry No. 310 612 387

Chairman of the Board of Directors of Elstar, a public limited company
Head office: 58 avenue Hoche 75008 Paris
Paris Trade and Companies Registry No. 403 732 704

President of Sarffa, a simplified joint stock company
Head office: 58 avenue Hoche 75008 Paris
Paris Trade and Companies Registry No. 314 951 302

President of Audika – Centre Audiométrique, a simplified joint stock company
Head office: 58 avenue Hoche 75008 Paris
Paris Trade and Companies Registry No. 308 895 770

President of Audika AAC, a simplified joint stock company,
Head office: 20 rue Troyon 75017 Paris
Paris Trade and Companies Registry No. 388 470 593

Managing Director of Compagnie Française d'Audiologie – C.F.A., a limited liability company
Head office: 20 rue Troyon 75017 Paris
Paris Trade and Companies Registry No. 322 997 305

Managing Director of SCS Audika, a limited partnership organized under Monegasque law
Head office: 20 avenue de Fontvieille 98000 Monaco,
Monaco Trade and Industry Registry No. 03 S04 200

Managing Director of S.C.I. Imton, a non-trading company
Head office: Neuilly-sur-Seine (92200) 54 Avenue Sainte Foy
Nanterre Trade and Companies Registry No. 404 503 716

Managing Director of S.C.I. Jura, a non-trading company,
Head office: 54 Avenue Sainte Foy 92200 Neuilly-sur-Seine
Nanterre Trade and Companies Registry No. 410 884 522

Managing Director of S.C.I. Tendance, a non-trading company,
Head office: 16 boulevard Maillot 92200 Neuilly-sur-Seine,
Nanterre Trade and Companies Registry No. 478 807 308

President of Holton (formerly Financière H), a simplified joint stock company
Head office: 58 avenue Hoche 75008 Paris,
Paris Trade and Companies Registry No. 499 194 231

President of Audika Ouest, a simplified joint stock company
Head office: 20 rue Troyon 75017 Paris
Paris Trade and Companies Registry No. 380 450 338

Managing Director of Audika Est (formerly Audition Santé), a limited liability company
Head office: 79 route de Bischwiller 67300 Schiltigheim
Strasbourg (TI) Trade and Companies Registry No. 391 075 249

Until December 31, 2009, President of FR Audition, a simplified joint stock company
Head office: 12 rue de l'Aigle Noir 70000 Vesoul
Vesoul Gray Trade and Companies Registry No. 484 479 886

Until December 31, 2009, President of Audio Expansion, a limited liability company
Head office: 13 rue des Résistants 57320 Bouzonville
Metz Trade and Companies Registry No. 479 600 785

From January 12, 2009 to December 31, 2009, President of Audition Bonnard, a simplified joint stock company
Head office: 3 rue Pasteur 39000 Lons Le Saunier,
Lons Le Saunier Trade and Companies Registry No. 438 929 689

Since January 1, 2009, Managing Director of Audiocal, a private corporation
Head office: 107 rue de Richwiller 68120 Pfastatt,
Mulhouse (TI) Trade and Companies Registry No. 501 733 604

From July 2, 2009 to December 31, 2009, President of Hugo Acoustic, a simplified joint stock company
Head office: 9 route de Salinelles 30250 Sommières,
Nîmes Trade and Companies Registry No. 438 007 411

Since September 29, 2009, Managing Director of Centre Acoustique de Montbéliard, a limited liability company,
Head office: 1 rue de l'Hôtel de Ville 25200 Montbéliard,
Belfort Trade and Companies Registry No. 451 327 332

Since October 1, 2009, President Audio Conseil F. Carré, a simplified joint stock company
Head office: 43 Grand'Rue 02400 Château-Thierry,
Soissons Trade and Companies Registry No. 350 541 926

Since October 2, 2009, Managing Director of Gardanne Audition, a limited liability company
Head office: 16 cours Forbin 13120 Gardanne,
Aix-en-Provence Trade and Companies Registry No. 488 375 296

- Mr. **Jean-Claude TONNARD**

Chief Operating Officer of Audika and Holton's permanent representative on the Board of Directors of Audika, a public limited company
Head office: 58 avenue Hoche 75008 Paris,
Paris Trade and Companies Registry No. 310 612 387

Member of the Board of Directors of Elstar, a public limited company
Head office: 58 avenue Hoche 75008 Paris,
Paris Trade and Companies Registry No. 403 732 704

Co-Managing Director of S.C.I. Imton, a non-trading company,
Head office: Neuilly-sur-Seine (92200) 54 avenue Sainte Foy
Nanterre Companies and Trade Registry No. 404 503 716

Managing Director of S.C.I. Le Penny Cortambert, a non-trading company
Head office: 48 rue Cortambert 75016 Paris,
Paris Trade and Companies Registry No. 479 696 312

Managing Director of Henri – Passy Plaza, a non-trading company
Head office: 3 square du Ranelagh 75016 Paris,
Paris Trade and Companies Registry No. 484 799 630

Managing Director of Pétrarque – Lauriston, a non-trading company
Head office: 3 square du Ranelagh 75016 Paris,
Paris Trade and Companies Registry No. 484 799 697

CEO of Holton (formerly Financière H), a simplified joint stock company
Head office: 58 avenue Hoche 75008 Paris
Paris Trade and Companies Registry No. 499 194 231

CEO of Audika – Centre Audiométrique, a simplified joint stock company
Head office: 58 avenue Hoche 75008 Paris
Paris Trade and Companies Registry No. 308 895 770

CEO of Audika AAC, a simplified joint stock company
Head office: 20 rue Troyon 75017 Paris
Paris Trade and Companies Registry No. 388 470 593

CEO of Audika Ouest, a simplified joint stock company
Head office: 20 rue Troyon 75017 Paris
Paris Trade and Companies Registry No. 380 450 338

- Mrs. **Dominique BAUDOUIN TONNARD**

Member of the Board of Directors of Audika, a public limited company
Head office: 58 avenue Hoche 75008 Paris,
Paris Trade and Companies Registry No. 310 612 387

Managing Director of S.C.I. Tendance, a non-trading company
Head office: 16 boulevard Maillot 92200 Neuilly-sur-Seine,
Nanterre Trade and Companies Registry 478 807 308

- Monsieur **Jean EICHENLAUB**

Until October 9, 2009, permanent representative of European Capital S.A. SICAR, 2 boulevard Konrad Adenauer - L-1115 Luxembourg, and member of the Board of Directors of AUDIKA, a public limited company
Head office: 58 avenue Hoche 75008 Paris,
Paris Trade and Companies Registry No. 310 612 387

Director of European Capital Financial Services Ltd
25 Bedford Street, London, WC2E 9ES, UK

President of ECAS Agent SAS
112 avenue Kléber 75116 Paris

Managing Director of
Unternehmensverwaltungsgesellschaft Tramontane mbH
c/o Metall Technologie Holding GmbH
Holzener Str. 39
D-58708 Menden, Germany

Managing Director de Metall Technologie Holding GmbH
Holzener Str. 39, D-58708 Menden, Germany

- Mr. **Jacques PANCRAZI**

Until October 9, 2009, a member of the Board of Directors of Audika, a public limited company
Head office: 58 avenue Hoche 75008 Paris,
Paris Trade and Companies Registry No. 310 612 387,

- Mr. **Kevin ABRIAL**

Since October 9, 2009, permanent representative of European Capital S.A. SICAR, 2 boulevard Konrad Adenauer - L-1115 Luxembourg, and member of the Board of Directors of Audika, a public limited company
Head office: 58 avenue Hoche 75008 Paris,
Paris Trade and Companies Registry No. 310 612 387,

14.2. Situations of conflicts of interests in administrative and management bodies

Corporate officers are not in a situation of potential conflict of interest between their obligations to the company and their respective personal interests and/or between those duties and any other responsibilities they may hold.

Under the terms of a partnership covenant dated September 14, 2007 having a term of 12 years between Messrs. Alain and Jean-Claude Tonnard and Philippe Langzam (hereinafter the "directors") and European Capital S.A. SICAR (Venture capital investment company), it was agreed that the directors of Holton would undertake to use their powers and their voting rights in Audika to see to it that Holton would be appointed a director of Audika and that two other members of the Board would be selected from a list of candidates proposed by European Capital S.A. SICAR.

In virtue of this agreement, European Capital S.A., SICAR, and Mr. Jacques Pancrazi were appointed directors. On March 19, 2010, on the recommendation of European Capital S.A. a SICAR, Mr. Tristan Parisot was appointed director to replace Mr. Jacques Pancrazi, who resigned.

Furthermore, the directors have warranted to European Capital S.A. SICAR, and have guaranteed that Holton would not transfer its interests in Audika for the term of the covenant without the consent of European Capital S.A. SICAR.

15

Chapter

Compensation and benefits

Contents

15.1. Amount of compensation and benefits granted to the officers of the company

15.1.1. Compensation and benefits paid during the past year to each director and officer by Audika

Total compensation and fringe benefits paid during the reporting period to each member of the Audika Board of Directors by Audika are detailed in the table below:

In EUR	FY 2009		FY 2008	
Board member's name and duties	**Amounts due**	**Amounts paid**	**Amounts due**	**Amounts paid**
Alain Tonnard				
Fixed compensation	267,805	267,805	267,805	267,805
Variable compensation	None	None	None	None
Special compensation	None	None	None	None
Director's fees	None	None	None	None
Fringe benefits	4,588	4,588	6,413	6,413
Employee profit-sharing	0	9,032	9,032	11,198
Total	**272,393**	**281,425**	**283,250**	**285,416**
Jean-Claude Tonnard				
Fixed compensation	284,943	284,943	286,354	286,354
Variable compensation	None	None	None	None
Special compensation	None	None	None	None
Director's fees	None	None	None	None
Fringe benefits	4,054	4,054	5,864	5,864
Employee profit-sharing	0	9,032	9,032	11,198
Total	**288,997**	**298,029**	**301,250**	**303,416**

In EUR	FY 2009		FY 2008	
Board member's name and duties	**Amounts due**	**Amounts paid**	**Amounts due**	**Amounts paid**
Dominique Baudouin – Tonnard				
Fixed compensation	73,964	73,964	76,212	76,212
Variable compensation	None	None	None	None
Special compensation	None	None	None	None
Director's fees	None	None	None	None
Fringe benefits	1,098	1,098	1,098	1,098
Employee profit-sharing	5,116	5,246	5,246	6,310
Total	**80,178**	**83,620**	**82,556**	**83,620**

The other Board members received no compensation or benefits during the 2009 and 2008 reporting periods.

15.1.2. Benefit obligations to Board members

There is no obligation of any kind relating to components of compensation, fees or benefits due or likely to be become due to Board members upon taking up, relinquishing, or modifying the duties of the office or after having held office and the procedures for determining such obligations to Board members, with the exception of the obligation of retirement severance pay paid to Dominique Baudouin-Tonnard amounting to EUR 44,000 at December 31, 2009.

15.1.3. Allocation of shares by Audika

Audika made no allocations of shares to Board members.

15.1.4. Total compensation and benefits of any kind, allocations of shares and obligations to each Board member during the reporting period by companies controlled by Audika

No compensation or benefit of any kind, including consideration in the form of shares, was granted to Board members during this or the previous reporting period by Audika-controlled companies.

No obligation to Board members was assumed during this or the previous reporting period by Audika-controlled companies.

15.1.5. Total compensation and benefits of any kind, including allocations of shares and obligations made during the reporting period to each corporate officer by the company controlling Audika

No compensation or benefit of any kind, including consideration in the form of shares, was granted to Board members during this or the previous reporting period by the company controlling Audika.

No obligation to Board members was assumed during this reporting period or the previous reporting period by the company controlling Audika.

15.2. Total amount of sums allowed or recognized by the company or its subsidiaries as pension payments, retirement payments or other benefits

Only the 2009 employee profit-sharing payable to Madame Baudouin–Tonnard was covered by an allowance (See Table 15.1.1.).

16 Chapter
Running of Administration and Management Bodies

Contents

16.1. Expiry of terms of office for directors and corporate officers

16.1.1. Managing directors

- **Alain TONNARD**

C.E.O. appointed by the Board of Directors meeting of June 12, 2002.

Term of office is indefinite.

Chairman of the Board, reappointed to a directorship by the Shareholders' Meeting of June 15, 2004 and reappointed Chairman of the Board by the Board of Directors meeting of June 15, 2004.

Term of office ends when the Annual Shareholders' Meeting is convened in 2010 (Reporting period ending December 31, 2009).

- **Jean-Claude TONNARD**

Chief Operating Officer appointed by the Board of Directors meeting of June 12, 2002.

Term of office is the same as that for the C.E.O., i.e. indefinite.

16.1.2. Non-managing members of the Board of Directors

- **HOLTON** (formerly Financière H) (SIREN: 453 018 277)

Appointed by the Board of Directors meeting of January 4, 2008 to replace Holton, who resigned, having been appointed by the Shareholders' Meeting of June 15, 2004.

Term of office ends when the Annual Shareholders Meeting is convened in 2010 (Reporting period ending December 31, 2009).

Permanent representative: Jean-Claude Tonnard

- **Dominique BAUDOUIN TONNARD**

Appointed by the Board of Directors meeting of July 3, 2007 to replace Fonds Partenaires Gestion, who had been appointed by the Shareholders Meeting of November 14, 2006.

Term of office ends when the Annual Shareholders Meeting is convened in 2012 (Reporting period ending December 31, 2011).

- **EUROPEAN CAPITAL SA SICAR**

Appointed by the Board of Directors meeting of September 14, 2007, to replace Julien Tonnard, who had been appointed by the Board of Directors meeting of July 3, 2007 to replace Olivier Lange, who had been appointed by the Shareholders' meeting of November 14, 2006.

Term of office ends when the Annual Shareholders Meeting is convened in 2012 (Reporting period ending December 31, 2011).

Permanent representative: Kevin Abrial

- **Jacques PANCRAZI**

Appointed by the Board of Directors meeting of September 14, 2007, to replace Philippe Langzam, who had been appointed by the Shareholders' Meeting of June 15, 2004.

Term of office ends when the Annual Shareholders Meeting is convened in 2010 (Reporting period ending December 31, 2009). Resigned on October 9, 2009

- **Tristan PARISOT**

Appointed by the Board of Directors meeting of March 19, 2010 replacing Jacques Pancrazi, who had been appointed by the Board of Directors meeting of September 14, 2007 to replace Philippe Langzam, who had been appointed by the Shareholders Meeting of June 15, 2004.

Term of office ends when the Annual Shareholders' Meeting is convened in 2010 (Reporting period ending December 31, 2009).

16.2. Service agreements conferring eligibility for post-employment benefit plans

No service agreement conferring eligibility for post-employment benefit plans has been signed with members of administrative or management bodies.

16.3. Issuer's Audit and Compensation Committees

None. (See Section 16.5 below, Chairman's Report on Corporate Governance, Article 16.5.1).

16.4. Compliance with Corporate Governance recommendations

See Section 16.5 below, Chairman's Report on Corporate Governance, Article 16.5.1.

16.5. Chairman's report to the Shareholders' Meeting of June 16, 2010, on Corporate Governance and Internal Control

Pursuant to Paragraph 6 et seq. of Article L.225-37 of the Commercial Code, this report is designed to give an account of the requirements for preparing and organizing the business of the Board of Directors (16.5.1 Corporate Governance) as well as internal controls instituted by the Company (16.5.2 Internal Controls)

The Report was approved by the Board of Directors meeting of March 19, 2010.

16.5.1. 16.5.1. Chairman's Report on Corporate Governance

16.5.1.1. Composition of the Board of Directors for the reporting period

Pursuant to Article 12 of the bylaws, the company is managed by a Board of Directors made up of 5 members.

The members of the Board of Directors for the reporting period were:

- **Alain Tonnard**, President and C.E.O.;
- **Holton** (represented by Jean-Claude Tonnard), Director;
- **Dominique Baudouin Tonnard**, Director and bound by an employment agreement;
- **European Capital SA SICAR** (represented by Jean Eichenlaub), Director;
- **Jacques Pancrazi**, Director.

16.5.1.2. Preparation and organization of the business of the Board of Directors during the reporting period

Notice of a Board of Directors' meeting is given at least five days prior the meeting by letter, telegram, fax or e-mail. The notice may be verbal and immediate with the consent of all Board members.

When the Chairman is absent or unable to attend, the Board of Directors appoints a member to chair the meeting from among those directors present.

When it meets, the Board may appoint a secretary, who is not required to be a member of the Board.

Those directors taking part in Board meetings by videoconference shall be deemed to be present for the purposes of calculating the requisite quorum and majority. In order to be considered valid, the means of telecommunication chosen must at a minimum transmit the participants' voice and meet the technical requirements for the continuous, simultaneous broadcast of the deliberations. However, this provision is not applicable to the adoption of decisions pursuant to Articles L.232-1 (preparing the annual financial statements) and L.233-16 (preparing the consolidated financial statements) of the French Commercial Code.

Number of Board of Directors meetings during the reporting period: three.

Director attendance at Board meetings:

- **Alain Tonnard:** 3/3;
- **Holton** (represented by Jean-Claude Tonnard): 3/3;
- **Dominique Baudouin Tonnard:** 2/3;
- **European Capital SA SICAR:** 3/3;
- **Jacques Pancrazi:** 3/3.

Operation of the Board of Directors:

- The agenda for each meeting is distributed in advance.
- The documents and information required to transact business are provided to the directors prior to the meeting.
- All directors were able to dutifully complete their assignments.

Major decisions taken the Board of Directors during the reporting period:

- Acquisitions;
- Granting a third-party guarantee to guarantee the repayment of debts contracted by controlled companies and by certain subsidiaries;
- Appointing a director;
- Approving the financial statements for the reporting

period ended December 31, 2008;
- Approving the consolidated financial statements for the reporting period ended December 31, 2008;
- Recommending the allocation of profits and payment of a dividend;
- Collective agreements;
- Proposal to renew the share buyback program;
- Recommending the renewal of the comprehensive delegation of authority granted to the Board of Directors to approve a share issue without granting existing shareholders the pre-emptive right to subscribe to shares;
- Drafting agendas and resolutions to be put before to the next Shareholders' Meeting; drafting the Report of the Board of Directors to the Shareholders' Meeting;
- Approving a draft report by the Chairman on corporate governance and internal control;
- Preparing the management planning documents and the report of the Board of Directors on these documents;
- Tax consolidation scope;
- Payment of dividends voted by the Shareholders' Meeting;
- Reviewing the half-yearly financial statements;
- Drawing up the consolidated statement of operations and earnings and the consolidated half-yearly activity report;
- Preparing the management planning documents and the report of the Board of Directors on these documents.

16.5.1.3. Assessment of the performance of the Board of Directors and its supervisory committees

In accordance with the recommendations of the AFEP-MEDEF's Code of Corporate Governance for Listed Companies, the Chairman of the Board has invited the directors to give their opinion on the operations of the Board and on the preparation of business to be transacted at the Board meeting convened to approve the financial statements for the business year.

The Directors declare that they are satisfied with the quality of the membership of the Board of Directors, the frequency of meetings, the information provided by management to the directors, the contribution of each member to the business before the Board, the quality of deliberation and that, in general, they have a wholly favorable opinion of the Board's operation.

16.5.1.4. Reference to a code of corporate governance prepared by an organization representing employers

The company complies with French regulations on corporate governance to which it is subject. The AFEP-MEDEF Code of Corporate Governance as updated by the inclusion of new recommendations dated October 6, 2008 on the compensation of directors of publicly-traded companies is the code to which Audika will henceforward adhere in preparing the report required by Article L.225-37 of the French Commercial Code in compliance with the Law of July 3, 2008 transposing Directive 2006/46/EC of June 14, 2006.

The main areas in which Audika does not comply with the AFEP-MEDEF Code of Corporate Governance for publicly-traded companies are the following:

AFEP-MEDEF Code article (*)	Non-compliance with the guidelines recommended by the AFEP-MEDEF Code	Reason for non-compliance with the Code
Article 4	The Board of Directors has not established internal bylaws.	Regulations enacted by law and codes in force, as well as rules and regulations stipulated in Article 14.3 of the corporate bylaws identifying the decisions requiring prior approval by the Board, is deemed to be appropriate to the composition of shareholders and the size of the company.
Article 8.2	The Board of Directors does not include independent members.	The composition of the Board is deemed to be appropriate for the composition of shareholders and the size of the company.
Article 12	The term of office of Board members set by the corporate bylaws exceeds 4 years.	The term of office for board members, set at 6 years in the corporate bylaws, is deemed appropriate for the composition of shareholders.
Articles 13 to 16	No committees with special functions have been established by the Board of Directors.	Given the size of the company, the Board deemed the institution of committees with special functions as unadvisable. The organization of the business to be transacted by Board appears to be appropriate for the composition of the Board and the number of Board members.
Article 20.2.2	The variable component of directors' compensation established by the Board of Directors is inapplicable for a determined period.	Establishment for an indefinite period appears appropriate. Establishment of the variable component appears measured and balanced with respect to the general interests of the company, commercial practices and the performance of its directors.

(*) The articles referenced in the column at left are those found in the document entitled, "Code of Corporate Governance for Listed Companies" prepared by AFEP (French Association of Private Enterprise) and MEDEF (French Employers' Association) in December 2008.

16.5.1.5. Guidelines and rules approved by the Board of Directors for determining directors' compensation

There is no Compensation Committee. The Board of Directors has not established a procedure for determining directors' compensation and benefits.

Gross annual compensation, including benefits in kind, for the CEO and the Vice President, Alain and Jean-Claude Tonnard, has not changed since 2004.

Mrs. Dominique Baudouin Tonnard, an Audika Board member in 2008 who was also a salaried employee, was compensated solely as provided in her employment contract.

The other Board members do not receive a salary from Audika Group.

Pursuant to Article L.225-102-1 of the French Commercial Code, detailed information on directors' compensation and benefits that is required for inclusion in the Management Report presented by the Chairman of the Board to the Annual Shareholders' Meeting can be found in Chapter 15, Paragraph 15.1 of this document.

16.5.1.6. Directors' fees

There is no recommendation to award directors' fees to the Board of Directors put before the Annual Shareholders' Meeting.

16.5.1.7. Potential limitations placed on the powers of the CEO by the Board of Directors

The Board of Directors has set no limitations on the powers of the CEO or the Vice President.

16.5.1.8. Rules for attendance at the Annual Shareholders' Meeting

Article 20, "Admission to the Annual Shareholders' Meeting", of the corporate bylaws stipulates the following:

"Any shareholder is entitled to attend the Shareholders' Meetings and to take part in the deliberations, in person or through a proxy, regardless of the number of shares owned, simply by proving his identity provided that all payments due have been remitted and the shares are duly registered by midnight Paris local time, no later than three business days preceding the date of the Shareholders' Meeting, in accordance with the provisions of Article R.225-85 of the French Commercial Code."

16.5.1.9. Items potentially having an impact in the event of public offer

Items addressed in Article L.225-100-3 7° of the French Commercial Code:

Under the terms of a deed signed on September 14, 2007 between Alain and Jean-Claude Tonnard and Philippe Langzam, parties of the first part, and European Capital S.A. SICAR, party of the second part, it was agreed that the directors of Holton would undertake to use their powers and voting rights in Audika to see to it that Holton would be appointed a Director of Audika and that the two other members of the Board would be chosen from a list of candidates proposed by European Capital S.A. SICAR.

Items addressed in Article L.225-100-3 8° of the French Commercial Code:

Under the provisions of Articles 14.3 and 15 of the corporate bylaws, the following decisions must be approved in advance by the Board of Directors by a two-thirds majority:

- All operations likely to substantially affect the strategy of the Group (made of up the company and the companies that it controls pursuant to Article L.233-16 of the French Commercial Code), its legal or financial structure or its scope of operations;
- The issue of any financial instruments or rights likely, whether in the near or long term, to substantially alter the common stock of the company or companies of the Group (as defined above);
- Modification of the dividend distribution policy.

16.5.2. Report by the Chairman of the Board on corporate governance and internal control

This report, relating to the reporting period ended December 31, 2009, was drawn up by the Chairman of the Board of Directors in line with Article L.225-37 of the French Commercial Code. Under the supervision of the Board of Directors, the company's management bodies are responsible for defining and implementing adequate and effective internal control procedures. In accordance with the law, the purpose of this report is to outline the internal control and risk management procedures implemented to date by Audika.

The report, drawn up in accordance with Article L.225-237 of the French Commercial Code, was subject to revision by the Board of Directors, This review, along with the business transacted in 2009, did not reveal any major discrepancies or serious shortcomings concerning the company's internal control methods and procedures.

16.5.2.1. Internal control

16.5.2.1.1. Definition of internal control

Audika defines internal control as a process implemented by the company's Board of Directors, management bodies and staff with a view to ensuring the disciplined and efficient management of the company.

This definition implies:
- Compliance with the policies and procedures defined by management as well as with laws and regulations in force,
- The preservation of assets,
- The prevention of fraud and errors,
- The fair presentation and exhaustiveness of financial information.

One of the objectives of a system of control is to prevent and to manage business risk as well as the risk of error and fraud, particularly in the areas of accounting and finance. However, like any system of control, such measures can never provide an absolute guarantee against these risks.

16.5.2.1.2. Key players in internal control procedures

The Audika Group is organized as follows:
- Products and services logistics platforms managed by Audika and Sarffa;
- Distribution centers managed by the regional distribution companies (Audika Ouest, Audika Centre Audiométrique, Institut de l'Audition du Var, Audika Alpes, Elstar, CFA, Audika AAC, SCS Audika, Audika Est, Audiocal, Audio Conseil F. Carré, Centre Acoustique de Montbéliard and Gardanne Audition);
- The distribution centers do not have managerial autonomy or any responsibility in the decision-making process. Internal control is dependent on the regional directors in charge of implementing the Group's business policy approved by General Management and Executive Management for France and on distribution center staff in charge of the daily application of this business policy.

The principal entities playing a role in control are the following:
- The Board of Directors;
- The General Management (which defines the objectives of the different departments along with the methods and procedures for monitoring such objectives) and the Management Committee;
- The IT Services Department, which oversees the correct operation of the Group's information systems;
- The various department heads in charge of ensuring that objectives are met and making progress reports to General Management.

16.5.2.1.3. Organization of Internal Control

While Audika has no formal written Code of Ethics, the Chairman has always sought to instill a corporate culture that is based on honesty, expertise, responsiveness, quality and respect for the customer.

Moreover, the procedures implemented in the different departments listed below were defined with the aim of attaining the objectives embedded in the internal control system (providing reasonable assurance that the major risks to which the Group is vulnerable are prevented).

- **Finance Department**

Audika's Finance and Administration Department is headed by a Director who reports directly to the General Management.

The Chief Financial Officer is assisted by an Accounting Manager who supervises general accounting and the accounting teams. Accounts are maintained in the AS400 accounting application used throughout the Group. The chart of accounts applies group-wide. Control is based on a centralized approach to flows via a single IT system.

The Finance Department has issued accounting procedures to be applied by each staff member in all centers. Regional Directors are specifically responsible for ensuring the correct implementation of financial procedures. In addition, Regional Directors must ensure proper management at the retail centers through a system of regular spot checks.

- **Financial communications**

Based on the financial data provided by the Finance Department or the Management Controller, the General Management issues various types of financial communications in accordance with the regulatory provisions of the Autorité des Marchés Financiers (or AMF – the French Financial Markets Authority).

Financial communications are primarily intended for shareholders, analysts and investors.

Financial communications are released through financial press releases (quarterly earnings, half year results and annual results), annual reports, slide shows, and the Group's website (http://finance.audika.com/).

- **Executive Management, France**

Executive Management for France applies a number of procedures across the network (Operational Guidelines for Regional Directors, terms and conditions of sales, accounting procedures, etc.), which are designed to safeguard assets and prevent errors at retail locations. Each hearing center employee has access to a document containing the terms and conditions of sale to be applied across the network and which ensure consistent, optimal management at each center. Concurrently, employees receive regular training (from regional training supervisors), ensuring that that terms and conditions of sale are properly understood and applied.

In addition to the retail network management structure set up at headquarters, Audika Group has established several Regional Divisions. Regional Directors are chiefly responsible for supervising sales at each center (based on the targets set at the beginning of each year) and ensuring proper management.

- **Other contributors** to internal control

General management and the finance department notably rely on Audikanet software (developed in-house) to develop the scorecards required for the continuous monitoring of results. Such tools have been provided in cooperation with the Executive Director and the Information Systems Director.

In addition, Audika Group occasionally calls upon external service providers specializing in insurance, IT, legal affairs, etc.

16.5.2.2. Procedures governing the drafting and processing of financial and accounting information

16.5.2.2.1. Budgeting

- **Revenue**

Each Regional Director prepares a list of objectives for each center in the region, applying the main performance indicators (revenue from hearing aids, batteries, accessories, etc.). Once validated by the General Management, this data is consolidated by the Finance Department in order to determine the Group's revenue target.

The data is then broken down month-by-month to facilitate regular performance monitoring.

- **Expenses**

Based on the expenses recognized at the end of the reporting period, the Finance Department determines which expenses are recurring and will therefore re-appear in the budget for the following year. Added to these are new expenses, which are evaluated on an item-by-item basis. For example, each department head determines his recruiting requirements in collaboration with the Human Resources Department. Once validated by the General Management, these recruitment requests are included in the budget.

- **Investments**

The General Management determines budget allowances that serve as a “budget framework". The department heads are responsible for identifying all of their investment requirements. Once validated by the General Management, these investments are included in the budget. As to growth (acquisitions, startup locations), the Finance Department and the General Management work together to determine the funds that can be allocated to this line item.

16.5.2.2.2. Monitoring of budgeting and reporting

A number of business indicators were developed in order to further refine the budget monitoring process and management indicators. These tables are used for accounting (cash, inventories and customer balances), sales (sales analysis and scorecards) and management (management indicators).

These monitoring tables are one of the elements on which internal control within the Group is based.

Several indicators are published daily, weekly and monthly:

- **Daily indicators**

These are designed to facilitate day-to-day tracking of revenue, revenue trends compared to the previous year and progress achieved toward reaching the Group's targets. They also provide a certain number of management indicators. All data is made available at the head regional offices based on the names on the distribution list.

- **Weekly indicators**

These indicators are designed to provide comparative performance indicators between various regions and to refine the management indicators.

- **Monthly indicators**

Monthly indicators combine the daily and weekly indicators for the month in question and provide much greater detail on a center-by-center basis.

The distribution list of indicator recipients is subject to the approval of the General Management and is reviewed on a regular basis.

With regard to expenses, the Finance Department prepares a monthly report that is used to determine whether or not expenses coincide with allocations made in the budget and the company's performance. The Human Resources department monitors recruitment and total payroll on a monthly basis.

With respect to investments, the General Management has instituted annual investment budget monitoring department by department. The regular monitoring of investment activities (by the General Management and the Finance Department) contributes to providing rigorous and effective management of the company.

16.5.2.2.3. Risk Management

As the cost structure within the Audika Group is essentially a fixed-cost structure, risk management must be implemented at several levels:

- Revenue: In order to amortize the cost structure, it is important to correctly manage operations and to have information available as early as possible so as to be able to react as a business as swiftly as possible. Accordingly, the different indicators discussed below provide a fine-grain overview of operational trends, center-by-center.
- Expenses: In the current economic environment marked by slower growth, efficient control of expenditure is an essential element. It is precisely in this climate that a Cost Control Committee was instituted in the last quarter of 2008 and monthly meeting scheduled to control spending.

- **The Cost Control Committee**

The members of the Cost Control Committee are the Corporate Secretary, the CFO., the Chief Operating Officer for France and an executive Program Manager.
The Committee is responsible for reviewing the various Group expense line items and to identify potential sources of savings (whether through negotiations with suppliers, invitations to bid or new internal processes).

Depending on the different goals established, the Cost Control Committee is authorized to contact departmental managers and/or their suppliers. In any event, any new contract signed with a supplier must be presented to the Committee before signature.

The objective is to have a structure able to assess the main management risks and to play a role in financing negotiations, which will specifically allow separation of operational functions from "purchasing".

16.5.2.2.4. Approving and closing accounts:

Unaudited monthly reports are established for internal use only for the purpose of comparing accounting and budget-related data.

In addition, the half-yearly and yearly financial statements are audited by the company's Statutory Auditors, approved by the Board of Directors and published in accordance with legal and regulatory requirements.
Last, since 2009, the Finance Department has prepared unaudited quarterly statements.

Accounts are approved and closed in accordance with the Group's standard accounting procedures (recognition of revenue, provisions, rules regarding the separation of reporting periods, calculation of profit-sharing and tax estimation). At each balance sheet date (half-yearly or yearly), the accounts are analyzed and documented in a structured statement.

16.5.2.2.5. Approaches for recognizing provisions for risks and disputes

On each quarterly, half-year and annual statement date, the Finance Department carries out a comprehensive review of any provisions to be recognized.

General Management is informed of any events likely to result in the recognition of a provision whenever the following arises:

- Risk of customer default;
- Unusual issues in recovering a debt;
- Third-party disputes.

16.5.2.2.6. Consolidation of accounts

The consolidation of the accounts is centralized within the Audika's Administrative and Finance Department, which is assisted in this respect by a specialist outside firm. The consolidation software used is the Magnitude analytic platform (SAP Business Objects).

The consolidation process specifically includes the following controls and checks:

- Verification of the reciprocity of inter-company balances to be excluded;
- Verification of the consistency of accounting across companies in the Group;
- Delivery of consolidation bundles by each company in the Group in pre-defined format;
- Calculation of provisions to be recognized for post-employment obligations;
- Justification and analysis of all consolidation adjustments in compliance with current accounting standards.

16.5.2.2.7. Other elements of monitoring

Different monitoring charts have been set up, principally relating to:

- Monitoring mergers and acquisitions (charts for monitoring investments and the various impacts of M&A activities on the consolidated financial statements);
- Monitoring debt (charts for monitoring debt and compliance with covenants);
- Monitoring cash position: an interest optimization mechanism has been set up with the Group’s primary banking institutions in order to optimize Group surplus cash management and to provide a concentrated overview of the cash position of each company within the Group in real time;
- Monitoring of off-balance sheet commitments: at each balance sheet date, the Finance Department systematically reviews the off-balance sheet commitments of each of the companies within the Group.

Other procedures, albeit unwritten, cover all the principal control processes. In most of these areas, standard documents have been developed with a view to reinforcing internal control.

16.5.2.3. Procedures governing operations

The Group’s internal control procedures are notably used for:

- Monitoring sales activity;
- Human resources management;
- Securing the information contained in our databases.

16.5.2.3.1. Monitoring sales activity

- **Purpose**:

The Management Committee’s monthly meetings, chaired by the Co-Chairmen, are aimed at carrying out a complete assessment of the operations of the different departments (sales and marketing) during the past month, as well as checking the different management indicators and validating projects underway.

- **Structure:**

All department heads concerned are represented during these meetings: General Management, Executive Management for France, the Marketing Department and Corporate Communications Department.

- **Work:**

The Internal Control Committee met 11 times during the reporting period. General Management specifically relies on the business activity report, prepared using the above-mentioned indicators, and on the scorecards generated by the different departments.

16.5.2.3.2. Monitoring corporate development

- **Purpose:**

The Corporate Development Committee’s monthly meetings, chaired by the Co-Chairmen, are aimed at carrying out a complete assessment of corporate expansion operations (startups or acquisitions) carried out or underway. The Corporate Development Committee reviews the performance of the centers most recently integrated in the French sales territory, validates the forecasts for operating income and budgets under development and approves projects underway.

- **Structure:**

All the department heads concerned are represented during these meetings: General Management, the Corporate Development Department, and Executive Management for France.

- **Work:**

Over the past year, the Corporate Development Committee met 11 times.

16.5.2.3.3. Human resources management

- **Recruitment:**

  - Network: all staffing requests must be validated beforehand by the Department Head, the Human Resources Director and Executive Management for France.
  - Head office: all staffing requests must be validated beforehand by the Department Head, the Human Resources Director and General Management.

- **Integration:**

  - Network: to maintain the consistency and quality of our services, all employees (hearing care practitioners and sales assistants alike) go through a similar integration process. Training sessions are organized on a regular basis at the head office and allow each new employee to learn how the Group operates and to become familiar with the technical and sales procedures specific to Audika.

In addition, each hearing aid practitioner is trained in the hearing aid protocol developed internally by Audika. The purpose of the protocol is to ensure consistent quality of service across the entire retail network.
Lastly, regional trainers monitor the teams regularly.

  - Head office: each new employee receives training to learn how the Group operates and to become familiar with the Group's procedures, as well as the unique aspects of its business sector.

  - Annual employee reviews and evaluations: the company has established a specific procedure (updated in early 2007) whereby employees receive one-on-one feedback from their supervisor through a number of documents (pre-interview questionnaire, performance evaluation form, annual goals worksheet, etc.).

16.5.2.3.4. Securing the information contained in our databases

Developed in 2004, the IT management application, Audikanet, was gradually deployed throughout Audika's network of hearing centers in 2005. Each center staff member has received training on how to use the system. All network centers are now equipped (apart from the most recent acquisitions for which installation is scheduled immediately upon integration).
This IT management software provides faster reporting (sales, marketing and finance), thereby enhancing the effectiveness and responsiveness of internal control.

Audikanet is a software application developed entirely in-house, based on an Oracle database and a PHP front end. This Intranet system enables the Group to centralize access by grouping all sensitive data in one location.

The management of user access rights is based on user profiles and depends on the position to which each company employee has been assigned. Some users have view-only rights while others have access to ordering/invoicing features. Each action is recorded in an activity journal, with identification of the user. The only user interface available is the PHP front end, which means that none of the data contained on the Oracle server can be accessed directly.

The production servers are centralized in a secure IT room, with redundancy of mirror servers and daily back-up of data by an external service provider.

16.5.2.4. Internal control in Italy

Audika Group began its international expansion in September 2007. A control system has been set up for Italy, conforming to the same standards as the French network.

16.5.2.4.1. Key players in internal control procedures:

- The Group's Board of Directors;
- The Group's General Management (which defines the objectives of the different departments along with the methods and procedures for monitoring such objectives);
- Management of the Italian subsidiary, represented by Philippe Chapalain, its Director;
- The managers and administrative director of the network;

The retail centers have no management autonomy or responsibility in the decision-making process. The control system is focused mainly on the Executive Management for Italy, which is in charge of implementing the sales policy determined by the General Management of the French network.

16.5.2.4.2. Budgeting:

- **Revenue**

The director of Italian operations, with the consent of Italian managers, sets an annual revenue target per retail hearing location existing at December 31, 2009. Once validated by the Board of Directors and the Group's senior management, this data is consolidated to form the Italian subsidiary's revenue target.

This data is then broken down month-by-month to allow for the regular monitoring of performance.

- **Expenses**

Based on expenses recognized in 2009, the general management of the Italian network determines which expenses are recurring. Added to these expenses are new expenses which are evaluated on an item-per-item basis. Concurrently, the general management of the Italian subsidiary gradually introduces the Group's management rules to the retail centers (cost control, inventory management, etc.).

- **Investments**

General Management, in coordination with the Italian management, determines an overall budget for the entire year. Investments specifically coinciding with the strategic desire to roll out Group standards to the various retail centers acquired during the reporting period (storefront uniformity, center equipment, etc.).

- **The Cost Control Committee**

The members of the Cost Control Committee are the Director of Operations for Italy, the Controller for Italy, the administrative manager for Italy and are under the supervision of the Group's General Management.

The Committee is responsible for reviewing the various subsidiary expense line items and to identify potential sources of savings (whether through negotiations with suppliers, invitations to bid or new internal processes).

Depending on the different goals established, the Cost Control Committee is authorized to contact departmental managers and/or their suppliers. The objective is to have a structure able to assess the main management risks and to play a role in financial negotiations, which will specifically allow separation of operating functions from purchasing functions.

16.5.2.4.3. Monitoring of budgeting and reporting:

The first monitoring scorecards were developed in 2007 for the purpose of monitoring the budget. The scorecards primarily address business issues (sales analysis). The performance indicators are published monthly or quarterly.

During the 2009 reporting period, all retail centers owned by the Italian subsidiary were connected to a single IT network to allow efficient tracking of business performance and retail center management.

The distribution list of indicator recipients is subject to the approval of General Management and is reviewed on a regular basis.

16.5.2.4.4. Approving and closing accounts:

Approving and closing the accounts occurs in compliance with standardized Group accounting procedures, taking account of Italian accounting rules (recognition of revenue, recognition of provisions, rules regarding the separation of reporting periods and estimation of taxes). At each balance sheet date (half-yearly or yearly), the accounts are analyzed and justified in a structured "statement bundle".

16.5.2.4.5. Consolidation of accounts:

Preparing the consolidation of accounts is centralized within Audika Italia's Finance and Administration Department with help from Audika's Finance Department.

The consolidation process specifically includes the following controls and checks:

- Verification of accounting consistency for the companies of the Group;
- Consolidation bundles delivered by each company in a format pre-defined by the Group;
- Documentation and analysis of all consolidation adjustments in compliance with current accounting rules

16.6. Report of the Statutory Auditors on the report of Audika's Chairman of the Board of Directors

(This is a free translation into English of the statutory auditors 's report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law end professional auditing standards applicable in France)

Reporting period ended December 31, 2009

Dear Shareholders,

In our capacity as statutory auditors for Audika and in compliance with the provisions of Article L. 225-235 of the French Commercial Code, we hereby present our findings on the report prepared by the Chairman of your company pursuant to Article L. 225-37 of the aforementioned Code for the reporting period ended December 31, 2009.

It is the role of the Chairman to prepare and submit his report to the Board of Directors describing the control and risk management procedures set up within the company and providing all other detail as required by Article L. 225-37 of the French Commercial Code, specifically the corporate governance structure, for approval.

It is our role:
- To issue any comments we may have on the information contained in the Chairman's report on control procedures governing the preparation and handling of accounting and financial disclosures, and
- To certify that the report includes all other information required by Article L. 225-37 of the French Commercial Code, emphasizing that it is not our role to verify the truthfulness of such additional disclosures.

We conducted our audit in accordance with generally-accepted auditing practices in France.

Information on the internal control and risk management procedures for drafting and processing financial and accounting disclosures

Professional standards require that we perform due diligence aiming at verifying the truthfulness of the information on the control and risk management procedures relating to the preparation and treatment of the accounting and financial information contained in the Chairman's Report. These procedures specifically consisted of:
- Reviewing the control and risk management procedures governing the preparation and treatment of accounting and financial information supporting the information presented in the Chairman's Report as well as in existing documentation;
- Reviewing the methods used in preparing such disclosures and existing documentation;
- Determining whether there are any major flaws in control relating to the preparation and treatment of accounting and financial disclosures uncovered by our audit are adequately addressed in the Chairman's Report.

Based on our audit, we have no comments to make as to the information on the company's internal control and risk management procedures relating to the preparation and treatment of accounting and financial disclosures contained in the report of the Chairman of the Board prepared pursuant to Article L. 225-37 of the French Commercial Code.

Other information

We certify that the Chairman of the Board's Report contains all other disclosures required by Article L. 225-37 of the French Commercial Code.

Paris and Neuilly-sur-Seine, April 27, 2010
Statutory Auditors

Pierre-Henri Scacchi et Associés	Deloitte & Associés
Alain ZENTAR	Christophe PERRAU

17

Chapter

Headcount

Contents

17.1. Human resources information

17.1.1. Group human resources information

The table below presents a breakdown of the headcount:

	2009			2008		
	Open-ended	**Fixed-term**	**Total**	**Open-ended**	**Fixed-term**	**Total**
France						
Executives	301	1	302	282	1	283
Non-executives	397	25	422	369	21	390
Total France	**698**	**26**	**724**	**651**	**22**	**673**
Italy						
Executives	6	1	7	3	1	4
Non-executives	75	12	87	46	13	59
Total Italy	**81**	**13**	**94**	**49**	**14**	**63**

17.1.2. Information on the manner in which Audika addresses the impact of its activities on human resources (Article 255-102-1, Para. 5, and R. 225-104 of the French Commercial Code) for the reporting period

17.1.2.1. Change in headcount and employment

- Total headcount at December 31, 2009: 62 (57 on open-ended contracts and 5 on fixed-term contracts), including 35 executives (15 women and 20 men) and 27 non-executive employees (22 women and 5 men).

Total headcount rose by 3.33% during the reporting period, with 2 additional employees.

- Staff hired under open-ended contracts: 2
- Staff hired on fixed-term contracts: 0
- Potential recruitment issues: No particular recruiting issues to report.
- Average permanent headcount: 61
- Employee turnover in 2009: 6.56%
- Departures in 2009: 8

Dismissals and reasons:
Gross misconduct: 1
Resignation: 1
Retirement: 0
Breach of contract: 1
Expiration of a fixed-term contract: 5
Termination during the trial period: 0
Unfitness for work: 0
Death: 0

- Overtime: working overtime is exceptional and is compensated in line with current legislation;
- Outside human resources assistance: use of temporary staff on an occasional basis during peak periods or to replace employees.
- Plans for staff downsizing and job-saving: None
- Reassignment efforts: Not applicable
- Re-employment and support: Not applicable

17.1.2.2. Other information concerning Audika

17.1.2.2.1. Hiring and integration of disabled workers:

Audika Group is a totally unbiased employer of disabled workers and outsources work to the CAT (Centre d'aide par travail – a center for the integration of the disabled within the workplace) where possible.

17.1.2.2.2. Extent of sub-contracting:

The company outsources work as the need arises. Such outsourcing generally occurs in areas such as janitorial and IT services, but also includes consulting services, etc.

17.1.2.2.3. Compensation and changes to compensation:

- Compensation and changes in compensation: in 2009, personnel expenses (including employer-paid social security contributions) amounted to EUR 4,454,000, unchanged with respect to 2008.
- Social security expenses: No particular remarks
- Application of Title IV of Volume IV of the French Labor Code: No particular remarks.

17.1.2.2.4. Equality of men and women at work:

The company does not discriminate between men and women, whether in terms of hiring or compensation. Enforcement of management rules is consistent for all employees.

17.1.2.2.5. Working hours:

- Work schedule: Collective hours.

An agreement to reduce the workweek was implemented at Audika.

- Standard weekly hours for full-time employees: 35 hours, or a fixed number of working days for executives.
- Standard weekly hours for part-time employees: variable.
- Overtime: the necessity of overtime is rare and is compensated in accordance with current legislation.
- Absenteeism and causes: No particular remarks.

17.1.2.2.6. Employer-employee relations:

Bodies representing employees (Works Council, employee representatives) meet on a monthly basis and are notified and consulted on the key events impacting the market in which the Group does business.

Audika's employer-employee relations were notably reflected in the organization of 12 meetings in 2009 which addressed economic and human resources issues (headcount, corporate revenue), the Group's development outlook (startup and acquisitions of new hearing centers) and group projects (website, mergers, employee-related news, etc.).

The CHSCT (Health and Safety Committee) met quarterly (4 meetings) in 2009 to address the initiatives deployed throughout the retail network and head office as well as preventative measures to be introduced in the area of health, safety and conditions at work.

Collective bargaining agreements: in 2009, the company took on the obligation to recruit employees more than 45 years of age. In December 2009, a plan was introduced to maintain and increase the number of seniors working for the company.

17.1.2.2.7. Staff amenities

The Works Council of Audika's parent company has a special budget dedicated to staff amenities which enables the Group's employees to receive rewards and perks in the form of opportunities to take part in cultural and leisure activities.

17.1.2.2.8. Health and Safety Requirements

The Group's activities do not present any particular risks. Nevertheless, Management and the CHSCT remain alert to any potential risk to the health and safety of the Group's employees through the quarterly meetings, and through the implementation and monitoring of the Group's health and safety policy.

To counter the risk of a flu pandemic, Audika introduced procedures to limit the risks at the company's head offices and retail centers, specifically through the dissemination of the recommendations published by the INRS (*Institut national de recherche et de sécurité* - National Research and Safety Council) on prevention guidelines and by distributing sanitizing gels and wipes.
Masks have been ordered and stored for use in the event of an emergency.

17.1.2.2.9. Training

Training is a key part of Audika Group's human resources policy.
The Group's employees receive training in the use of software applications.

In 2009, 14 employees received a total of 227 hours of training.

17.1.2.2.10. Other information

- Manner in which the company addresses the local impact of its activities on employment and regional development: None

- Relations between the company and job placement organizations, institutions of learning, environmental protection groups, consumer associations and local residents: None

- Scale of sub-contracting and methods promoted by the company to ensure the awareness of subcontractors and compliance of subsidiaries with the basic labor codes of the International Labor Organization: Not applicable

- Approach adopted by foreign subsidiaries on the impact of their activities on regional development and the local population: Not applicable

17.2. Profit-sharing and stock options

17.2.1. Special Report by the Board of Directors on stock option plans approved by the company

Pursuant to Article L. 225-184 of the French Commercial Code, no option for subscribing shares has been granted pursuant to Articles L.225-177 through L.225-186 of the French Commercial Code.

17.2.2. The Board of Directors' Special Report on transactions related to the free allocation of shares to salaried personnel and directors of the company

Pursuant to Article L. 225-197-4 of the French Commercial Code, no free allocation of shares has been granted under Articles L.225-197-1 through L.225-197-3 of the French Commercial Code.

17.3. Employee share ownership

17.3.1. Employee share ownership at December 31, 2009

- Employees owning registered shares of the company at December 31, 2009: None

- Employee-owned shares managed in a fund which the owners cannot freely access: None

17.3.2. Buybacks of shares designated for distribution to employees and Board members

Pursuant to Article L.225-208 of the French Commercial Code, the company did not acquire any of its own shares during the reporting period with a view to:

- Allocating shares to employees as part of their participation in a company profit-sharing scheme;
- Allocating free shares to employees or Board members in accordance with provisions laid out in Articles L.225-197-1 through L.225-197-3 of the French Commercial Code;
- Allocating stock options to employees and corporate officers in accordance with the provisions laid out in Articles L.225-177 et seq. of the French Commercial Code.

17.3.3. Share issue reserved to employees

The Shareholders' Meeting of June 17, 2009, rejected the proposed resolution on making a share issue pursuant to Article L. 3332-19 of the Labor Code.

18 | Chapter
Major Shareholders

Contents

18.1. Breakdown of Capital and Voting Rights (Change over the last three reporting periods)

	HOLTON		Float		Total	
2009						
Shares	5,097,602	53.94%	4,352,398	46.06%	9,450,000	100.00%
Voting rights	5,097,602	53.94%	4,353,714	46.06%	9,451,316	100.00%
2008						
Shares	5,097,602	53.94%	4,352,398	46.06%	9,450,000	100.00%
Voting rights	5,097,602	53.94%	4,353,356	46.06%	9,450,958	100.00%
2007						
Shares	5,097,600	53.94%	4,352,398	46.06%	9,449,998	100.00%
Voting rights	5,097,600	53.94%	4,353,356	46.06%	9,450,956	100.00%

Breach of thresholds

The table below lists those shareholders who, at December 31, 2009, held over 5%, 10%, 15%, 20%, 25%, 33.33%, 50%, 66.66%, 90% or 95% of the capital or voting rights at Shareholders' Meetings, as well as any changes thereto occurring over the reporting period:

Shareholder	Capital held	Voting rights held	Capital threshold breached	Voting rights threshold breached
Holton	More than 50%	More than 50%	No	No

18.2. Different voting rights

Voting rights (Article 11.2 of the bylaws)

Each share entitles its owner to a proportionate share of the company's capital. Double voting rights are attached to shares that have been fully paid-up and registered for at least four years.

Holton does not have double voting rights.

18.3. Information on the control of company capital

The issuer is controlled by Holton, which in turn is controlled jointly by Messrs. Alain Tonnard, Jean-Claude Tonnard and Philippe Langzam.

18.4. Agreement which could potentially result in a change in control

Not applicable.

19 Chapter Transactions concluded with related parties

Contents

19.1. Information concerning related parties

19.1.1. Relations between the parent company and its subsidiaries

See Chapter 20, Note 17, Paragraph 17.1.

19.1.2. Relations with Holton

See Chapter 20, Note 17, Paragraph 17.2.

19.1.3. Directors and officers

See Chapter 20, Note 17, Paragraph 17.3.

19.2. Report of the Statutory Auditors on regulated agreements and commitments

(This is a free translation into English of the statutory auditors 's report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law end professional auditing standards applicable in France)

Reporting period ended December 31, 2009

Dear Shareholders,
In our capacity as Statutory Auditors for your company, we are required to provide you with a special report on regulated agreements and commitments that have been brought to our attention. It is not part of our assignment to determine the actual existence of such agreements and commitments.

Accordingly, we inform you that we were not advised of any agreements or commitments subject to the provisions of Article L. 225-38 of the French Commercial Code.

Paris and Neuilly-sur-Seine, April 27, 2010
Statutory Auditors

Pierre Henri Scacchi et Associés	Deloitte & Associés
Alain ZENTAR	Christophe PERRAU

20

Chapter

Financial disclosures on the assets, financial situation and results of the issuer

Contents

20.1 Historical financial information

Pursuant to Article 28 of Commission Regulation (EC) No. 809/2004, the following documents are to be considered as an integral part of this Registration Document:

- The consolidated financial statements for the annual reporting period ended December 31, 2007, prepared in compliance with IFRS (International Financial Reporting Standards) standards as adopted by the European Union and the report of the Statutory Auditors on the financial statements for the reporting period ended December 31, 2007 found in the Registration Document filed by the company with the French Financial Markets Authority on April 29, 2007under registration number D.08-0319 on Page 152;

- The consolidated financial statements for the annual reporting period ended December 31, 2008, prepared in compliance with IFRS (International Financial Reporting Standards) standards as adopted by the European Union and the report of the Statutory Auditors on the financial statements for the reporting period ended December 31, 2008 found in the Registration Document filed by the company with the French Financial Markets Authority on May 5, 2009 under registration number D.08-0319 on Page 144;

- The parent company financial statements for the annual reporting period ended December 31, 2007, and the report of the Statutory Auditors on the financial statements for the reporting period ended December 31, 2007 found in the Registration Document filed by the company with the French Financial Markets Authority on April 29, 2008 under registration number D.08-0319 on Page 152;

- The parent company financial statements for the annual reporting period ended December 31, 2008 and the report of the Statutory Auditors on the financial statements for the reporting period ended December 31, 2008 found in the Registration Document filed by the company with the French Financial Markets Authority on May 5, 2009 under registration number D.08-0319 on Page 144;

The two Registration Documents cited above are available on the company's website (www.audika.com) and that of the French Financial Markets Authority (www.amf.org).

20.2 Pro forma financial information

Not applicable.

20.3. Financial Statements

20.3.1. Consolidated financial statements

20.3.1.1. Consolidated balance sheet

In EUR thousands	Note	12/31/09	12/31/08
ASSETS			
Non-current assets			
Goodwill	4	63,931	56,555
Intangible assets	5	5,468	4,775
Property, plant and equipment	6	12,688	12,507
Financial assets	9	1,174	1,011
Other non-current assets	9.2	2,022	1,269
Deferred tax assets	29	2,739	2,338
Total non-current assets		**88,022**	**78,455**
Current assets			
Inventories	8	6,456	6,820
Trade receivables and other accounts receivable	9.3	14,065	11,987
Other current assets	10	2,171	871
Cash and cash equivalents	9.4	11,264	8,468
Total current assets		**33,956**	**28,146**
TOTAL ASSETS		**121,978**	**106,601**
LIABILITIES			
Equity	11	284	284
Capital reserves		4,622	4,599
Consolidated reserves/translation differences		34,353	27,940
Group net income		10,734	10,230
Group shareholders' equity	**11**	**49,993**	**43,053**
Minority interests		436	375
Total shareholders' equity		**50,429**	**43,428**
Non-current liabilities			
Long-term borrowings	12.2	23,197	20,075
Other financial debt	12.3	3,661	3,843
Other debt	13	2,037	1,431
Deferred tax liabilities	29		6
Provisions for employee benefits	15	2,376	2,098
Total non-current liabilities		**31,271**	**27,453**
Current liabilities			
Provisions for disputes	14	112	83
Short-term borrowings	12.2	6,947	3,867
Other financial debt	12.3	1,180	797
Trade and other payables	12.4	29,342	29,572
Other debt	13	2,697	1,401
Total current liabilities		**40,278**	**35,720**
TOTAL LIABILITIES		**121,978**	**106,601**

20.3.1.2. Consolidated income statements

in EUR thousands	Note	12/31/09	12/31/08
Revenue	19	106,524	101,802
Revenue		**106,524**	**101,802**
Cost of sales	20	18,199	19,874
Gross operating margin		**88,325**	**81,928**
Overheads and sales costs		66,542	61,409
Other external purchases and expenses	21	25,778	23,640
Tax and duties	22	2,622	2,402
Payroll expenses	23	38,142	35,367
Other expenses			
Amortization, provisions and impairments	24	3,191	2,940
Other net operating income and expenses	25	165	75
Recurrent operating income		**18,757**	**17,654**
Other operating income and expenses		(255)	
Operating income		**18,502**	**17,654**
Income from loans and cash investments	27	256	104
Financial expenses	28	2,039	1,969
Net financial income (loss)		**(1,783)**	**(1,865)**
Profit before tax		**(16,719)**	**(15,789)**
Income tax expense	29	5,909	5,515
Consolidated net Income		**10,810**	**10,274**
Minority share		76	44
Group consolidated net income		**10,734**	**10,230**
Base earnings per share (in EUR)	30	1.14	1.08
Diluted earnings per share (in EUR)	30	1.14	1.08

Comprehensive income statement

In EUR thousands	12/31/09	12/31/08
Consolidated net income	**10,810**	**10,274**
Cash flow hedges		
Effective portion of hedges		(426)
Income tax		142
Total comprehensive income	**10,810**	**9,990**
Total comprehensive income - Group share	10,734	9,946
Total comprehensive income - Minority interest	76	44

20.3.1.3. Cash flow statements

In EUR thousands	12/31/09	12/31/08
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**10,810**	**10,274**
Elimination of items with no effect on cash or not linked to operations		
Amortization, provisions and impairments	3,446	3,379
Capital gains and losses on disposals	475	27
Others restatements		
Cash flow after cost of net financial debt and tax	**14,731**	**13,680**
Net cost of financial debt	1,543	1,662
Tax expense	5,909	5,515
Cash flow after cost of net financial debt and tax	**22,183**	**20,857**
Income tax paid	(5,657)	(7,975)
Change in working capital requirements	(2,890)	53
Net cash from operating activities	**13,636**	**12,935**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of intangible fixed assets	(3,232)	(3,871)
Acquisitions of property, plant and equipment	(3,359)	(5,131)
Disposals of tangible fixed assets		
Acquisitions of financial assets	(157)	(168)
Disposals of financial assets	8	61
Acquisitions of equity investments, net of cash	(5,269)	(3,753)
Cash flow from investing activities	**(12,009)**	**(12,862)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital increase		
Dividends paid	(3,796)	(3,902)
Company loans	10,069	31,631
Principal payments on borrowings	(3,931)	(30,274)
Net financial interest paid	(1,190)	(1,276)
Cash flow from financing activities	**(1,152)**	**(3,821)**
CHANGE IN COMPUTED CASH POSITION	**2,779**	**(3,748)**
Cash and cash equivalents at start of year	8,431	12,179
Cash and cash equivalents at end of year	11,210	8,431
CHANGE IN ACTUAL CASH POSITION	**2,779**	**(3,748)**

20.3.1.4. Statement of changes in consolidated shareholders' equity

In EUR thousands	Capital	Additional paid-in capital	Reserves & consolidated income	Change in fair value of cash flow hedges	Translation reserves	Equity attributable to equity holders of the parent	Minority interests	Shareholders' equity
Consolidated equity at 01/01/2008	**284**	**913**	**35,774**	**0**	**8**	**36,979**	**379**	**37,358**
Net income for 2008			10,230			10,230	44	10,274
Other components of comprehensive income				(265)		(265)	(21)	(286)
2008 comprehensive income			10,230	(265)		9,965	23	9,988
Dividends			(3,874)			(3,874)	(27)	(3,901)
Other					(17)	(17)		(17)
Consolidated equity at 12/31/2008	**284**	**913**	**42,130**	**(265)**	**(9)**	**43,053**	**375**	**43,428**
Net income for 2009			10,734			10,734	75	10,809
Other components of comprehensive income								
2009 comprehensive income			10,734			10,734	75	10,809
Dividends			(3,780)			(3,780)	(17)	(3,797)
Other			5		(19)	(14)	3	(11)
Consolidated equity at 12/31/2009	**284**	**913**	**49,089**	**(265)**	**(28)**	**49,993**	**436**	**50,429**

20.3.1.5. Notes to the consolidated financial statements

NOTE 1 Information relating to the Group

Audika Group is made up of 15 companies, of which Audika is the parent company. It is a French société anonyme (public limited company) with a Board of Directors and registered offices at 58 avenue Hoche (75008), Paris. Audika is a holding company.

The consolidated financial statements of the Audika Group for the year ended December 31, 2009 were approved on March 19, 2010 by the Audika Board of Directors in accordance with the going concern principle.

The consolidated financial statements are reported in euros. Unless otherwise indicated, all figures shown are in thousands of euros.

NOTE 2 Summary of main accounting methods

2.1. Principles governing the preparation of financial statements

2.1.1. Accounting principles

Pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of July 19, 2002, the Group's consolidated financial statements are prepared according to IFRS (International Financial Reporting Standards) adopted by the European Union as of the balance sheet date. The IFRS as adopted by the European Union differ in some respects from the IFRS published by the IASB (International Accounting Standards Board), with the exception of rules existing in IFRS guidelines but not yet adopted within the European Union.

The accounting policies are identical to those used for the previous reporting period, with the exception of Standards and Interpretations adopted by the European Union and binding for annual periods beginning on or after January 1, 2009.

Changes in presentation:

- Revised IAS 1, "Presentation of Financial Statements": this amendment is applicable starting January 1, 2009, splits the older Statement of Changes in Equity into two separate statements. The first statement presents transactions with owners in their capacity as owners (statement of changes in equity); the second statement presents income and expenses recognized in profit or loss (statement of comprehensive income).

Changes in accounting policy:

- IFRS 8 "Operating Segments", replacing IAS 14, "Sector Reporting". This standard defines the Group's operating segments based on a performance assessment by senior management. Audika's senior management has defined two operating segments: operations in France and operations in Italy.

Other than the application of Revised IAS 1 and IFRS 8, the other amendments to standards and interpretations in force as of January 1, 2009 do not apply to the Group or have no significant impact on the consolidated financial statements issued on December 31, 2009. This relates to:

- Amended IAS 1 and IAS 32 – Puttable financial instruments and obligations arising on liquidation,
- Revised IAS 23 – Borrowing Costs,
- Amended IFRS 2 – Vesting Conditions and Cancellations,
- Amended IFRS7 - Improvements to the disclosure framework for risks arising from financial instruments,
- IFRIC 11 - Group and Treasury Share Transactions,
- IFRIC 13 - Customer Loyalty Programs,
- IFRIC 14 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction,
- Other amendments and the annual improvement process for IFRS published in May 2008 and April 2009.

The Group has not opted for early application of standards and interpretation for which application is not binding on January 1, 2009, notably:

- Revised IFRS 3 - Business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009,
- Amended IFRS 27 - Consolidated and separate financial statements applied for annual periods beginning on or after July 1, 2009,
- Amended IAS 32, relating to the classification of subscription rights and applicable beginning on February 1, 2010.
- Amended IAS 39 - Financial Instruments - Entity's exposure to fair value hedge accounting and applicable beginning on July 1, 2009.

These new standards are not expected to have a significant impact on the Group's consolidated financial statements.

2.1.2. Financial statements

The objective of Audika's financial statements is to provide a faithful representation of the company's financial position, performance and cash flows. They were prepared on a going concern basis. The methods of presentation are retained from one year to the next for the purposes of comparability. The presentation is changed only if the changed presentation complies with the requirements of a Standard or Interpretation, or provides information that is more reliable or more relevant. Items of a similar nature or function are aggregated in separate line items based on the concept of materiality. At the time of recognition, assets and liabilities and income and expenses are not offset unless required or permitted by a Standard or an Interpretation. Assets and liabilities are presented in ascending order of liquidity and settlement due date and classified as current or non-current items depending on whether or not they are expected to be sold, consumed or realized within twelve months after the balance sheet date. Items of income and expense recognized in the period are broken down by type in the Income Statement for the period. They are included in the cost of an asset or liability only when required by a Standard or Interpretation.

Operating income is comprised of current operating income and other operating income and expenses. Current operating income includes the performance of the Group's ordinary activities. Other operating income and expenses include proceeds and expenses resulting from a few clearly identified, non-recurring and significant events, such as a restructuring program or the sale of shares in a consolidated entity.

Financial income relates primarily to the cost of indebtedness.

Audika publishes its annual financial statements as of the December 31 balance sheet date; its half-yearly financial statements are published as of the June 30 balance sheet date.

2.1.3. Consolidation criteria

The consolidated financial statements include the financial statements of Audika and its subsidiaries at December 31, 2009. Those companies over which Audika exercises direct or indirect exclusive control are fully consolidated.

All material transactions carried out among consolidated companies and internally-generated profits are eliminated.

2.2. Earnings per share

In its financial statements, Audika presents basic earnings per share and diluted earnings per share. Basic earnings per share are calculated by dividing net profit or loss attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. The average number of shares outstanding is calculated based on the various changes to shareholders' capital adjusted for issued stock held by the Group itself. Earnings per share can be considered equivalent to diluted earnings per share insofar as Audika has issued no dilutive instruments.

2.3. Accounting Principles, Errors and Estimates

A change in accounting policy is made only if the change is required by a Standard or Interpretation or if it provides more reliable and relevant information. Changes in accounting policies are applied retrospectively, except in accordance with a specific temporary provision in that Standard or Interpretation. Financial statements affected by a change in accounting policy are adjusted for each prior period presented, as if the new accounting policy had always been applied. Where any errors arise, they are also adjusted retroactively.

The uncertainties inherent in doing business require the use of estimates for the preparation of the financial statements. Estimation involves judgments intended to provide a reasonable assessment based on the latest available, reliable information. An estimate can be revised to reflect changes in the circumstances on which the estimate was based or as a result of new information or more experience. Revisions to estimates are recognized prospectively: they impact the period of change, and, if necessary, future periods.

The main estimates made for the preparation of the financial statements notably concern the assumptions made to measure the value and the useful life of operating assets, tangible and intangible assets, goodwill and the calculation of provisions for employee benefits and other provisions. The consolidated financial statements for the period were prepared taking account the current economic and financial crisis and based on the financial parameters of the market available on the balance sheet date.

2.4. Translation of the financial statements of foreign subsidiaries

As their functional currency, subsidiaries use the local currency in which the most of their transaction are denominated.

Foreign subsidiary balance sheets are translated using the exchange rate on the balance sheet date; the subsidiary income statements are translated using the average exchange rate for the period. Any differences arising from the translation of the financial statements of foreign subsidiaries are directly recorded as translation differences and recognized in the Group's consolidated equity.

2.5. Foreign currency transactions

Transactions denominated in foreign currencies are translated by the subsidiary into the functional currency at the exchange rate prevailing on the day of the transaction. Monetary items on the balance sheet are revalued at the closing exchange rate on each balance sheet date and any corresponding revaluation differences are recognized in the income statement.

2.6. Income from ordinary activities

Revenue is primarily generated from the sale of hearing aids. Income from ordinary activities is recognized when it is probable that the Group will derive future economic benefit and when such income can be reliably estimated.

Sale of goods

Sales of hearing aids are recognized as revenue on the date on which the risks and rewards of ownership are transferred, namely on the date the hearing aid is delivered to the customer. The criteria for recognizing income are not deemed to be met when a hearing aid is offered to a customer for a trial at home.

Sales of accessories (batteries, maintenance products) are recognized as income when such consumables are delivered.

Provision of services

Just like the treatment of insurance agents' commissions, income from services (*Sérénité* contracts and Customer Rewards cards) is recognized when the contract is sold to the customer after deduction of the associated insurance expense.

In addition, Audika issues invoices for advertising services and royalties.

2.7. Goodwill

Goodwill represents the excess of the cost of the business combination over the acquirer's interest in the fair value.

It integrates the fair value of the business combination's identifiable assets, liabilities and contingent liabilities. It is measured within the 12-month period following the date of acquisition. Goodwill cannot be amortized. Goodwill is allocated to Cash-Generating Units (CGUs) that are likely to benefit from the synergies of the business combination and is tested for impairment annually or whenever there is an indication that the unit may be impaired. All impairments of goodwill are irreversible.

All of the Group's assets, including goodwill, are allocated to a Cash-Generating Unit (CGU). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other assets or asset groups. CGUs are part of the analysis structure employed by the Group's management when it prepares its reports. They correspond to the two geographic areas in which the Group operates: France and Italy.

2.8. Intangible Fixed Assets

Intangible assets are amortized using the straight-line method over the following useful lives:

Software	2 to 3 years,
Concessions, patents and licenses	5 years.

Leaseholds are not amortized. The useful life of leaseholds is deemed indefinite when there is no foreseeable limit to the period during which the leasehold is expected to generate net cash inflows for the entity.

When the carrying amount of an intangible asset is no longer recoverable, it is written down to its recoverable amount based on the results of an impairment test.

2.9. Property, plant and equipment

The gross value of property plant and equipment corresponds to their purchase price or production cost. It cannot be revalued.

Depreciation is calculated using the straight-line method over the estimated useful life of each asset category.

Assets financed by leaseback transactions or financial leases are recognized as assets at the present value of future payments or the market value if lower. Any associated debt is recognized as a financial liability.

Property, plant and equipment are depreciated using the straight-line method and in accordance with the periods of useful life found below.

The main useful lives are:

Buildings	10 years
Fixtures and fittings	6 to 7 years
Machinery and equipment	5 years
Office furniture	4 to 7 years
IT and office equipment	2 to 5 years
Transportation equipment	2 to 5 years

When the carrying amount of property plant and equipment is no longer recoverable, it is written down to its recoverable amount based on the results of an impairment test.

2.10. Impairment tests

An impairment test is performed every twelve months at the end of the period on each of the two cash-generating units of the Group. Any indication of impairment can immediately trigger an impairment test. The main indications of impairment recognized by the Group include any adverse trend in business or in the rate of return of an asset group.

Intangible assets with an indefinite useful life (leaseholds) are tested for impairment referencing recent transactions on similar assets or measurements made by others.

In addition, within a CGU, any intangible or tangible asset with a definite useful life is tested for impairment whenever there is an indication that the unit may be impaired.

The Group recognizes an impairment loss whenever the recoverable amount of an asset or a CGU is less than the carrying amount of the asset or unit. An improvement in the recoverable amount of an asset triggers the recognition of an impairment loss reversal, with the exception of the impairment of goodwill, which is irreversible.

An impairment test consists of a comparison between the carrying amount of an asset and its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. Fair value is the amount for which an asset could be exchanged. The value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Expected future cash flows are those projected in the 4-year plan instituted by management and extrapolated using a steady growth rate. They are discounted at a rate reflecting a measurement of the weighted average cost of capital.

2.11. Financial Assets and Liabilities

The measurement and recognition of financial assets and liabilities are defined in IAS 39 "Financial instruments: Recognition and Measurement" and its amendments.
Financial assets and liabilities are recognized in the Group's balance sheet whenever the group becomes a party to the contractual provisions of the instrument.

Financial Assets
IAS 39 provides a definition for four categories of financial assets, each having a specific accounting treatment arising from a specific measurement (classification in accordance with IFRS 7):

- Financial assets at fair value through profit or loss;
- Loans and receivables;
- Held-to-maturity investments;
- Available-for-sale financial assets.

- Financial assets at fair value through profit and loss are assets held for the purposes of selling in the near term (this category includes cash and short-term securities included with "cash equivalents"), unhedged derivatives and derivatives with a fair value hedge.

- Loans and receivables issued by the Group are financial assets with fixed or determinable payments, not quoted in an active market and created by the entity to procure money, goods and services directly to a debtor. This category includes loans and advances to employees, customer receivables, employee and tax receivables and trade receivables. These financial assets are initially recognized at the fair value of the transaction. Thereafter, they are measured at their amortized cost.

Where such an asset cannot be recovered, impairment is recognized in order to write down the asset to its recoverable amount.

- Held-to-maturity investments are financial assets with fixed or determinable payments and a fixed maturity that the Group has the positive intention and ability to hold to maturity. These assets are recognized at their amortized cost using the effective interest rate method. This asset category mainly includes deposits and guarantees paid under simple operating leases. These assets are recognized at their amortized cost.

- Available-for-sale financial assets, which are assets generated or held by the Group primarily with the aim of realizing a profit because of short-term price changes or margins. These assets are recognized at fair value. Audika does not hold any available-for-sale assets.

Financial Liabilities
IAS 39 identifies three types of financial liabilities, each with a specific accounting treatment:

- Financial liabilities held for the purposes of realizing a profit because of short-term changes or arbitrager's margin. The performance of these assets is evaluated on a fair value basis.

- Other financial liabilities not held for trading. The performance of such assets is measured at amortized cost. (See § 2.15 Non-Derivative Financial Liabilities).

- Financial liabilities designated as "measured at fair value", notably hedging instruments (See § 2.16: Derivative Financial Instruments).

2.12. Inventories

Inventories are valued at the lower of cost and net realizable value.
The cost of inventories is determined using the weighted average cost formula. The cost of inventories comprises the purchase price and any other costs, such as import duties and transport.

The net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.
A provision for impairment loss is recognized when the probable realizable value is lower than the net book value.

2.13. Provisions

Provisions are recognized whenever the Group has a present obligation (legal or constructive) to other parties arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits, provided that the maturity date of the obligation can be reliably estimated. Where the effect of the time value of money is material, the amount of the provision is determined by adjusting expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and, as applicable, those risks specific to the liabilities. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

2.14. Employee benefits

In addition to allocations for retirement required by current law, the Group's employees receive retirement bonuses and end-of-service benefits. The Group offers these benefits under defined contribution plans (with the obligation to pay fixed contributions) and under defined benefit plans.

Under defined benefit plans, retirement obligations and the like are measured using the Projected Unit Credit Method based on the final salary.

The principal actuarial assumptions used in making such calculations are the following:

- retirement date (voluntary or involuntary);
- future salary increases (including inflation levels);
- rates of employee turnover;
- discount rate;
- changes in the level of social security contributions.

These estimates are performed yearly by an actuary outside the company.

Actuarial gains and losses arise from changes in actuarial assumptions or experience adjustments (difference between the estimated and the actual) relating to the obligations or the financial assets of the plan. Such gains and losses are recognized in profit and loss using the "corridor" approach: they are spread over the remaining working lives of participating employees for the portion exceeding the greater of 10% of benefit obligations or 10% of the fair value of the plan's assets on the balance sheet date.

According to the collective bargaining agreement covering all Audika Group personnel, employees are awarded extra days' paid holiday each year according to the number of years of service in the Group (between one and three days per year). These obligations are calculated using the same assumptions used in measuring post-employment benefit obligations.

There is no plan that provides for share-based payment of employees.

Employee benefits expenses are recognized as labor costs.

2.15. Non-Derivative Financial Liabilities

Loans are initially recognized at the fair value of the amount received, less issuance costs. They are subsequently valued using the amortized cost method based on the effective interest rate.

Trade payables and other financial liabilities are valued at amortized cost.

2.16. Derivative Financial Instruments

Audika uses derivative financial instruments to reduce its exposure to interest rate fluctuations. These instruments are traded with leading institutions. Under IAS 39, the implementation of hedge accounting requires the reporting entity to demonstrate and document the effectiveness of the hedging relationship on initiation and over the course of its lifetime.

Derivative financial instruments are recognized on the balance sheet at their market value on the balance sheet date. Variations in the value of derivative financial instruments are recognized using the following principles:

- For documented cash flow hedges, exposure to changes in fair value is recognized as equity for the effective portion. The ineffective portion is recognized in profit or loss;
- For documented fair value hedges and non-documented hedging instruments, gain or loss in fair value is recognized in profit or loss.

The market value is determined by quotations provided by third-party financial institutions.

2.17. Income Tax

Current tax is recognized as a liability to the extent it is unpaid and as an asset when the tax already paid exceeds the amount due or when a tax loss can be carried back

The tax expense on the income statement reflects the current tax of each consolidated tax component, adjusted for deferred taxes.

Tax expense is equal to the amount of income tax payable to the tax authorities for the period in accordance with current regulations in force and tax rates in France and in Italy. The following companies are included within the scope of Audika Group tax consolidation: Audika, SARFFA, Audika Centre Audiométrique, Audika AAC, Audika Ouest, Elstar and Audika Est.

Deferred taxes are recognized for all temporary differences between the carrying amount and the tax base using the variable balance sheet method.

A deferred tax asset is recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which these deductible temporary differences and the carryforward of unused tax losses and unused tax credits can be utilized

Deferred tax assets and liabilities are measured at the tax rate expected to be applied for the reporting year during which the asset will be realized or the liability settled.

Deferred tax assets and liabilities are not discounted.

On the consolidated balance sheet, deferred tax assets and liabilities are offset for each taxable entity, i.e. for each tax-consolidated legal entity or group.

The Fiscal Appropriation Act for 2010, passed on December 30, 2009, removed the liability of French taxable entities to the Business Tax starting in 2010 and substituted it with two new taxes:

- The *Cotisation Foncière des Entreprises* (C.F.E.), assessed on the rental value of property per the current Business Tax;

- The *Cotisation sur la Valeur Ajoutée des Entreprises* (C.V.A.E.), assessed on the business' value added in the parent company financial statements.

Following the tax change discussed above, the Group has reassessed its accounting treatment of income tax in France in respect of IFRS, taking account of the last available analysis information on the accounting treatment of income tax and other taxes, especially those provided by IFRIC.

The Group takes the position that this foregoing tax change has actually substituted the business tax with two new contributions of different types:

- The C.F.E., for which the amount is determined based on the rental value and which could, as the case may be, be subject to a limit equal to a percentage of the value added, has significant similarities to the business tax and will therefore be treated in 2010 as an operating expense;
- The C.V.A.E., which according to the analysis of the Group meets the definition of income tax as set out in IAS 12.2 ("taxes based on taxable profits"). To conduct its analysis, the company notably took into account the decisions by IFRIC in March 2006 and in May 2009 not to add the issue of the scope of IAS 12, "Income Taxes", to its agenda. In fact, IFRIC states that to be within the scope of IAS 12, a tax must be based on the entity's actual income and expenses and that this net amount may not differ from net income. The Group takes the position that the C.V.A.E. meets the criteria stated in this finding to the extent that the value added constitutes an intermediate stage of net profit, which is regularly used as a tax base in accordance with French tax rules in determining the amount due as C.V.A.E.

In accordance with the provisions of IAS 12, the classification of the C.V.A.E. as income tax has led us to recognize, from December 31, 2009, deferred taxes for temporary differences existing at that date by consideration of a net expense in profit and loss for the period as the Fiscal Appropriation Act was passed in 2009. This deferred tax expense is presented on the Income Tax line. Furthermore, as from the 2010 reporting period, the total amount of the current and deferred expense relating to the C.V.A.E. will be presented on this same line.

Audika Group has therefore recognized in its annual financial statements at December 31, 2009, an income tax expense of 1% of the net book value of the fixed assets of the companies of the Group. Those companies for which the net book value of fixed assets is insignificant are not concerned by this restatement.

NOTE 3 Consolidation scope

The consolidated financial statements at December 31, 2009 include the financial statements of Audika and its subsidiaries listed in the table below. All Audika Group companies are fully consolidated.

Companies	**Head offices**	**SIREN N°**	**% equity stake 12/31/09**	**% controlling interest 12/31/09**	**% equity stake 12/31/08**	**% controlling interest 12/31/08**
AUDIKA	58, avenue Hoche 75008 Paris	31061238700053	Parent company	Parent company	Parent company	Parent company
SARFFA	58, avenue Hoche 75008 Paris	31495130200053	100%	100%	99.97%	99.97%
AUDIKA-CENTRE AUDIOMETRIQUE	58, avenue Hoche 75008 Paris	30889577000011	100%	100%	100%	100%
AUDIKA-AAC	20, rue Troyon 75017 Paris	38847059300012	100%	100%	100%	100%
IAV, Institut de l'Audition du Var	24, rue Gimelli 83000 Toulon	34077355500016	60%	60%	60%	60%
AUDIKA ALPES	15, rue de la Préfecture 74000 Annecy	40415042700015	60%	60%	60%	60%
AUDIKA OUEST	20, rue Troyon 75017 Paris	38045033800013	100%	100%	100%	100%
ELSTAR	58, avenue Hoche 75008 Paris	40373270400024	99.88%	99.88%	99.88%	99.88%
CFA	20, rue Troyon 75017 Paris	32299730500022	100%	100%	100%	100%
INDUSTAN AG	rue François Bellot, 6 - Genève - Suisse	CH020-391-327-6-4	100%	100%	100%	100%
SCS AUDIKA	21, rue de Fontvieille 98000 Monaco	ROI 03S04200	99.75%	99.75%	99.75%	99.75%
FR AUDITION (1)	12, rue de l'Aigle Noir 70000 Vesoul	48447988600018	0%	0%	100%	100%

Companies	Head offices	SIREN N°	% equity stake 12/31/09	% controlling interest 12/31/09	% equity stake 12/31/08	% controlling interest 12/31/08
AUDIKA EST	79, route de Bischwiller 67300 Schiltigheim	39107524900030	100%	100%	100%	100%
AUDIO EXPANSION (1)	20 rue Troyon 75017 Paris	47960078500014	0%	0%	100%	100%
AUDIOCAL	107, rue de Richwiller 68120 Pfastatt	50173360400018	100%	100%		
AUDIO CONSEIL F. CARRE	43/45, Grand' Rue 02400 Château Thierry	35054192600019	100%	100%		
CENTRE ACOUSTIQUE DE MONTBELIARD	1, rue de l'Hôtel de Ville 25200 Montbéliard	45132733200016	100%	100%		
GARDANNE AUDITION	16 Cours Forbin 13120 Gardanne	48837529600016	100%	100%		
AUDIKA ITALIA	Via Bogino, 9 10123 Turin	09658800017	95%	95%	95%	95%
UDITO ROMAGNA	Via Bogino, 9 10123 Turin	10031920019	95%	95%		

(1) Companies absorbed by Audika Centre Audiométrique during the 2009 reporting year.

Audition Bonnard was acquired and absorbed by Audika Centre Audiométrique during the reporting period.
Hugo Acoustic was acquired and absorbed by CFA during the reporting period.

NOTE 4 Goodwill

	2009			2008
	Gross carrying amount	**Amortization**	**Carrying amount**	**Carrying amount**
Balance at January 1	56,555		56,555	48,583
Acquisitions	7,573		7,573	7,972
Write-downs	197		197	
Balance at December 31	63,931		63,931	56,555

4.1. Change in goodwill

In 2009, the consolidation of acquired companies during the period generated an additional EUR 5,461,000 in goodwill (including EUR 3,181,000 related to the acquisition of companies by Audika Italia). The acquisition of customer relationships and loyalty developed by the companies prior to consolidation were recognized as goodwill in the amount of EUR 1,857,000 (including EUR 99,000 related to acquisitions by Audika Italia). Last, price supplements totaling EUR 255,000 were recognized in 2009. At December 31, 2009, goodwill was EUR 63,931,000.

On January 12, 2009, Audika acquired 100% of the voting rights in Audition Bonnard. The goodwill determined at the 2009 balance sheet date is an estimate. The revenue generated by Audition Bonnard since January 12, 2009 accounts for EUR 510,000 of Group consolidated revenue.

On July 2, 2009, Audika acquired 100% of the voting rights in Hugo Acoustic. The goodwill determined at the 2009 balance sheet date is an estimate. The revenue generated by Hugo Acoustic since July 2, 2009, accounts for EUR 186,000 of Group consolidated revenue.
If the acquisition had taken place on January 1, 2009, contribution to revenue would have been EUR 477,000.

On July 3, 2009, Audika acquired 100% of the voting rights in Audiocal. The goodwill determined at the 2009 balance sheet date is an estimate. The revenue generated by Audiocal since July 3, 2009 accounts for EUR 113,000 of Group consolidated revenue. In addition, Audiocal contributed -EUR 28,000 to the Group's consolidated net income.

On September 28, 2009, Audika acquired 100% of the voting rights in Centre Acoustique de Montbéliard. The goodwill determined at the 2009 balance sheet date is an estimate. The revenue generated by Centre Acoustique de Montbéliard since September 28, 2009 accounts for EUR 88,000 of Group consolidated revenue. In addition, Centre Acoustique de Montbéliard contributed -EUR 1,000 to the Group's consolidated net income.

On October 1, 2009, Audika acquired 100% of the voting rights in Audio Conseil F. Carré. The goodwill determined at the 2009 balance sheet date is an estimate. The revenue generated by Audio Conseil F. Carré since October 1, 2009 accounts for EUR 89,000 of Group consolidated revenue. In addition, Audio Conseil F. Carré contributed EUR 4,000 to the Group's consolidated net income.

On October 2, 2009, Audika acquired 100% of the voting rights in Gardanne Audition. The goodwill determined at the 2009 balance sheet date is an estimate. The revenue generated by Gardanne Audition since October 2, 2009 accounts for EUR 28,000 of Group consolidated revenue. In addition, Gardanne Audition contributed EUR 35,000 to the Group's consolidated net income.

On March 4, 2009, Audika Italia acquired Udito Romagna. The goodwill determined at the 2009 balance sheet date is an estimate. The revenue generated by Udito Romagna since March 4, 2009, accounts for EUR 2,695,000 of Group consolidated revenue. In addition, Udito Romagna contributed EUR 33,000 to the Group's consolidated net income.

The table below presents the reclassification adjustments for each acquisition as well as the goodwill related to acquisitions during the reporting period:

	Audition Bonnard	**Audiocal**	**Hugo Acoustic**	**Audio Conseil F. Carré**	**Centre Acoustique Montbéliard**	**Gardanne Audition**	**Udito Romagna**	**Total**
Equity before combination	77	87	202	88	44	127	107	**732**
Combination adjustments		(3)	(1)	(26)	(1)	(1)		**(32)**
Fair value of acquired equity	77	84	201	62	43	126	107	**700**
Cost of the business combination	527	447	881	516	327	176	3,287	**6,161**
O/w costs directly attributable to the acquisition	34	34	33	34	31	29	42	**237**
Goodwill	**450**	**363**	**680**	**454**	**284**	**50**	**3,180**	**5,461**

Net cash flows associated with acquisitions during the period can be broken down as follows:

	Cost of business combinations	**Debts on acquisitions made during the period**	**Cash paid**	**Cash acquired**	**Cost of purchase of shares in consolidated entities in 2009, less cash acquired**
AUDITION BONNARD	526	113	413	80	333
AUDIOCAL	447	93	354	135	219
HUGO ACOUSTIC	880	190	690	172	518
AUDIO CONSEIL F. CARRE	516	132	384	136	248
CENTRE ACOUSTIQUE DE MONTBELIARD	327	96	231	85	146
GARDANNE AUDITION	176	17	159	6	153
UDITO ROMAGNA	3,288	639	2,649		2,649
Price supplement on acquisitions prior to 2009	1,003		1,003		1,003
TOTAL	**7,163**	**1,280**	**5,883**	**614**	**5,269**

NOTE 5 Intangible Fixed Assets

	Concessions	Leaseholds	Other intangible assets	Total
Gross value at Jan. 1, 2008	**1 659**	**3 302**	**517**	**5 478**
Changes in consolidation scope				
Acquisitions	27	680	243	950
Disposals/write-downs			106	106
Other changes	7	246		253
Gross value at Dec. 31, 2008	**1,693**	**4,228**	**654**	**6,575**
Accumulated amortization	1,485		315	1,800
Net value at Dec. 31, 2008	**208**	**4,228**	**339**	**4,775**
Gross value at Jan. 1, 2009	**1,693**	**4,228**	**654**	**6,575**
Changes in consolidation scope	7	120		127
Acquisitions	71	738		809
Disposals/write-downs			486	486
Other changes	115			115
Gross value at Dec. 31, 2009	**1,886**	**5,086**	**168**	**7,140**
Accumulated amortization	1,584		88	1,672
Net value at Dec. 31, 2009	**302**	**5,086**	**80**	**5,468**

NOTE 6 Property, plant and equipment

	Buildings	Machinery & equipment	Other tangible assets	Total
Gross value at Jan. 1, 2008	**4 427**	**3 209**	**15 988**	**23 624**
Change in consolidation scope	68	122	376	566
Acquisitions	1,841	406	3,119	5,366
Disposals/write-downs	570	1,499	781	2,850
Other changes				
Gross value at Dec. 31, 2008	**5,766**	**2,238**	**18,702**	**26,706**
Accumulated depreciation	2,169	1,482	10,548	14,199
Net value at Dec. 31, 2008	**3,597**	**756**	**8,154**	**12,507**
Gross value at Jan. 1, 2009	**5,766**	**2,238**	**18,702**	**26,706**
Change in consolidation scope	26	140	287	453
Acquisitions	1,028	281	1,923	3,232
Disposals/write-downs	13	10	717	740
Other changes				
Gross value at Dec. 31, 2009	**6,807**	**2,649**	**20,195**	**29,651**
Accumulated depreciation	2,733	1,875	12,355	16,963
Net Value at Dec. 31, 2009	**4,074**	**774**	**7,840**	**12,688**

The gross carrying amount of property, plant and equipment held under finance leases was EUR 207,000 at December 31, 2009. These assets were fully depreciated on December 31, 2009. The associated financial debt was nil on December 31, 2009. These leases covered company cars, furniture, computer hardware and telephone equipment.

NOTE 7 Impairment tests

7.1. Assumptions

The assumptions underpinning the business plan include the outlook for change in the markets where the Group does business as well as the change in product selling prices and the costs of purchase. The discount rates were derived using the average weighted cost formula determined by the Group.
The main assumptions used are presented below:

For the CGUs in France and in Italy (in EUR million)	December 31, 2009	December 31, 2008
Segment revenue: - France - Italy	 98.3 8.2	 96.7 5.1
Segment revenue on the business plan horizon: - France - Italy	 120.7 12.4	 116.8 11.4
Term of the business plan	3 years	3 years
After-tax discount rate	8.6%	10.4%
Growth rate to infinity	2%	2%

7.2. Impairment tests on goodwill and sensitivity analysis

No impairment of the goodwill of the French and Italian CGU's shown below was found:

	2009			2008
	Gross value	Impairments	Value	Value
France	54,458		54,458	50,375
Italy	9,473		9,473	6,180
Total	**63,931**	**0**	**63,931**	**56,555**

Variations in the calculation assumptions show that to cover the assets for each factor taken individually:

- The decrease in revenue may not exceed 58% compared to that used at the end of the business plan horizon for the French CGU and 45% for the Italian CGU.
- The after-tax discount rate may not exceed 18.80% for the French CGU and 13.90% for the Italian CGU.

7.3. Impairment testing of individual intangible (including leaseholds) and tangible assets:

No impairment was found for the reporting period.

NOTE 8 Inventories

Audika Group's activity essentially consists of the sale of hearing aids and accessories, and, to a marginal extent, the assembly of parts for hearing aids. Inventories are valued at their cost of purchase plus transport expenses.

Inventories of finished products are as follows:

	2009	2008
Hearing aids	3,692	5,233
Miscellaneous	2,764	1,587
TOTAL	**6,456**	**6,820**

Every hearing aid is a specially-designed item and made to order. Given Audika's profit margin, the comparison of cost to net realizable value of the items in inventory does not give rise to the recognition of depreciation.

Inventory turnover registered a slight rise, increasing from 26.9 days of sales in 2008 to 24.9 days in 2009.

NOTE 9 Financial assets

9.1. Breakdown of financial assets by class (IFRS 7) and by category (IAS 39)

Categories of financial assets (IAS39)	Held-for-sale assets	Held-to-maturity assets	Loans and receivables	Total 12/31/2009
Classes of financial assets (IFRS)	Measured at fair value	Measured at amortized cost	Measured at amortized cost	(*)
Non-current financial assets		1,074	100	1,174
Other non-current assets			2,021	2,021
Trade receivables and other current financial assets			14,065	14,065
Cash and cash equivalents (*)	11,264			11,264
Other current assets			2,171	2,171
TOTAL	**11,264**	**1,074**	**18,357**	**30,695**

Categories of Financial assets (IAS39)	Held-for-sale assets	Held-to-maturity assets	Loans and receivables	Total 12/31/2008
Classes of financial assets (IFRS)	Measured at fair value	Measured at amortized cost	Measured at amortized cost	(*)
Non-current financial assets		912	99	1,011
Other non-current assets			1,269	1,269
Trade receivables and other current financial assets			11,987	11,987
Cash and cash equivalents (*)	8,468			8,468
Other current assets			871	871
TOTAL	**8,468**	**912**	**14,226**	**23,606**

(*) Assets measured at fair value are comprised of cash and cash equivalents. The Group takes the view that the carrying amount of financial assets should be the fair value.

9.2. Non-current financial assets

Non-current financial assets are comprised of financial assets (mainly deposits relating to commercial and office leases) and permanent advances to employees and break down as follows:

	12/31/2009	12/31/2008
Gross value		
Deposits in rentals	1,074	912
Long-term advances to employees	96	93
Other	4	6
Total non-current financial assets	**1,174**	**1,011**
Depreciation		
Net value	**1,174**	**1,011**

9.3. Trade receivables and other current financial assets

	12/31/2009	12/31/2008
Gross trade receivables	9,992	7,558
Provision for depreciation	(105)	(123)
Net trade receivables	9,887	7,435
Due from companies	81	49
Tax receivables	2,071	1,918
Other receivables	2,027	2,585
Other net current financial assets	4,179	4,552
Total trade receivables and other current financial assets	**14,066**	**11,987**

Impairment losses on trade receivables of EUR 20,000 were reversed, of which EUR 10,000 was unused. Provisions for impairment of trade receivables amounted to EUR 3,000.

Due from companies mainly consists of advances on salary and expenses (EUR 12,000), receivable social security per diems (EUR 12,000), the inventory of restaurant vouchers (EUR 14,000) and payments due as ROI (EUR 30,000).

Tax receivables are comprised mostly of VAT credits in the process of being refunded (EUR 577,000), excess income taxes paid by companies not included in tax consolidation at the balance sheet date (EUR 110,000), VAT to be adjusted (EUR 565,000), refunds expected related to continuous training (EUR 369,000) and business tax refunds (EUR 23,000).

Other receivables essentially comprise receivable assets and prepayments to suppliers (EUR 1,329,000) and miscellaneous debtors (EUR 698,000).

Trade and other accounts receivable are all due in less than one year.

9.4. Cash and cash equivalents

	12/31/09	12/31/08
Cash	11,025	6,226
Short-term marketable securities	239	2,242
Total cash and cash equivalents	**11,264**	**8,468**

Group cash and cash equivalents are comprised of cash with banks and on hand and short-term securities invested mainly in incorporated collective investment schemes with variable capital (SICAV), measured at fair value and readily convertible to known amounts of cash and which are not subject to significant risk of change in value.

9.5. Risks

9.5.1. Credit Risk

The carrying amount of financial assets best represents the Group’s maximum exposure to credit risk:

	12/31/09	12/31/08
Held-to-maturity assets	1,074	912
Fair value financial assets through profit and loss	11,264	8,468
Loans and receivables at amortized cost	14,166	12,086
TOTAL	**26,504**	**21,466**

The schedule below summarizes all financial assets based on contractual maturity:

	Not later than 30 days	From 31 days to 120 days	From 121 days to 1 year	Later than one year	Total
Trade and related receivables	5,151	3,221	1,515		9,887
Tax receivables	958	477	636		2,071
Due from companies	38	30	13	96	177
Other receivables	7	1,993	27	1,078	3,105
TOTAL	**6,154**	**5,721**	**2,191**	**1,174**	**15,240**

There is little risk to cash collection of trade accounts because such receivables mainly comprise receivables from companies and hearing instrument manufacturers which the Group uses. Receivables due from individuals to whom the Group has granted deferred payment remain insignificant.

Furthermore, over 24% of hearing center revenue is financed by a loan for which the risk of non-recovery is borne by the financial institution.

The vast majority of provisions for impairment of accounts receivable are either provisions made before inclusion in Group consolidation or provisions made after inclusion in Group consolidation and which have triggered an asset guarantee.

9.5.2. Currency Risk

Currency risk arises when a cash flow denominated in a foreign currency fluctuates due to an unfavorable trend in its counter-value in euros. On the asset side, currency risk impacts trade receivables in the “Loans and receivables” category. All the Group's companies are located within the euro area: all their risks are denominated in euros as are their debts. There is therefore no currency risk within the Audika Group.

NOTE 10 Other Assets

	2009		2008	
	Non-current	**Current**	**Non-current**	**Current**
Other assets	2,021	2,171	1,269	871

Other assets are comprised solely of prepaid expenses relating to operations line items.
Non-current prepaid expenses are comprised of Eurossur insurance expenses paid in advance by more than one year.

NOTE 11 Equity

11.1. Share capital (in EUR)

At December 31, 2009, share capital was comprised of 9,450,000 shares at a par value of EUR 0.03 each.

	2009	2008
Number of shares at January 1	9,450,000	9,450,000
Number of shares at December 31	9,450,000	9,450,000

Bearing in mind the double voting rights allocated to shares registered for over four years, the total number of voting rights attached to equity is .

Shares	Number of shares	Par value (in EUR)	Total
Ordinary shares	9,448,684	0.03	283,460.52
Double voting rights	1,316	0.03	39.48
TOTAL	**9,450,000**	**0.03**	**283,500.00**

11.2. Consolidated reserves and net income – Group share

	2009	2008
Audika share premium	913	913
Audika legal reserve	28	28
Other reserves	3,681	3,658
Consolidated reserves	34,353	27,940
Net income, Group share	10,734	10,230
TOTAL	**49,709**	**42,769**

11.3. Management Principles

The aim of managing consolidated equity is to maintain a stable financial structure, with a view to generating dividends for shareholders through regular and sustained growth in earnings.
Audika's share capital, share premiums and reserves, as well as consolidated profit and reserves are included in equity.
Audika's equity is subject to a number of mandatory requirements under the French Commercial Code. These requirements have no material effect on the financial statements. However, regulatory compliance is subject to specific audits, the results of which are provided in the Statutory Auditors' Report.

In 2009, changes in Group equity were primarily attributable to income for the period and the dividend paid in the first half of 2009 for the previous reporting year.

11.4. Approved and recommended dividends

Since its listing on the Second Marché in 1998, Audika Group has developed a steadfast policy of dividend payments. The amount of dividends paid accounts for approximately 35% of consolidated net income.

Dividends paid in 2009 for the previous reporting period were EUR 0.40 per share, representing a total of EUR 3,780,000.

Dividends recommended to the Shareholders' Meeting for 2009 amounted to EUR 0.42 per share, representing a total of EUR 3,969,000. This represents a 5% increase on the previous reporting period.

NOTE 12 Financial Liabilities

12.1. Breakdown of financial liabilities by class (IFRS 7) and by category (IAS 39)

Categories of financial liabilities	Liabilities held-for-trading	Liabilities mesured at fair value (*)	Liabilities measured at amortized cost	Total 12/31/09
Non-current liabilities				
Long-term borrowings			23,197	**23,197**
Other financial debt			3,661	**3,661**
Other debt			2,037	**2,037**
Current liabilities				
Short-term borrowings			6,947	**6,947**
Other financial debt		1,126	54	**1,180**
Trade payables and other debts			29,341	**29,341**
Other debts			2,697	**2,697**
TOTAL		**1,126**	**67,934**	**69,060**

Categories of financial liabilities	Liabilities held-for-trading	Liabilities measured at fair value (*)	Liabilities measured at amortized cost	Total 12/31/08
Non-current liabilities				
Borrowings			20,075	**20,075**
Other financial debt			3,843	**3,843**
Trade payables and other debt			1,431	**1,431**
Current liabilities				
Borrowings			3,867	**3,867**
Other financial debt		760	37	**797**
Trade payables and other debts			29,572	**29,572**
Other debts			1,401	**1,401**
TOTAL		**760**	**60,226**	**60,986**

(*) Liabilities measured at fair value are comprised of derivative instrument (interest rate swaps). They are recognized at fair value determined in part by recognized revaluation models which use observable market data (Level 2 of the fair value hierarchy). The Group takes the view that the carrying amount of financial liabilities should be its fair value.

12.2. Borrowings

	2009		2008	
	Non-current	**Current**	**Non-current**	**Current**
Audika loans from banks	17,989	5,107	13,081	2,038
Other loans from banks	208	171	327	155
Loans from banks subtotal	**18,197**	**5,278**	**13,408**	**2,193**
Holton loan	5,000	1,669	6,667	1,674
Total borrowings	**23,197**	**6,947**	**20,075**	**3,867**

Principal loans, along with their maturity dates and repayment schedules, are listed in the table below: (in EUR thousands):

Lending Institutions	Ref	EAR	Loan issuance costs	< 1 yr	1 to 5 years	> 5 years	Total amount	Scheduled repayment	Date of origin
BNP/CIC/Natixis	A1	1.93%	174	3,041	11,797		14,838	annual	2008
BNP/CIC/Natixis	A2	2.21%	78	2,066	6,192		8,258	annual	2008
HOLTON	B	2.21%		1,669	5,000		6,669	annual	2008
TOTAL			**252**	**6,776**	**22,989**		**29,765**		

Total loan outstandings were EUR 30.1 million at December 31, 2009.
The effective annual rate (EAR) does not take account of hedging instruments (interest rate swaps).

On October 2, 2008, Audika negotiated a syndicated loan facility with a pool of banks (BNP Paribas, CIC and Natixis). This syndicated credit facility is comprised of two tranches:

- An investment loan (Ref. A1) for a maximum of EUR 25 million having the following characteristics:
  - During the first period running from October 2, 2008 through December 31, 2009, amounts ranging from a minimum of EUR 500,000 to a maximum of EUR 15 million can be borrowed. The total amount borrowed over the period will be reimbursed in 5 constant annual payments between July 20, 2010 and July 20, 2014. The amount borrowed under this investment loan tranche at December 31, 2009 was EUR 15 million. Debt under this facility at December 31, 2009 was EUR 14.84 million.
  - During a second period running from January 1, 2010 through December 31, 2010, amounts ranging from a minimum of EUR 500,000 to a maximum of EUR 10 million can be borrowed. The total amount borrowed over the period will be reimbursed in 5 constant annual payments between July 20, 2011 and July 20, 2015.

- A refinancing loan (Ref. A2) totaling EUR 12.4 million and maturing on December 20, 2013 to partially finance the repayment of existing debt. This financing loan, taken up in a single amount on October 2, 2008, is repayable in 6 annual payments of EUR 2,083,000, the first repayment falling due on December 20, 2008. Debt under this facility at December 31, 2009 was EUR 8.26 million.

These loans were borrowed at a Euribor 3 month rate + a margin of 0.60%. The collateral pledged consisted of 100% of the shares in SARFFA, Audika Ouest, Audika AAC and Audika Centre Audiométrique.

These loans include an interest markup clause in the event of an adverse trend in the NFD/EBITDA ratio and the FCF/Debt Service ratio:
  - NFD/EBITDA < 1.2
  - FCF/Debt Service > 1

Definitions are found below:
  - NFD: Net Financial Debt.
  - EBITDA: Earnings before Interest, Taxes, Depreciation, and Amortization
  - FCF: Free Cash Flow.
  - Debt Service: Cash available for debt servicing.

At December 31, 2009, the NFD/EBITDA and the FCF/Debit Service ratio requirements were met.

Expenses relating to the signature of the syndicated loan were EUR 252,000 and were charged against the loan advanced.

As part of arranging this syndicated loan, interest rate hedges were set up at the request of the banks to limit losses in the event of an interest rate increase of more than 150 basis points. In order to satisfy its obligations, Audika has:

- Reclassified an existing swap contract (variable exchange rate versus fixed rate) as a hedge for the syndicated loan with the following characteristics:
  - Maturity: March 31, 2010
  - Nominal principal amount at December 31, 2008: EUR 20 million
  - Fixed rate paid: 4.3210%
  - Variable rate received: 3-month Euribor

- Arranged a new swap on October 10, 2008 with CIC having the following principal characteristics:
  - Maturity: July 25, 2013
  - Nominal principal amount at December 31, 2008: EUR 4.2 million
  - Fixed rate paid: 4.12%
  - Variable rate received: 3-month Euribor
  - 1st fixing: July 1, 2009

The existing swap contracts arranged with CIC in September 2007 and in October 2008 have resulted in financial income of EUR 448,000 for the 2009 business year.

In addition, Holton made an advance amounting to EUR 10 million to Audika's cash account, repayable in 7 annual installments with the first repayment falling due on December 20, 2008. The terms of this contribution to the cash account are those retained for the loan facility negotiated with the Paribas, CIC and Natixis banking pool. At December 31, 2009, the debt to Holton amounted to EUR 6.67 million

12.3. Other financial debt

Other financial debt is shown in the table below:

Other non-current financial debt:

	2009	2008
Sellers' loans and earn-out on securities due in more than one year	3,295	3,455
Other finanacial debt due in more than one year	327	350
Sureties received	39	38
Total other non-current financial debt	**3,661**	**3,843**

Sellers' loans refer to deferred payments and earn-outs on price supplements based on the achievement of sales objectives.

The line item "Sellers' loans and earn-out due in more than one year", relates to acquisitions by Audika Italia (EUR 2,261,000) and Audika (EUR 1,034,000).
Other financial debt to be settled in over one year relates to the life annuity arising from the acquisition of a DS Acoustique Services leasehold (EUR 164,000), the restatement of Audika's rental exemption (EUR 143,000) and the vendor loan on a business acquired by CFA (EUR 20,000).

These debts bear no interest and are subject to discount where this proves to be material.

The details of these deferred payments and earn-outs are as follows:

	Start date	End date	Deferred payment	Earn-out	Total	Settlement in less than 1 year	Settlement in 1 to 5 years
French companies							
DS Acoustique Services (merged into Audika Ouest)	1/05/08	1/05/12	321		**321**	108	213
Centre de l'Audition (merged into Audika Ouest)	3/01/08	3/01/12		170	**170**		170
FR Audition (merged into Audika Centre Audiométrique)	6/01/09	3/01/12		240	**240**	60	180
A.A. Alpha Audition (merged into CFA)	7/01/09	7/01/10		32	**32**	32	0
Audiolab (merged into Audika AAC)	3/01/09	3/01/11	40	50	**90**	50	40
Audition Bonnard (merged into Audika Centre Audiométrique)	1/01/10	3/01/14		119	**119**	7	112
Audiocal	7/01/10	4/01/14	50	44	**94**	23	71
Hugo Acoustic (merged into CFA)	4/01/10	4/01/13	100	92	**192**	22	170
Audio Conseil F. Carré	3/01/11	3/01/12	87	46	**133**	85	48
Centre Acoustique de Montbéliard	10/01/10	10/01/11	97		**97**	68	29
Gardanne Audition			17		**17**	17	0
Italian companies or customer bases merged into Audika Italia							
Euro Udito	12/31/07	4/30/11		521	**521**	222	299
Soluzione Udito	12/31/07	4/30/11	221	840	**1 061**	178	883
Soluzione Udito 3		4/30/11		369	**369**	(19)	388
Medical Sound	4/30/10	4/30/11		48	**48**	48	0
Centro acustico Belli	4/30/09	4/30/11		39	**39**	19	20
Audiofon	4/30/09	4/30/11		195	**195**	57	138
Audiotecnica	4/30/09	4/30/12		67	**67**	20	47
Udito Romagna	5/31/10	3/31/12	660		**660**	173	487
Geraldi				49	**49**	49	0
TOTAL			**1,593**	**2,921**	**4,514**	**1,219**	**3,295**

Other current financial debt:

	2009	2008
Current bank borrowings	54	37
Interest rate swaps	1,126	760
Total other current financial debt	**1,180**	**797**

Current bank borrowings relate to interest rate swaps and commitment fees due on the balance sheet date. Financial instruments relate to the valuation of swaps at December 31, 2009.

12.4. Trade payables and other debts

	2009	2008
Trade payables	16,139	17,868
Payroll	8,701	7,860
Tax liabilities	2,402	1,933
Sellers' loans due in less than one year	1,219	986
Deposits and advances from customers	281	251
Other debt	599	674
Trade payables and other debts	**29,341**	**29,572**

Other debt due in less than one year mainly relates to various creditors, notably the experience refunds payable to Cofidis (EUR 412,000), sums received in error from CPAM, the state's primary health insurance system (EUR 46,000), debt on rental exemptions (EUR 49,000), finance costs on vendor loans (EUR 33,000) and miscellaneous Audika Italia debt (EUR 32,000).

12.5. Risks

12.5.1- Risk of economic dependence on suppliers and subcontractors

The main business activities of the Audika Group take place on a regulated market. The principal restrictions are:

- Practitioners must hold a state hearing aid practitioners diploma;
- Local certification;
- Hearing devices must carry the CE compliance symbol;
- Hearing aids are dispensed only on prescription from a physician.

Because Audika's business activity consists of selling hearing aids to individuals, the Group is not exposed to the significant risks of economic dependence.

Moreover, the Group enforces a policy of supply source diversification. All suppliers to the Group are major businesses.

Risk of economic dependence on suppliers and subcontractors:
Group purchases from the top supplier, the top five suppliers and the top 10 suppliers over the past two reporting periods are shown below:

In %	2009	2008
Top supplier	15.0	20.3
Top five suppliers	43.7	46.2
Top ten suppliers	55.3	52.0

12.5.2. Price Risk

Price risk is the risk that expected cash flow due from an entity for a purchase may decrease in value as a result of a price increase imposed by a supplier. Audika Group does not sell brand-name products; instead, it sells a service, and in doing so the Group is not exposed to the risk of a supplier price increase, as the products are technologically identical from one supplier to another.

12.5.3. Liquidity and Funding Risk

With respect to liquidity and funding risks, Audika Group is very marginally exposed because most of its customers are individuals, diluting such risks substantially.

At December 31, 2009, the Group was using confirmed credit lines totaling EUR 23.1 million. Given the Group's net debt-to-equity ratio (46.5%) at December 31, 2009 and its internal financing capacity, the use of these credit lines is unlikely to be jeopardized because of financing liabilities. The Group has also received a EUR 6.7 million current account advance from HOLTON.

Repayment Schedule	Less than 1 year	1-5 years	> 5 years
	6,947	23,197	

It is emphasized that the Group has also recognized EUR 11.3 million readily convertible to known amounts of cash in its balance sheet assets

The remaining contractual settlement dates for financial liabilities can be broken down as follows (including interest payments):

Financial liabilities	Book value	Cash flows	£ 6 mo	6-12 mo	1-2 yrs	2-5 yrs	> 5 years
December 31, 2009							
Loans from banks and HOLTON loan	30,144	32,000	533	7,183	7,334	16,950	
Other financial debt	4,841	4,912	1,200	4	2,501	1,033	174
Trade payables and other debt	29,341	29,366	29,073	293			
December 31, 2008							
Loans from banks and HOLTON loan	23,942	27,361	600	4,320	5,713	15,695	1,033
Other financial debt	4,639	4,784	37	0	862	3,712	
Trade payables and other debt	29,572	29,705	29,233	472			

12.6. Derivative financial instruments

	Type of instrument	Market value at 12/31/09	Market value at 12/31/08
Instruments eligible for hedge accounting	Interest rate swaps	0	(426)
Other instruments eligible for hedge accounting	Interest rate swaps	(1,126)	(334)

12.6.1. Interest Rate Risk

The Audika Group's exposure to fluctuations in interest rates mainly relates to medium-term borrowings. Within the Audika Group, Audika S.A. carries nearly 99% of such loans. Loans negotiated by Audika S.A. are variable interest rate loans (3-month Euribor + 0.60%) and amounted to EUR 29,765,000 at the end of 2009. On December 31, 2009, this loan was covered by an interest rate hedge of EUR 15.2 million. This interest rate hedge consists of a variable interest rate swap (3-month Euribor) against a fixed rate (4.321%).

Borrowings carried by Audika's subsidiaries amounted to EUR 379,000. All such borrowings have fixed rates (from 3.30% to 5.87%).

The debt outstanding on confirmed variable interest rate loans amounts to EUR 29.7 million. A +1% fluctuation in short-term interest rates would have an effect of –EUR 300,000 on the Group's net financial income, which would be adjusted from –EUR 1,783,000 to –EUR 2,083,000, that is, a 17% deterioration in net financial income. Likewise, a 1% increase in short-term interest rates would have an effect of -EUR 200,000 on the Group's net income, which would then be adjusted from EUR 10,810,000 to EUR 10,610,000; i.e., a change of 1.8%.

Characteristics of securities issued or contracted loans	Rate	Total credit lines	< 1 year	2-5 years	> 5 years	Interest rate hedge
Loans	Variable	29,765	6,776	22,989	0	yes
	Fixed	379	171	208	0	no
TOTAL		**30,144**	**6,947**	**23,197**	**0**	

Interest rate hedges totaling EUR 18.5 million have been arranged to cover future financial debt.

- Below is a breakdown of the net interest rate position:

	Overnight to 1 yr	1-5 years	> 5 years
Financial liabilities	(8,127)	(26,685)	(173)
Financial assets	11,264		
Net position before management	3,137	(26,685)	(173)
Off-balance sheet			
Net position after management	3,137	(26,685)	(173)

- Sensitivity to interest rate changes:

At December 31, 2009, taking into account interest rate hedging instruments, the Group's net debt was essentially fixed-rate debt. Consequently, the Group's exposure to interest rate fluctuation is insignificant.

The swap contracts arranged with CIC resulted in a financial expense of EUR 448,000 for the 2009 reporting period.

12.6.2. Foreign Exchange Risk

Audika Group's foreign exchange risk exposure is extremely minimal since it makes all its sales in France and Italy. Purchases in foreign currency account for only 0.02% of all external purchases and expenses.

Consequently, the Group has no policy on exchange rate hedges.
Audika Group reported no foreign exchange loss or gain in 2009.

NOTE 13 Other Debt

	2009		2008	
	Non-current	Current	Non-current	Current
Other debt	2,037	2,697	1,431	1,401

Other debt, which is non-financial in nature, is comprised solely of unearned income.

Unearned income of more than one year is comprised of Eurossur insurance proceeds, which are spread out over 4 years.

NOTE 14 Provisions

Provisions for contingencies have been created primarily to cover industrial litigation involving the various companies of the Group (EUR 70,000) and business disputes (EUR 42,000). Risks were assessed through careful estimation, taking into account the maximum risk exposure incurred by the Group and the likelihood of litigation.

Allowances for expenses include obligations for end-of-service benefits and paid vacation to Group employees based on length of service.

The nature and changes in provisions for contingencies are as follows:

	Retirement severance	Long-service benefits	Social risks	Commercial risks	Total
Provision at December 31, 2007	**1,290**	**336**	**20**	**22**	**1,668**
Change in consolidation scope	18	4			22
2008 provisions	348	57	55	14	474
Write-backs of provisions used in 2008	8		9	15	32
Write-backs of provisions not used in 2008			4		4
Restatement	53		(7)	7	53
Provision at December 31, 2008	**1,701**	**397**	**55**	**28**	**2,181**
Change in consolidation scope	52	5			57
2009 provisions	191	79	20	14	304
Write-backs of provisions used in 2009	50				50
Write-backs of provisions not used in 2009			5		5
Provision at December 31, 2009	**1,894**	**481**	**70**	**42**	**2,487**

Write-backs of provisions used for retirement severance pay and long-term employee benefits relate to employees having left the Group during the reporting period. The Audika Group paid EUR 28,000 in retirement severance pay during the 2009 reporting period.

NOTE 15 Employee Benefits

The measurement of employee benefit obligations is summarized in the table below

	2009	2008
Actuarial debt at January 1	**1,601**	**2,032**
Cost of services rendered for the period	158	192
Interest expense for the period	88	109
Actual services	(28)	(34)
Acquisition of new companies	40	23
Actuarial losses (+) /gains (-)	30	(721)
Actuarial debt at December 31	**1,889**	**1,601**
Actuarial gains and losses related to unrecognized end-of-service payments	278	381
Provision at December 31	**2,167**	**1,982**
Audika Italia TFR (Deferred salary payable at termination)	209	116
Total social commitments	**2,376**	**2,098**

In accordance with Italian Social Security law, the Group establishes provisions for deferred salary under the TFR (*Trattamento di Fine Rapporto*) scheme payable to employees of its Italian subsidiaries.
This provision is re-evaluated each year in compliance with legal requirements and employment agreements with employees. Such deferred salary is paid to employees when they leave the Italian subsidiary for any reason. The present value of this obligation at December 31, 2009 amounts to EUR 209,000.

Historical data may be found below:

	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Present value of defined benefit obligations	2,098	1,717	2,032	1,424
Actuarial gains and losses from experience adjustments	30	(721)	417	46

The principal criteria used in evaluating benefit obligations relating to end-of-service payments in France are the following:

- Life expectancy: Women 2000-2002 and Men 2000-2002
- Audika employees receive retirement severance pay under the national collective bargaining agreement for businesses and service providers in the medical technology field.
- Discount rate: 5.04% for retirement severance pay and 4.39% for long-term employee benefits.
- Turnover rate: 7.9%
- Voluntary retirement age: 62 years old (100% of the workforce)
- Payroll tax rate: 45%.
- Salary appreciation rate: 2.20%.
- Basis of benefit: Gross salary, including scalar coefficient.
- Inflation rate: 2.15%.

A fluctuation of +/- 0.25% in the discount rate would have had the following effects on actuarial debt:

Actuarial debt (retirement severance pay) in EUR thousands	Dec. 31, 2009
Actuarial debt at Dec. 31, 2009 at 4.79%	1,444
Actuarial debt at Dec. 31, 2009 at 5.04%	**1,407**
Actuarial debt at Dec. 31, 2009 at 5.29%	1,372

Actuarial debt (long-term employee benefits) in EUR thousands	Dec. 31, 2009
Actuarial debt at Dec. 31, 2009 at 4.14%	492
Actuarial debt at Dec. 31, 2009 at 4.39%	**481**
Actuarial debt at Dec. 31, 2009 at 4.64%	471

Cumulative actuarial debt in EUR thousands	Dec. 31, 2009
Actuarial debt at Dec. 31, 2009 (-0.25%)	1,936
Actuarial debt at Dec. 31, 2009	**1,888**
Actuarial debt at Dec. 31, 2009 (+0.25%)	1,843

NOTE 16 Off-balance sheet commitments given and received

Commitments given at Dec. 31, 2009		
Sureties on loans	174	Sureties on loans taken out by subsidiaries
Business assets pledged as collateral	241	Collateral on loans taken out by subsidiaries
Share pledges	23,333	100% of shares in Audika Ouest, 100% of shares in SARFFA, 100% of shares in Audika AAC and 100% of shares in Audika Centre Audiométrique pledged as collateral under the syndicated loan from BNP Paribas, CIC and Natixis.
Operating leases	11,002	Rent from commercial leases and long-term vehicle rentals.
Non-accounted earn-out clauses	530	
Discounted unexpired bills	0	
TOTAL	**35,280**	

Operating leases	< 1 yr	> 1 yr	Total
Commercial and office space leases	4,660	5,337	9,997
Long-term vehicle rental	549	456	1,005
TOTAL	**5,209**	**5,793**	**11,002**

Audika Alpes Partnership Agreement:
The terms and conditions for an Audika Alpes minority interest buyout are stipulated in a partnership agreement. The agreement stipulates a buyout price based on revenue earned during the year prior to the buyout. This agreement is valid for a term of 10 years, that is, until December 30, 2016, to be renewed automatically for additional periods of 5 years.

This agreement imposes an obligation on the minority partner to sell its interests in the event that the partner leaves the company due to incapacity, death, resignation, removal or dismissal. Hence, Audika is bound by an obligation to buy said interests only in the event of resignation, removal or dismissal of the minority partner. This buyout obligation consists of a put option on the minority interest, of which the value at December 31, 2009 is modest, in the event of resignation, the triggering event being out of Audika's control.

Commitments received at December 31, 2009	
First request guarantees	946
Insurance transfers	
Bank guarantees	
TOTAL	**946**

These are first request guarantees to underwrite the asset and liability guarantee given by former partners of acquired companies. Such guarantees are usually given for a period of four years, which covers the period of audit by social benefit agencies and tax authorities.

NOTE 17 Information on related parties

17.1. Parent-subsidiary relations

Transactions between the parent company and its subsidiaries, which are related parties, were excluded from consolidation and are not presented in these notes. Transactions with related parties primarily concerns the current transactions with companies in which the CEO is a member of the Board of Directors. The main transactions between Audika and its subsidiaries mainly relate to commissions, leasing, management and accounting fees, insurance re-invoicing and invoicing for advertising. These invoices totaled EUR 15,872,000 for the reporting period. Last, Audika has invoiced its subsidiaries EUR 25,000 as interest on current accounts

17.2. Relations with Holton

Holton is a related party of the Audika Group. This company owns a 53.9% interest in Audika. Audika borrowed EUR 10 million from Holton in 2008 to refinance existing debt to banks. This loan entitles Holton to collect a commitment fee (0.20% of outstandings) and interest on loans based on 3-month Euribor + 0.60%. In 2009, Audika recognized an expense of EUR 198,303 as interest and fees relating to this loan. At December 31, 2009, this debt was EUR 6,668,000.

17.3. Directors

The Group’s directors, who are related parties, are members of the Board of Directors or representatives of Board members.
The members of the Board of Directors or their representatives receiving short-term compensation are persons who serve in a corporate office and who have signed an employment agreement. In this capacity, they receive a conventional end-of-service benefit.
Compensation of directors is summarized in the following table (in EUR thousands):

	Expenses appearing in the income statement		**Balance sheet debt**	
	2009	**2008**	**2009**	**2008**
Short-term benefits [1]	642	667	5	23
Post-employment benefits	0	0	0	0
Other long-term benefits [2]	6	2	44	38
Retirement severance pay	0	0	0	0
Share-based payments	0	0	0	0

[1] Short-term benefits: these amounts include compensation paid during the reporting period as well as benefits in kind and shares.

[2] Other long-term benefits: these amounts included the obligation to pay end-of-service benefits.

NOTE 18 Operating segments

The Audika Group's operating segments relate to the two activities monitored by senior management as part of their reports on operations: French operations and Italian operations.
As Group's centralized holding and financing activities are deemed to be operating segments, they are included in the French segment.
Revenue generated from Audika's transactions with each of its external customers never exceeds 10% of revenue from the Group’s ordinary operations.

Consolidated income statement per operating segment:

At December 31, 2009	**France**	**Italy**	**Inter-segment eliminations**	**Group total**
Revenue:				
External income	98,345	8,179		106,524
Inter-segment income	17		(17)	
Income from normal operations	98,362	8,179	(17)	106,524
Current operating income	19,008	(252)		18,756
Amortization, provisions and impairments	2,962	229		3,191
Financial income:				
Financial income	251	6		257
Finance expense	(1,852)	(188)		(2,040)
Net financial income (loss)	(1,601)	(182)		(1,783)
Income tax	(5,948)	39		(5,909)
Net income	11,204	(395)		10,809

At December 31, 2008	**France**	**Italy**	**Inter-segment eliminations**	**Group total**
Revenue:				
External income	96,735	5,067		101,802
Inter-sector income	29		(29)	
Income from normal operations	96,764	5,067	(29)	101,802
Current operating income	17,839	(185)		17,654
Amortization, provisions and impairments	2,801	139		2,940
Financial income:				
Financial income	262	2	(160)	104
Finance expenses	(1,812)	(317)	160	(1,969)
Net financial income (loss)	(1,550)	(315)		(1,865)
Income tax	(5,606)	80	11	(5,515)
Net income	10,747	(473)		10,274

Balance sheet per segment:

At December 31, 2009	**France**	**Italy**	**Inter-segment eliminations**	**Group total**
Non-current assets (1)	76,559	11,463		88,022
Inventories	5,918	538		6,456
Trade receivables and other current assets	23,875	3,304	(10,943)	16,236
Cash and cash equivalents	10,437	827		11,264
Total assets	116,789	16,132	(10,943)	121,978
Non-current assets	28,788	2,483		31,271
Provisions	112			112
Borrowings and financial debt	8,117	10		8,127
Trade payables and other creditors	25,939	14,346	(10,943)	29,342
Other debt	2,487	210		2,697
Total current and non-current liabilities	65,443	17,049	(10,943)	71,549
(1) Increase in goodwill	4,083	3,293		7,376
Acquisitions of property plant and equipment and intangible assets	3,497	544		4,041

At December 31, 2008	France	Italy	Inter-segment eliminations	Group total
Non-current assets [1]	70,735	7,720		78,455
Inventories	6,236	584		6,820
Trade receivables and other current assets	16,930	1,895	(5,967)	12,858
Cash and cash equivalents	7,540	928		8,468
Total assets	101,441	11,127	(5,967)	106,601
Non-current assets	24,712	2,741		27,453
Provisions	83			83
Borrowings and financial debt	4,643	21		4,664
Trade payables and other creditors	26,791	8,749	(5,967)	29,573
Other debt	1,261	139		1,400
Total current and non-current liabilities	57,490	11,650	(5,967)	63,173
(1) Increase in goodwill	5,364	2,608		7,972
Acquisitions of property plant and equipment and intangible assets	5,458	858		6,316

NOTE 19 Income from normal operations

	2009	2008
Hearing aid sales	83,936	82,939
Sales of accessories	10,796	9,421
Sales of services	11,792	9,442
TOTAL	**106,524**	**101,802**

Consolidated revenue was up 4.64% compared to 2008.

NOTE 20 Cost of goods and services

Purchases are made mainly through Audika Group's logistics platform.
Gross margin continues to increase, climbing from 80.5% in 2008 to 82.9% in 2009. This improvement is the result of business negotiations with the Group's suppliers.

NOTE 21 Other purchases and external expenses

External expenses are mainly comprised of marketing expenses (EUR 7,800,000), up 14% from the previous reporting period, and rentals (EUR 6,958,000). These two items represent 57% of external expenses. Other external expenses (EUR 11,020,000) increased nearly 2% compared to 2008.

NOTE 22 Taxes and duties

Taxes and duties increased by EUR 220,000, climbing from EUR 2,402,000 in 2008 to EUR 2,622,000 in 2009. On the whole, the Taxes and Duties line item has changed slightly, from 2.36% to 2.46% of revenue. Income tax and assessments on remuneration amounted to EUR 619,000 and other income tax and assessments were EUR 2,003,000. The business tax and the IRAP (Imposta regionale sulle attività produttive -the Italian equivalent of the business tax) amounted to EUR 1,446,000.

NOTE 23 Payroll expenses

The Group's payroll expenses are broken down as follows:

	2009	2008
Salaries and wages	25,608	23,748
Social security contributions	10,855	9,828
Employee profit-sharing	1,538	1,451
Provision for retirement severance pay	141	340
TOTAL	**38,142**	**35,367**

23.1. Audika France headcount:

At December 31, 2009, Audika Group employed 190 hearing aid practitioners (versus 179 at year-end 2008), 52 regional technical managers (versus 52 at year-end 2008) and 323 hearing center staff (versus 296 at the end of 2008). Hearing center salaries and wages increased by 5.6%, climbing from EUR 16,184,000 in 2008 to EUR 17,089,000 in 2008. Headcount grew by more than 8%, increasing from 535 at year-end 2008 to 580 at year-end 2009.

The rest of the headcount consists of administrative and support staff at the head office and the logistics platform. The number of employees at these locations rose from 138 at year-end 2008 to 142 at year-end 2009 while total payroll increased from 5,890,000 in 2008 to 6,085,000 in 2009 (+3.3%).

Comparative headcount is presented in the table below:

	2009			2008		
	Open-ended contract	**Fixed-term contract**	**Total**	**Open-ended contract**	**Fixed-term contract**	**Total**
Executives	301	1	302	282	1	283
Non-executives	397	25	422	369	21	390
TOTAL	**698**	**26**	**724**	**651**	**22**	**673**

23.2. Audika Italia headcount:

At December 31, 2009, Audika Italia employed 94 people.

	2009			2008		
	Open-ended contract	**Fixed-term contract**	**Total**	**Open-ended contract**	**Fixed-term contract**	**Total**
Executives	6	1	7	3	1	4
Non-executives	75	12	87	46	13	59
TOTAL	**81**	**13**	**94**	**49**	**14**	**63**

NOTE 24 Depreciation and Amortization

Depreciation and amortization included in operating expenses relates to the following assets:

	2009	2008
Intangible fixed assets	179	177
Property, plant & equipment	3,012	2,763
TOTAL	**3,191**	**2,940**

NOTE 25 Other net operating income and expenses

Other net operating income and expenses relates mainly to Audika Italia and Udito Romagna (EUR 169,000).

NOTE 26 Other operating income and expenses

This line item recognizes expenses and income related to previous annual periods. Other operating expenses and taxes primarily account for this item.

NOTE 27 Proceeds from loans and cash investments

Financial income from cash investments mainly relates to capital gains on short-term securities at December 31, 2009 (EUR 234,000), income from the disposal of marketable securities (EUR 13,000) and income from revision (EUR 9,000).

NOTE 28 Financing expenses

	2009	**2008**
Interest on loans	(1,185)	(1,278)
Interest on overdrafts	(21)	(78)
Income from foreign exchange rates on financing activities		(44)
Income from loan hedges	(601)	(384)
Other	(232)	(185)
TOTAL	**(2,039)**	**(1,969)**

Other financial expenses mainly relate to interest on the life annuity paid by Audika Ouest (EUR 14,000) and expenses relating to Audika Italia vendor loans (EUR 185,000) and Audika supplier loans (EUR 32,000).

NOTE 29 Income tax

Deferred income tax expenses are determined in accordance with the accounting method described in Section 2-17, “Taxes”.

In accordance with accounting standards, deferred tax assets and liabilities are offset by tax entities and break down as follows:

	Deferred tax assets	**Deferred tax liabilities**
Jan. 1, 2009	2,338	6
Increase	401	
Decrease		6
Dec. 31, 2009	**2,739**	**0**

The base tax rate in France is 33.33%.

The income tax rate applicable to all the Group’s companies is now 33.33%.

Law 99-1140 of December 29, 1999 on the funding of Social Security instituted a tax surcharge of 3.3% on the base tax; for French companies, the legal tax rate has therefore been increased by 1.1%.

The effect of this tax surcharge on the Group’s income tax at December 31, 2009 was EUR 162,000. It was therefore not included in the deferred tax rate calculation.
The base tax rate for the Italian subsidiaries is 27.50%.

- Reconciliation between the theoretical tax calculated using the current tax rate in France and the actual tax expense.

Reconciliation between theoretical tax expense /actual tax expense	2009	2008
Consolidated net income	10,810	10,274
Income tax expense	5,909	5,515
Earnings before tax	16,719	15,789
Theoretical tax	5,573	5,262
Permanent differences	55	5
Non-capitalization of deficits and other	50	35
Social security contributions	161	148
2010 "contribution économique territoriale" deferred tax	110	
Effect of Italy's income tax rate (27.5%)	(40)	(29)
Italian IRAP (*)		94
TOTAL CALCULATED INCOME TAX	**5,909**	**5,515**

(*) The IRAP is an Italian tax on operating income, increased by total payroll. In 2009, the IRAP was treated as an operating expense and not as income tax.

- Income tax expense stood at EUR 5,909,000 and is broken down as follows:

	2009	2008
Current taxes	6,311	5,969
Deferred taxes	(402)	(454)
TOTAL	**5,909**	**5,515**

- An analysis of taxes broken down by type is presented below:

	Income Statement	Balance Sheet	
Deferred tax assets (-) Deferred tax liabilities (+)	**Deferred income tax expense 2009**	**2009**	**2008**
Provisions for employee benefits	(5)	(561)	(556)
Temporary differences	76	(538)	(614)
Intangible assets	(118)	(233)	(115)
Inventories	(196)	(743)	(547)
Financial instruments	(126)	(552)	(426)
Financial assets and liabilities	18	(127)	(145)
Other	(51)	15	66
Net unrealized tax position		(2,739)	(2,337)
Net proceeds from deferred income tax in profit and loss	(402)		

Deferred tax income expense of EUR 402,000 was recognized in profit and loss and breaks down as follows:

- Consolidated adjustments : EUR 384,000
- Temporary differences : EUR 18,000

NOTE 30 Earnings per share (in EUR)

As the company holds no treasury stock, earnings per share at December 31, 2009, was equal to the net income divided by the number of outstanding shares (9,450,000).

As there are no dilutive instruments, diluted earnings per share equaled net earnings per share.

	2009	2008
Numerator		
Net Income	10,733,935	10,230,473
Dénominator		
Average weighted number of shares used in calculating base earnings per share	9,450,000	9,450,000
Base earnings per share		
Base net earnings per share	**1.14**	**1.08**
Diluted net earnings per share	**1.14**	**1.08**

NOTE 31 Cash flow statement

31.1. Cash flow from operating activities

Cash flow from operating activities after the cost of net financial indebtedness and income tax was EUR 14,731,000; before the cost of net financial debt and income tax it was EUR 22,183,000.

The operating cycle generated a net change in working capital requirements of -EUR 2,890,000 as detailed in the table below.

	2009	2008
Inventories	501	(1,490)
Suppliers	(1,347)	725
Customers	(2,294)	(555)
Employee receivables/payables	699	246
Tax receivables/payables (excl. Income Tax)	(412)	(112)
Business continuity plan	(151)	869
Sundry debtors and creditors	114	370
TOTAL	**(2,890)**	**53**

31.2. Cash flow from investing activities

Purchases of intangible fixed assets mainly included purchases of business assets (-EUR 2,469,000), leaseholds (-EUR 737,000) and other intangible assets (-EUR 71,000) less the variation in the line item "Debt on intangible assets" (EUR 45,000).

Acquisitions of property, plant and equipment are indicated in the table in Note 6 of Chapter 20.1.3.5. (-EUR 3,232,000), plus the change in the line item, "Debt on property, plant and equipment"(-EUR 127,000).

Net acquisitions of interests included acquisitions of shares during the reporting period (-EUR 6,485,000), less the existing cash held by the acquired companies (EUR 615,000) and the change in vendor loans (EUR 610,000). Investment activities generated negative cash flow of EUR 12,009,000.

31.3. Cash flows from financing activities

Dividends paid included dividends paid by Audika (EUR 3,780,000) and dividends paid to minority shareholders of Audika's subsidiaries (EUR 16,000).

Financing activities generated positive cash flow of EUR 1,152,000.

31.4. Cash reconciliation

31.4.1. Cash and cash equivalents on the balance sheet opening date

	2009	2008
Short-term marketable securities	2,242	3,995
Cash and cash equivalents	6,226	8,862
Bank borrowing	(37)	(678)
TOTAL	**8,431**	**12,179**

31.4.2. Cash and cash equivalents on the balance sheet date

	2009	2008
Short-term marketable securities	238	2,242
Cash and cash equivalents	11,024	6,226
Bank borrowing	(53)	(37)
TOTAL	**11,209**	**8,431**

NOTE 32 Significant events after the balance sheet closing date

32.1. Events relating to the Group

32.1.1. Business activity in the first quarter of 2010

	Q1 2010	Q1 2009	Change
Consolidate revenue	24,545	22,501	9.1%

Business activity in the first quarter of the 2010 business year was in line with that of late 2009, confirming the Group's positive dynamic. Revenue amounted to EUR 24.5 million, up by 9.1%, of which 3.2% was generated organically.

This trend is particularly evident in France, where the Group posted revenue of EUR 22.6 million, up by 8.9%, of which 4.7% was generated organically. Hence, Audika continues to enjoy the benefit of its business and marketing investments.

In Italy, the Group posted revenue of EUR 1.9 million, up by 10.8%, underpinned by a positive scope effect of EUR 0.4 million. On a like-for-like basis, the trend is naturally unsettled due to the impact of ongoing reorganization of internal procedures and by the ambitious training program introduced during the first quarter to increase the productivity of hearing aid practitioners.

Audika Group is energetically pursuing the development of its retail networks in France through the acquisition of 7 new hearing centers (3 in Brittany, 1 in Provence-Alpes-Côte d'Azur, 1 in Cantal, 1 in Lozère and 1 in Hautes Alpes) and 7 new start-up locations (2 in Brittany, 1 in Alsace, 1 in Rhône Alpes, 2 in Hautes Alpes and 1 in the area of Belfort).
These centers are expected to contribute an additional full-year revenue of EUR 0.9 million.

In Italy, as Group has already reached its development objectives a year ahead of schedule, the priority will be placed on energizing organic growth and optimizing profitability.

32.2. Events relating to the company

In 2010, Audika began a new advertising campaign focused on removing the stigma of wearing a hearing aid, promoting the benefit to the consumer and adopting a new slogan: "Audika, live life to the fullest".

Moreover, no acquisitions have been made during the first quarter of 2010.

20.3.2. Parent company financial statements (in EUR thousands)

20.3.2.1. Balance sheet

ASSETS	Notes	12/31/09			12/31/08
		Brut	Amort./Prov.	Net	Net
Intangible fixed assets	3.1.				
Start-up costs					
Concessions, patents and licenses		615	600	15	24
Other intangible assets					259
Business assets					
Prepayments and deposits					
Other					
TOTAL		**615**	**600**	**15**	**283**
Property, plant and equipment	3.2.				
Land					
Buildings		297	39	258	279
Machinery and equipment		4	3	1	0
Other property, plant and equipment		1,266	656	610	718
Property under development					
Prepayments and deposits					
Total		**1,567**	**698**	**869**	**997**
LT investments	3.3.				
Other equity securities		41,395		41,395	38,268
Receivables from equity investments					
Other LT investments					
Loans					
Other		273		273	263
TOTAL		**41,668**	**0**	**41,668**	**38,531**
TOTAL FIXED ASSETS		**43,850**	**1,298**	**42,552**	**39,811**
Inventories and work in progress					
Prepayments and deposits on orders		**68**		**68**	
Trade and other accounts receivable		**4,629**	**8**	**4,621**	**8,910**
Other receivables	3.4.	**12,827**		**12,827**	**7,672**
Short-term marketable securities					
Cash and cash equivalents		**1,089**		**1,089**	**881**
Prepayments	3.6.	**814**		**814**	**113**
TOTAL AVAILABLE ASSETS		**19,427**	**8**	**19,419**	**17,576**
Deferred expenses	3.7.	**266**		**266**	**314**
Unrealized exchange losses					
GRAND TOTAL		**63,543**	**1,306**	**62,237**	**57,701**

LIABILITIES	Notes	12/31/09	12/31/08
Shareholders' equity	**4.1.**		
Capital		284	284
Additional paid-in capital		913	913
Legal reserves		28	28
Other reserves		3,681	3,657
Retained earnings			
Net income for the year		3,459	3,804
Regulated provisions		167	70
TOTAL		**8,532**	**8,756**
Provision for risks and charges	**4.3.**	**73**	**57**
Financial debt			
Bank loans and debt to credit institutions	4.5.	24,528	15,471
Miscellaneous loans and debt	4.6.	22,255	28,398
TOTAL		**46,783**	**43,869**
Trade and other acounts payable	**4.7.**	**2,179**	**1,422**
Taxes and Social Security liabilities	**4.8.**	**2,425**	**2,063**
Debt on fixed assets and related debt	**4.9.**	**1,758**	**1,500**
Miscellaneous debt	**4.10.**	**77**	**34**
Deferred income		**410**	
TOTAL		**6,849**	**5,019**
GRAND TOTAL		**62,237**	**57,701**

20.3.2.2. Income Statement

	12/31/09	12/31/08
OPERATING INCOME		
Sale of merchandise		
Sale of products		
Sale of services	21,335	19,292
CHIFFRE D'AFFAIRES NET	**21,335**	**19,292**
Capitalized production		
Inventory		
Operating subsidies		
Write-backs of provisions, amortization and expense transfers	279	689
Other income	561	339
TOTAL OPERATING INCOME	**22,175**	**20,320**
OPERATING EXPENSES		
Cost of merchandise		
Changes in inventory levels		
Raw materials and consumables used and other supplies		
Other external purchases and expenses	10,613	10,366
Taxes and similar	435	386
Salaries and wages	3,043	3,040
Social Security expense	1,411	1,420
Depreciation and amortization on fixed assets	213	238
Allowances for expenses on loans to be spread over several periods	48	206
Provisions for risks and charges	16	6
Other expenses	179	19
TOTAL OPERATING EXPENSES	**15,958**	**15,681**
OPERATING INCOME	**6,217**	**4,639**
Financial income	**2,022**	**2,192**
Financial expenses	**2,853**	**1,801**
NET FINANCIAL INCOME (LOSS)	**(831)**	**391**
RECURRENT INCOME BEFORE TAX	**5,386**	**5,030**
Exceptional income		
Exceptional expenses	**99**	**65**
NET EXCEPTIONAL INCOME (LOSS)	**(99)**	**(65)**
Employee profit-sharing	299	206
Income tax	1,529	955
NET INCOME	**3,459**	**3,804**

20.3.2.3. Notes to the parent company financial statements

NOTE 1 Highlights

1.1. Mergers and Acquisitions

Changes to the consolidation scope during the year relate to the following acquisitions:

- On January 12, 2009, the company acquired a 100% stake in Audition Bonnard, which was merged with Audika Centre Audiométrique.
- On July 1, 2009, the company acquired a 100% stake in Audiocal.
- On July 2, 2009, the company acquired a 100% stake in Hugo Acoustic, which was merged with CFA.
- On September 28, 2009, the company acquired a 100% stake in Centre Acoustique de Montbéliard.
- On October 1, 2009, the company acquired a 100% stake in Audio Conseil F. Carré
- On October 2, 2009, the company acquired a 100% stake in Gardanne Audition.

1.2. Tax consolidation

Audika has opted for a tax consolidation arrangement subject to the agreement of April 21, 2004, which took effect on January 1, 2004 for the following companies: AUDIKA, SARFFA, AUDIKA CENTRE AUDIOMETRIQUE, AUDIKA A.A.C, AUDIKA OUEST, ELSTAR and AUDIKA EST.

NOTE 2 Accounting principles, rules and approaches

2.1. General principles

The financial statements for the year ended December 31, 2009 were prepared in accordance with statutory and regulatory provisions and generally accepted accounting standards in France.

There have been no changes to the presentation of the financial statements or to valuation methods used in previous years.

The consolidated financial statements are reported in euros. Unless otherwise indicated, all figures shown are in thousands of euros.

2.2. Intangible Fixed Assets

Concessions and similar rights are measured at their cost of purchase. They mainly comprise software, which is amortized using the straight-line method over 36 months.

2.3. Property, plant and equipment

Property, plant and equipment are booked at their purchase price. Depreciation is computed based on the estimated useful life of the asset.

The periods of useful life employed by Audika are those that appear in the debt retirement plan. The most commonly used periods of useful life are:

TYPE	PERIOD(1)	METHOD(2)
Buildings	10	SL
Equipment	5	SL
Fixtures and fittings	6 to 7	SL
Transport equipment	2 to 5	SL
Office and IT equipment	2 to 5	SL
Office furniture	4 to 7	SL

(1) Expressed in years

(2) SL: straight-line method

2.4. Equity investments

Equity investments are recognized at their purchase price, plus acquisition fees, in accordance with CNC Accounting Standards Board recommendation No. 2007-C of June 15, 2007. These fees are allocated over five years using accelerated depreciation. When the estimated inventory value falls below the acquisition cost, a provision for depreciation is recognized to offset the difference.

The book value of equity investments is their value in use. This value is measured on the basis of objective criteria such as the Group's share of net assets or the outlook for profitability. Moreover, these criteria are weighted by the effect of retaining these shares for strategic purposes or harnessing further synergies in light of the other interests owned by the company.

2.5. Receivables

Receivables are recognized at their face value. A provision for depreciation is recognized when the current value is less than the net book value.

2.6. Provisions for risks and charges

Provisions for risks and charges are recognized to cover risks and charges arising from an event prior to the balance sheet date if it is probable this obligation will result in an outflow of resources without consideration.

Provisions for obligations associated with long-term employee benefits are recognized in the parent company financial statements.

Conversely, retirement commitments constitute an off-balance sheet obligation in the parent company financial statements but are recognized for the needs of the consolidated financial statements.

In addition to retirement benefits required under current law, the Group's employees are paid retirement bonuses and retirement severance pay. The Group offers these benefits under defined contribution plans (with the obligation to pay fixed contributions) and under defined benefit plans.

Under defined benefit plans, retirement obligations and the like are measured using the Projected Unit Credit Method based on the final salary.

The provision for retirement severance pay is calculated as the present value of the benefit adjusted to the discount rate used over the remaining working lives of plan participants from the date of measurement until the retirement date, factoring in the possibility of death of the beneficiary or departure from the company and prorated based on the ratio of "length of service at the time of the measurement/ length of service at the retirement date".

Such calculations primarily include:

- a theoretical voluntary retirement date at 62 years of age,
- theoretical future salary increases (taking account of the inflation rate),
- a theoretical employee turnover rate,
- a financial discount rate,
- a theoretical social security contribution rate.

These calculations are performed annually.

According to the collective bargaining agreement covering all Audika Group personnel, employees are awarded extra days' paid vacation each year according to the number of years of service in the Group (between one and three days per year). Such obligations are calculated using the same assumptions as those for retirement.

NOTE 3 Notes to the parent company balance sheet – assets

3.1. Intangible fixed assets

	Concessions and licenses	Business and leaseholds	Other intangible assets	Total
GROSS VALUE AT JAN. 1, 2008	**825**			**825**
Acquisitions	276			276
Disposals/write-downs				
Other changes				
Gross value at Dec. 31, 2008	1,101			1,101
Accumulated amortization	(818)			(818)
Net value at Dec. 31, 2008	283			283
GROSS VALUE AT JAN. 1, 2009	**1,101**			**1,101**
Acquisitions				
Disposals/write-downs	486			486
Other changes				
Gross value at Dec. 31, 2009	615			615
Accumulated amortization	600			600
Net value at Dec. 31, 2009	15			15

3.2. Property, plant and equipment

	Buildings	Machinery and Equipment	Other property, plant and equipment	Total
GROSS VALUE AT JAN. 1, 2008	**17**	**3**	**923**	**943**
Acquisitions				
Disposals/write-downs	(17)		(67)	(84)
Other changes				
Gross value at Dec. 31, 2008	294	3	1,194	1,491
Accumulated amortization	(15)	(3)	(476)	(494)
Net value at Dec. 31, 2008	279		718	997
GROSS VALUE AT JAN. 1, 2009	**294**	**3**	**1,194**	**1,491**
Acquisitions	3	1	72	76
Disposals/write-downs				
Other changes				
Gross value at Dec. 31, 2009	297	4	1,266	1,567
Accumulated amortization	39	3	656	698
Net value at Dec. 31, 2009	258	1	610	869

3.3. Long-term investments

	LT investments	Deposits and sureties	Total
GROSS VALUE AT JAN. 1, 2008	**34,602**	**199**	**34,801**
Increases	3,666	104	3,770
Reductions		(40)	(40)
Other changes			
Gross value at Dec. 31, 2008	38,268	263	38,531
Accumulated provisions			
Net value at Dec. 31, 2008	38,268	263	38,531
GROSS VALUE AT JAN. 1, 2009	**38,268**	**263**	**38,531**
Increases	3,127	10	3,137
Reductions			
Other changes			
Gross value at Dec. 31, 2009	41,395	273	41,668
Accumulated provisions			
Net value at Dec. 31, 2009	41,395	273	41,668

The purchase of securities relates to the acquisition of the following companies:

● Audition Bonnard	EUR 558,000
● Hugo Acoustic	EUR 892,000
● Audiocal	EUR 455,000
● Centre Acoustique de Montbéliard	EUR 333,000
● Audio Conseil F. Carré	EUR 521,000
● Gardanne Audition	EUR 176,000
● Audika Italia	EUR 150,000
● Remainder of Audika Est	EUR 42,000

Variations in the "Deposits and sureties" line item concern an additional deposit relating to an old lease amounting to EUR 10,000.

3.3.1. Lists of subsidiaries and interests (in EUR)

All of the subsidiaries listed below are fully consolidated.

Company	Capital	Additional paid-in capital	Equity stake	Net value of shares held	Revenue excl. tax over the last year	Profit (loss) for the last year	Collateral & sureties given by the company	Loans and advances granted by the company	Dividends received by the company
SARFFA	126,128	24,046,537	100,00%	1,340,697	40,720,940	4,013,059			1,024,790
AUDIKA CENTRE AUDIOMETRIQUE	72,650	13,945,173	100,00%	18,776,167	39,210,593	2,344,401	123,955		253,440
AUDIKA A.A.C.	1,395,320	1,855,654	100,00%	3,649,491	21,619,421	584,992		233,754	
I.A.V.	7,622	479,797	60,00%	4,573	1,486,270	86,496			11,940
AUDIKA ALPES	7,622	638,372	60,00%	103,811	2,239,185	129,101		488	12,720
AUDIKA OUEST	277,580	8,531,050	100,00%	12,147,351	23,770,351	1,325,202	50,250		693,950
ELSTAR	40,000	307,461	99,88%	329,331	1,599,899	80,843		258,937	
CFA	409,173	3,010,608	100,00%	1,680,872	6,717,064	413,915			
INDUSTAN	500,000 (1)	(471,746) (1)	100,00%	1,184,213		(7,360)		573,903	
SCS AUDIKA	40,000	(135,279)	99,75%	39,900	30,048	(39,226)		235,250	
AUDIKA EST	10,000	27,440	100,00%	459,129	729,206	(68,450)		187,019	
AUDIKA ITALIA	15,000	21,250	95,00%	194,250	5,555,922	(700)		10,851,971	
AUDIOCAL	14,000	40,445	100,00%	454,584	363,746	39,042			
AUDIO CONSEIL F. CARRE	162,000	241,286	100,00%	520,943	334,607	38,452		84,880	
CENTRE ACOUSTIQUE DE MONTBELIARD	80,000	145,489	100,00%	333,448	359,022	41,266			
GARDANNE AUDITION	155,000	6,479	100,00%	176,056	153,247	18,537		37,006	
TOTAL				**41,394,816**	**144,889,521**	**9,136,470**	**174,205**	**12,463,208**	**1,996,840**

(1) In Swiss francs

3.4. Other receivables

	2009	2008
Payroll and associated accounts	27	24
Income tax		252
Value Added Tax	106	61
Other taxes and duties	41	67
Cash accounts	12,463	7,007
Misc. debtors	190	261
TOTAL	**12,827**	**7,672**

3.5. Maturities on receivables

Receivables schedule	Gross amount	Within 1 year	More than 1 year
Advances to non-consolidated companies			
Loans			
Other LT investments	273		273
Total LT investments	**273**		**273**
Advances and desposits on orders	**68**	**68**	
Doubtful or disputed receivables	9	9	
Other accounts receivable	4,620	4,620	
Total trade and other accounts receivables	**4,629**	**4,629**	
Payroll and accounts receivable	27	5	22
Income tax			
Value Added Tax	106	106	
Other taxes and duties	41	41	
Other			
Group and partners	12,463	1,611	10,852
Sundry debtors	190	190	
Total other receivables	**12,827**	**1,953**	**10,874**
Prepayments	814	814	
GRAND TOTAL	**18,611**	**7,464**	**11,147**

3.6. Prepaid expenses

Prepaid expenses totaled EUR 814,000 and related to operating expenses recognized in the 2009 reporting period for services pertaining to fiscal year 2010.

3.7. Deferred expenses

The only deferred expenses relating to company assets concerned loan issuance costs pursuant to Accounting Standards Board (CRC) rule 2004-06.

Expenses associated with new loans are amortized using the straight-line method over the term of the loan.

Type	Balance at 12/31/2008	Increase during the period	Cancellations during the period	Balance at 12/31/2009
Commissions on loans	314		48	266
TOTAL	**314**		**48**	**266**

NOTE 4 Notes to the parent company balance sheet – liabilities

4.1. Breakdown of common stock (in EUR)

	Number of shares	Par value in euros	Total
Ordinary shares	9,448,684	0.03	283,460.52
Double voting rights	1,316	0.03	39.48
TOTAL	**9,450,000**	**0.03**	**283,500.00**

4.2. Statement of changes in shareholders' equity

	Capital	Premiums	Reserves	Income	Dividends	Regulated provisions	Total
At Dec. 31, 2008 before allocation	284	913	3,685	3,804		70	8,756
Appropriation of 2008 earnings			24	(3,804)	3,780		
Dividends paid					(3,780)		(3,780)
2009 earnings				3,459			3,459
Regulated provisions						97	97
Total at Dec. 31, 2009 before allocation	**284**	**913**	**3,709**	**3,459**	**0**	**167**	**8,532**

Regulated provisions relate to accelerated depreciation on the costs of acquiring equity investments.

4.3. Provisions for risks and charges

	31/12/08	Allocations	Reversals used	Reversals non used	12/31/09
Provisions for disputes	0	10			10
Provisions for charges	57	6			63
TOTAL	**57**	**16**	**0**	**0**	**73**

The provision for charges relates to long-term employee benefits provided for under the collective bargaining agreement.

The expense recognized for the period was EUR 6,000. At December 31, 2009, the cumulative provision amounted to EUR 63,000.

4.4. Debt maturities

Debt schedule	Gross amount	Within 1 yr	Due in 1-5 yrs	More than 5 yrs
Bank loans and debt up to one year	6,819	6,819		
Bank loans and debt over one year	24,377		24,377	
Group and partners	15,587	15,587		
TOTAL FINANCIAL DEBT	**46,783**	**22,406**	**24,377**	
Trade and other accounts payable	2,179	2,179		
TOTAL TRADE PAYABLES	**2,179**	**2,179**		
Payroll and related accounts	666	666		
Social Security and other agency liabilities	481	481		
Income tax	389	389		
Value Added Tax	812	812		
Other taxes and duties	77	77		
TOTAL PAYROLL AND TAX DEBT	**2,425**	**2,425**		
Debt on fixed assets	1,758	710	1,048	
Other debt	77	77		
Unearned income	410	410		
TOTAL	**2,245**	**1,197**	**1,048**	
GRAND TOTAL	**53,632**	**28,207**	**25,425**	

4.5. Borrowings

Total loan outstandings were EUR 23.40 million at December 31, 2009.

As Audika carries almost all of the Group's loans, see Note 12.2 of Chapter 20.3.1.5 of the Registration Document.

Changes over the reporting period, loan due dates and cash credits are summarized in the following table:

Lending institution	Balance at 12/31/2008	Subscription	Repayment	Balance at 12/31/2009	EMT < 1 yr	EMT < 5 yrs	EMT > 5 yrs
BNP-CIC-NATIXIS	15,417	10,000	2,083	23,334	5,083	18,251	
Interest and commissions owed	54	1,194	54	1,194	68	1,126	
TOTAL	**15,471**	**11,194**	**2,137**	**24,528**	**5,151**	**19,377**	**0**

4.6. Miscellaneous loans and debt

	Balance at 12/31/2008	Subscription	Repayment	Balance at 12/31/2009	Within 1 yr	1 to 5 yrs
Holton loan						
Advances	8,333		1,667	6,666	1,666	5,000
Interest owed		2		2	2	
Subtotal	8,333	2	1,667	6,668	1,668	5,000
Cash account	20,065		4,478	15,587		15,587
TOTAL	**28,398**	**2**	**6,145**	**22,255**	**1,668**	**20,587**

4.7. Trade and other accounts payable

	2009	2008
Group suppliers	57	57
Non-Group suppliers	1,209	671
Notes payable	511	523
Invoices receivable	402	171
TOTAL	**2,179**	**1,422**

4.8. Payroll and taxes

	2009	2008
Provisions for paid vacation	288	288
Payroll and related accounts	2	1
Employee profit-sharing	299	207
Expenses payable	76	80
Social Security and other agency liabilities	482	492
French government, VAT payable	812	946
Business tax	28	3
Corporate income tax	389	
Organic	36	30
Disability tax	7	10
Company car tax (TVTS)	6	6
TOTAL	**2,425**	**2,063**

4.9. Debt on fixed assets

	2009	2008
Debt on securities purchased	1,528	1,216
Trade payables	230	284
TOTAL	**1,758**	**1,500**

4.10. Sundry debts

	2009	2008
Group credit notes to be issued	42	0
Other debt	35	34
TOTAL	**77**	**34**

NOTE 5 Notes to the parent company income statement

5.1. Revenue

Company revenue is primarily generated from the provision of services, which is recognized when such services are provided.

Activity	2009	2008
Advertising	14,194	12,769
Management	3,408	3,146
Accounting	1,593	1,466
Other	2,140	1,911
TOTAL	**21,335**	**19,292**

5.2. Write-backs of amortization, provisions and expense transfers

	2009	2008
Write-backs of provisions for commercial disputes		15
Benefits in kind	31	34
Continuous training reimbursements	25	29
Repayments of Social Security sick pay (IJSS)	16	
Expenses linked to the purchase of securities	201	280
Reimbursements for claims	6	7
Borrowing fees		324
TOTAL	**279**	**689**

5.3. Other income

	2009	2008
Cofidis/Eurossur Commissions	533	336
Other	28	3
TOTAL	**561**	**339**

5.4. Operating expenses

	2009	2008
Other external purchases and expenses	10,613	10,366
Taxes and similar	435	386
Salaries and wages	3,043	3,040
Payroll taxes	1,411	1,420
Amortization and depreciation	261	444
Provisions for risks and charges	16	6
Other expenses	179	19
TOTAL OPERATING EXPENSES	**15,958**	**15,681**

Operating expenses totaled EUR 15,958,000, a slight increase (EUR 277,000) on the previous reporting period.

The main changes notably include:

- Other external purchases and expenses, which are up by 5% because of the increased cost of the advertising campaign (+EUR 325,000), property leases (+EUR 410,000), miscellaneous expenses (+EUR 44,000), insurance (+EUR 32,000), as well as a decrease in subcontracting (-EUR 46,000), temporary personnel (-EUR 55,000), fees (-EUR 142,000), travel and entertainment expenses (-EUR 94,000) and banking fees (-EUR 227,000).

- Income tax and other duties increased EUR 49,000 over the previous annual period. These increases related mainly to:
    - Business tax (+EUR 32,000),
    - Organic contribution (+EUR 5,000),
    - Training expenses (+EUR 16,000),
    - Miscellaneous duties (-EUR 4,000).

- Payroll and other Social security expenses were stable compared to the previous reporting period.

- Depreciation and amortization expenses decreased by EUR 183,000:
    - Depreciation and amortization expenses relating to intangible assets decreased by EUR 71,000,
    - Depreciation and amortization expenses relating to property plant and equipment decreased by EUR 46,000 owing to new investments,
    - Amortization of deferred charges decreased by EUR 158,000.

5.5. Operating income

	2009	2008
Operating income	22,175	20,320
Operating expenses	15,958	15,681
OPERATING INCOME (LOSS)	**6,217**	**4,639**

Operating income totaled EUR 6,217,000, increasing by EUR 1,578,000, or 34% over the previous reporting period.

5.6. Financial Income

	2009	2008
Interest income on current accounts	25	200
Dividends paid	1,997	1,992
TOTAL FINANCIAL INCOME	**2,022**	**2,192**
Provisions for financial expenses to be amortized	1,126	0
Interest on borrowings	892	1,007
Interest on the Holton loan	186	120
Interest on Group loans	579	571
Interest on bank overdrafts	20	74
Other financial expenses	50	29
TOTAL FINANCIAL COSTS	**2,853**	**1,801**
FINANCIAL INCOME (LOSS)	**(831)**	**391**

Financial income (loss) decreased by EUR 1,222,000 notably due to:

- The depreciation of financial instruments (EUR 1,126,000),
- Dividends received, which increased by EUR 5,000,
- A EUR 184,000 decrease in income from current accounts,
- Interest expense on loans from banks and the Holton loan, which decreased by EUR 50,000,
- Overdraft fees and commercial debt, which decreased by EUR 33,000.

5.7. Net exceptional income

	2009	2008
Income from the sale of assets		
TOTAL EXCEPTIONAL INCOME		
Value of sold assets		10
Accelerated depreciation	97	54
Fines for traffic violations	2	1
TOTAL EXCEPTIONAL EXPENSES	**99**	**65**
NET EXCEPTIONAL INCOME/EXPENSE	**(99)**	**(65)**

5.8. Net income

	2009	2008
Operating income	6,217	4,639
Financial income (loss)	(831)	391
Recurrent income before taxes	5,386	5,030
Exceptional income	(99)	(65)
Employee profit-sharing	(299)	(206)
Income tax	(1,529)	(955)
NET INCOME	**3,459**	**3,804**

NOTE 6 Other Disclosures

6.1. Employee profit-sharing

Beginning with the 2005 reporting year, Audika set up an employee profit-sharing plan allowing its employees to participate in the company's success.

The plan totaled EUR 299,000 at December 31, 2009, a EUR 93,000 increase over 2008 (EUR 206,000).

6.2. Directors' and officers' compensation

	Rémunérations	Avantages
Alain Tonnard Chairman and C.E.O.	Gross annual income of EUR 272 393 Benefits in kind included	None
Jean-Claude Tonnard Chief Operating Officer and Board member	Gross annual income of EUR 288,997 Benefits in kind included	None
Dominique Baudouin Tonnard Director	Gross annual income of EUR 75,062 Benefits in kind included	None

6.3. Tax consolidation - Income tax

The company is taxed at the standard tax rate of 33.33% and pays a social security contribution of 3.3% after taking a tax credit of EUR 763,000.

Audika and its main subsidiaries have opted for the business combination approach. Non tax-consolidated companies are those which are less than 95%-owned by Audika (IAV, Audika Alpes and CFA), companies acquired during the 2009 reporting period (Audiocal, Audio Conseil F. Carré, Centre Acoustique de Montbéliard and Gardanne Audition) as well as SCS Audika, a company organized under the laws of the Principality of Monaco, Industan, organized under the laws of Switzerland, and Audika Italia and Udito Romagna, companies organized under the laws of Italy.

The effect on income tax on the companies is the following:

- The difference between recognized income tax and the tax that would have been owed without tax consolidation results in additional tax of EUR 51,736. Current tax for the consolidated subsidiaries is EUR 4,301,584.
- Losses carried back: none; associated tax: none.
- Total deferred amortization expenses: none.

The breakdown of net income is presented in the table below:

Income	Pre-tax	Income from tax consolidation	Net income
Recurrent	5 386	(1 662)	3 724
Exceptional	(99)	33	(66)
Employee profit-sharing	(299)	100	(199)
TOTAL	**4 988**	**(1 529)**	**3 459**

6.4. Temporary income tax differences

	12/31/2008	Decrease	Increase	12/31/09
Organic	30	30	36	36
Employee profit-sharing	206	206	299	299
Investment in construction	13	13	13	13
Deferred tax assets at 33.33%	83	83	116	116

6.5. Items from several accounts concerning affiliated companies

ITEMS	2009	2008
Long-term investments		
- Equity investments	41,395	38,268
Receivables		
- Trade and other accounts receivable	2,253	6,789
- Other receivables, financial cash accounts	12,463	7,007
Debt		
- Trade and other accounts payable	57	57
- Other payables, financial cash accounts	15,629	20,064
- Credit notes to prepare		
Operating income and expenses		
Operating income	15,872	14,249
Operating expenses	34	11
Financial income and expenses		
- Income from equity investments	1,997	1,992
- Other financial income	25	
- Financial expenses	1,997	1,571

6.6. Breakdown of personnel

	12/31/09			12/31/08		
Categories	Open-ended contract	Fixed-term contract	TOTAL	Open-ended contract	Fixed-term contract	TOTAL
Executives	34	1	35	22	2	24
Non-executives	23	4	27	36	1	37
TOTAL	**57**	**5**	**62**	**58**	**3**	**61**

6.7. Accrued income

	2009	2008
Due from customers, unremitted invoices	385	864
Due from suppliers, credit notes due		113
Due from the state, accrued income	41	67
Other receivables	12	8
Cofidis	77	58
Eurossur	101	82
TOTAL	**616**	**1,192**

6.8. Accrued expenses

	2009	2008
Banks		
Interest owed	1,212	32
Suppliers		
Invoices not yet received	621	440
Clients		
Credit notes to prepare	42	
Payroll and taxes		
Personnel	587	495
Social security	137	133
French state	168	154
TOTAL	**2,767**	**1,254**

6.9. Relations between the parent company and its subsidiaries

Audika is the parent company of a Group which publishes consolidated financial statements.

Audika invoices its subsidiaries for various services. These services relate mainly to advertising, management, accounting, managing the vehicle fleet and insurance expenses.

Audika invoices its subsidiaries for various services to which standard terms and conditions apply based on the services rendered. During the 2009 reporting year, reinvoicing to subsidiaries amounted to EUR 15,872,000. Furthermore, Audika also reinvoiced its subsidiaries in the amount of EUR 25,000 as interest income on Group loans.

Audika recognized the procurement of services (EUR 34,000), fixed assets (EUR 5,000) and interest expense (EUR 578,000) invoiced by its subsidiaries.

6.10. Cross-shareholdings

There was no cross-shareholding to report at December 31, 2009.

NOTE 7 Off-balance sheet items

7.1. Financial commitments

7.1.1. Commitments given:

Commitments given at Dec. 31, 2009		
Collateral on loans	174	Collateral on loans taken out by subsidiaries
Shares pledges	23,333	100% of shares held in SARFFA, Audika Ouest, Audika AAC, and Audika Centre Audiométrique pledged as collateral under the syndicated loan from BNP Paribas, CIC and Natixis.
Operating leases	4,148	Rent from commercial leases and rent from long-term vehicle rentals
Unrecognized earn out	350	
TOTAL	**28,005**	

Operating leases	< 1 yr	> 1 yr	Total
Commercial and office space leases	1,211	2,877	4,088
Long-term vehicle rental	45	15	60
TOTAL	**1,256**	**2,892**	**4,148**

There is a partnership agreement relating to Audika's holding in Audika Alpes. The agreement provides for the buyout of minority interests based on a valuation directly linked to revenue at the time of such buyout.

Retirement obligations also constitute an off-balance sheet commitment, the measurement of which is summarized in the following table:

Actuarial debt at 12/31/2008	196
Cost of services provided during the fiscal year	14
Interest expenses for the fiscal year	11
Actual services	0
Actuarial losses (+) / gains (-)	14
Transfer	(5)
Actuarial debt at 12/31/2009	**230**

The main criteria used to measure these commitments are the following:

- Life expectancy: Women 2000-2002 and Men 2000-2002
- Audika employees receive retirement severance pay under the national collective bargaining agreement for businesses and service providers in the medical technology field.
- Discount rate: 5.04%
- Turnover rate: 7.9%
- Voluntary retirement age: 62 years of age (100% of the workforce)
- Social security contribution rate: 45%
- Salary appreciation rate: 2.20%
- Basis of benefit: gross salary, including scalar coefficient.

7.1.2. Commitments received:

- Commitments received as asset and liability guarantees: EUR 946,000

7.2. Information on the individual right to training

- Number of hours earned: 5,390 hours
- Balance remaining to be used at December 31, 2009: 4,934 hours

20.3.3. Five-year financial summary (Article R.225-102 of the French Commercial Code)

(in EUR thousands unless otherwise specified)

	12/31/2005	12/31/2006	12/31/2007	12/31/2008	12/31/2009
Capital at year-end					
Common stock (in EUR)	283,500	283,500	283,500	283,500	283,500
Number of shares	9,450.000	9,450,000	9,450,000	9,450,000	9,450,000
Operations and results for the year					
Income before tax	12,105	13,602	17,432	19,292	21,335
Earnings before tax, profit-sharing, depreciation, amortization and provisions	2,114	2,949	4,942	5,415	5,564
Income tax	(267)	550	1,120	955	1,529
Employee profit sharing	47	113	258	206	299
Earnings after tax, profit-sharing, depreciation, amortization and provisions	2,130	2,045	3,351	3,804	3,459
Distributed earnings	1,607	1,985	3,875	3,780	3,969
Earnings per share (in EUR)					
Earnings after tax and employee profit-sharing but before amortization, depreciation and provisions	0.25	0.24	0.38	0.45	0.39
Earnings after tax, profit-sharing, depreciation, amortization and provisions	0.23	0.22	0.35	0.40	0.37
Dividends per share	0.17	0.21	0.41	0.40	0.42
Employees					
Average headcount during the reporting year	60	58	61	61	62
Total payroll for the reporting year	2,793	3,007	3,040	3,040	3,011
Employee benefits paid	886	901	982	989	978

20.4. Auditing of historical annual financial information

20.4.1. Report of the Statutory Auditors on the consolidated financial statements

(This is a free translation into English of the statutory auditors 's report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law end professional auditing standards applicable in France)

Reporting period ended December 31, 2009

To the shareholders:

In compliance with the assignment entrusted to us by your Annual Shareholders' Meeting, we hereby report our findings to you for the period ended December 31, 2009 relating to:

- The audit of the Audika financial statements accompanying this report;
- The justification of our assessments;
- The specific audit required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with generally accepted auditing standards in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. An audit consists of verifying the elements underpinning the amounts and disclosures contained in the consolidated financial statements were based using sampling techniques or other selective testing methods. It also includes an evaluation of the accounting policies employed, major estimates made and the overall presentation of accounts. We believe that the elements that we have collected provide reasonable and consistent grounds for our opinion.

We hereby certify that the consolidated financial statements for the reporting period, in respect of IFRS as adopted by the European Union, are accurate and truthful and give a true and fair view of the net worth, financial position and overall results of the persons and entities included in consolidation.

With no reservation on our opinion expressed above, we draw your attention to the changes in accounting rules and policies set out in Note 2.1.1., "Accounting Principles", in the notes to the financial statements.

II. Justifications of our assessments

In accordance with the provisions of Article L.823-9 of the Commercial Code relating to the justification of our assessments, we bring the following items to your attention:

Each year, your company performs impairment tests on goodwill and assets with an indefinite lifetime in accordance with the criteria set out in Note 2.7, 2.10 and 7 to the consolidated financial statements. We have reviewed the procedures for performing such a test and verified that the notes to the consolidated financial statements provide adequate disclosures. As part of our assessments we verified the reasonableness of estimates made.

These assessments were made as part of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the formulation of the opinion expressed in the first part of this report.

III. Specific Audit

We have also performed, in accordance with the professional standards applicable in France, the specific verifications required by law on the disclosures relating to the Group in the Management Report.

We have no remarks to make as to its consistency or sincerity with the consolidated financial statements.

Paris and Neuilly-sur-Seine, April 27, 2010
Statutory Auditors

Pierre-Henri Scacchi et Associés

Alain ZENTAR

Deloitte & Associés

Christophe PERRAU

20.4.2. Report of the Statutory Auditors on the financial statements

(This is a free translation into English of the statutory auditors 's report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law end professional auditing standards applicable in France)

Reporting period ended December 31, 2009

To the shareholders:

In compliance with the assignment entrusted to us by your General Meetings, we hereby report to you, for the financial year ended December 31, 2009, on:

- The audit of the Audika financial statements accompanying this report;
- The justification of our assessments;
- The specific audits and disclosures required by law.

The financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the annual financial statements

We conducted our audit in accordance with generally accepted auditing standards in France. The standards require deployment of due diligence to allow us to obtain reasonable assurance that the financial statements are free of material misstatement. An audit consists of examining the elements on which the amounts and disclosures contained in these annual financial statements were based using sampling techniques or other selective testing methods. It also includes a review of the accounting policies employed, major estimates made and the overall presentation of accounts. We believe that the elements that we have collected provide reasonable and consistent grounds for our assessment.

We hereby certify that the financial statements for the reporting period, in respect of accounting rules and standards applicable in France, are accurate and truthful and present a true and fair view of the results of operations for the annual period as well as the financial position and net worth of the company at the end of this period.

II. Justifications of our assessments

In accordance with the requirements of Article L.823-9 of the Commercial Code relating to the justification of our assessments, we bring the following items to your attention:

Note 2.4, "Equity Investments" of the Notes to the financial statements sets out the criteria for measuring such investments. Our work consisted of assessing the data and the assumptions on which these measurements were based and checking the calculations made by the company. Based on this assessment, we have evaluated the reasonableness of these measurements.

These assessments were made in the context of our audit of the annual financial statements taken as a whole and therefore contributed to the formulation of the opinion expressed in the first part of this report.

III. Specific procedures and disclosures

We have also performed, in accordance with the professional standards applicable in France, the specific audits required by law.

We have no findings to relate regarding the fair presentation and the conformity with the financial statements of the disclosures presented in the Board of Directors' Management Report and in the documents addressed to the shareholders on the company's financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L.225-102-1 of the Commercial Code relating to compensation and benefits received by corporate officers and any other commitments made to them, we have verified their consistency with the annual financial statements and with the data used to prepare these annual financial statements and, where applicable, with the information obtained by your company from the companies controlling your company or controlled by it. Based on our work, we certify the accuracy and fair presentation of this information.

In accordance with the law, we have verified that the Management Report contains the appropriate disclosures regarding the acquisition of interests and the identity of the holders of shares and voting rights in the company.

Paris and Neuilly-sur-Seine, April 27, 2010
Statutory Auditors

Pierre-Henri Scacchi et Associés	Deloitte & Associés
Alain ZENTAR	Christophe PERRAU

20.5. Age of the latest financial information

Not applicable

20.6. Interim and other financial information

Not applicable

20.7. Dividend policy

Since being admitted for trading on a regulated market, Audika has developed a steadfast policy of paying a dividend. The amount of dividends paid until 2006 accounted for approximately 25% of consolidated net income. Since 2007, the amount of dividends paid has accounted for approximately 35% of consolidated net income.

Total dividends paid for the three reporting periods prior to the reporting period ended December 31, 2009.

Reporting period	Total dividends	Dividend per share	Amount of income distributed eligible for the 40% tax credit	Amount of income distributed ineligible for the 40% tax credit
2006	EUR 1,984,500 allocated from "Net income for the year"	EUR 0.21	EUR 0.21 x number of shares held by individuals and companies which are taxed on behalf of their individual partners	
2007	EUR 3,874,500 allocated from "Net income for the year" in the amount of EUR 3,351,232.38 and from the line item, "Other Reserves" in the amount of EUR 523,267.62	EUR 0.41	EUR 0.41 x number of shares held by individuals and companies which are taxed on behalf of their individual partners	
2008	EUR 3,780,000 allocated from "Net income for the year"	EUR 0.40	EUR 0.40 x number of shares held by individuals and companies which are taxed on behalf of their individual partners	

The Board of Directors recommends the allocation of a EUR 0.42 dividend per share to the Shareholders' Meeting for the period ended December 31, 2009. This would result in a total dividend of EUR 3,969,000 representing 36.7% of consolidated net income.

20.8. Legal and arbitration proceedings

There is no ongoing proceeding will would have a significant effect on the financial position or profitability of the issuer and/or the Group.

20.9. Significant change in the issuer's financial or trading position

Not applicable

21 Chapter Additional Information

Contents

21.1. Share capital

21.1.1. Shares comprising share capital at December 31, 2009

Shares comprising share capital on the date of the most recent balance sheet

Amount of subscribed capital	**EUR 283,500.00**
Classes of existing shares	There is only one class of shares: ordinary shares
Number of shares issued and fully paid	9,450,000
Number of shares issued but not fully paid	-
Par value per share	EUR 0.03
Number of shares issued at the beginning of the latest reporting period	9,450,000
Number of shares outstanding at the end of the latest reporting period	9,450,000
Number of shares outstanding paid for with assets other than cash at the end of the latest reporting period	-

21.1.2. Shares not representing capital

Not applicable.

21.1.3. Acquisition by the company of its own shares

Treasury stock:
The companies controlled by Audika do not hold Audika shares.

Disposals of shares to adjust cross-shareholding pursuant to Articles L233-29 and L.233-30 of the French Commercial Code are the following:
Not applicable.

21.1.4. Shares affording access to Group capital

Shares affording access to Group capital: none

Adjustments made to the terms and conditions governing to the exercise of rights attached to securities affording access to Group capital: As the company has not issued securities affording access to Group capital, there is no adjustment to report to the shareholders pursuant to Article R.288-91 of the French Commercial Code.

21.1.5. Unissued, authorized share capital

Current authorizations to increase share capital and use of such authorizations.

Table of existing authorizations and powers

Date of the meeting	Type of authorized share issue	Term of validity	Amount authorized	Use of powers in previous years	Use of powers in 2009	Use of powers in 2010
June 17, 2009	Share issue n cash with revocation of pre-emptive subscription rights	26 months	EUR 50,000	Not applicable	None	None
June 17, 2009	Share issue through contribution in kind	26 months	EUR 30,000	Not applicable	None	None

The authorization granted to the Board of Directors on June 17, 2009 will be superseded by the authorization put before the Extraordinary Meeting of Shareholders of June 16, 2010, if approved.

21.1.6. Information about any capital of any member of the group which is under option

Not applicable

21.1.7. Changes in Audika's capital

Date	Type of transaction	Increase in capital	Additional paid-in capital	Number of shares	Par value	Capital stock after transaction
July 7, 1977	Company formed	FF 100,000	-	1,000	FF 100	FF 100,000
November 26, 1984	Capital increase	FF 150,000	-	2,500	FF 100	FF 250,000
December 31, 1997	Merger-absorption with l'Européenne de l'Audition	FF 110,000	FF 1,649,102	3,600	FF 100	FF 360,000
December 31, 1991	10-for-1 stock split	-	-	36,000	FF 10	FF 360,000
January 23, 1998	Capital increase through the incorporation of reserves	FF 1,140,000	-	150,000	FF 10	FF 1,500,000
April 27, 1998	5-for-1 stock split	-	-	750,000	FF 2	FF 1,500,000
May 26, 1998	Capital increase concomitant with IPO	FF 75,000	FF 7,387,500	787,500	FF 2	FF 1,575,000
May 30, 2001	Capital increase through the incorporation of reserves and the conversion of capital into EUR	FF 5,856.37	-	787,500		FF 1,580,856.37 or EUR 241,000
June 12, 2002	Capital increase through the incorporation of reserves	EUR 11,000	-	787,500	EUR 0.32	EUR 252,000
July 1, 2002	4-for-1 stock split	-	-	3,150,000	EUR 0.08	EUR 252,000
July 1, 2005	3 for 1 stock split by incorporation of reserves and capital increase through the incorporation of reserves	EUR 31,500		9,450,000	EUR 0.03	EUR 283,500

The following table provides a detailed breakdown of share capital over the last two reporting periods

	12/31/09	12/31/08
Number of shares	9,450,000	9,450,000
Par value (in EUR)	0.03	0.03
Amount of capital issued (in EUR)	283,500	283,500

21.1.8. Transactions carried out by corporate officers during the reporting period

Pursuant to Article 223-26 of the French Financial Market Authority's General Regulation, the table below presents all purchases, disposals, subscriptions or exchanges of Audika shares and trading of Audika shares using futures carried out during the reporting year by corporate officers and persons with whom they maintain close personal ties.

Corporate Officers	Gross flows for the period		Open positions on the last day of the reporting period	
	Buy (No. of shares)	Sell (No. of shares)	Positions on the buy side (No. of shares)	Positions on the sell side (No. of shares)
Alain Tonnard	None	None	Calls bought	Calls sold
			Puts sold	Puts bought
			Futures bought	Futures sold
Jean-Claude Tonnard	None	None	Calls bought	Calls sold
			Puts sold	Puts bought
			Futures bought	Futures sold
Dominique Baudouin-Tonnard	None	None	Calls bought	Calls sold
			Puts sold	Puts bought
			Futures bought	Futures sold
Jean Eichenlaub	None	None	Calls bought	Calls sold
			Puts sold	Puts bought
			Futures bought	Futures sold
Jacques Pancrazi	None	None	Calls bought	Calls sold
			Puts sold	Puts bought
			Futures bought	Futures sold
Kevin Abrial	None	None	Calls bought	Calls sold
			Puts sold	Puts bought
			Futures bought	Futures sold

21.1.9. Market for the company’s financial instruments

Audika (ISIN code: FR0000063752) has been listed on the Second Marché since May 26, 1998. Audika shares are listed on Euronext Paris, Compartment B (Mid Caps) and the CAC Small 90 index.

Since July 1, 2005 and following the 3 for 1 stock split, Audika Group’s capital has consisted of 9,450,000 shares.

The table below presents the key stock market information on Audika shares from January 2009 to February 2010:

Month	High	Low	Average price	Average volume
2009				
January	16.27	13.00	15.09	16,478
February	16.94	15.65	16.23	6,153
March	15.75	14.33	14.85	10,950
April	18.29	14.80	16.07	10,523
May	18.98	17.10	18.10	6,084
June	19.15	17.36	18.42	5,044
July	19.44	17.18	17.97	9,917
August	19.90	19.21	19.69	3,987
September	22.40	19.75	21.41	7,348
October	22.90	21.27	21.99	7,512
November	22.50	21.15	21.88	4,614
December	22.55	21.80	22.08	4,662
2010				
January	27.15	21.90	24.47	15,179
February	27.00	25.55	26.52	7,596

21.2. Memorandum and Bylaws

21.2.1. Corporate purpose

Pursuant to Article 5 of the bylaws, Audika's corporate purpose is:

- to make acquisitions using all lawful methods, to manage and to potentially sell equity investments in French or foreign companies engaging in the business of buying, selling, marketing, importing, exporting, distributing, manufacturing or repairing hearing aids and their accessories, including any associated franchising;

- to provide all services entailed in managing the companies in which it has a stake;

- to provide all sales, finance and administration services or other services, including engaging in all financial, real estate or commercial transactions for the benefit of or on behalf of the companies in which it holds an ownership stake or other interest;

- to promote, create and develop commercial and industrial companies;

- to buy, sell, build, rent and operate offices, shops, workshops and factories in its economic sector as well as any related activities. In addition, the company may act as a sales agent.

- to register, acquire, operate, sell or grant licenses, patents or trademarks and other industrial or intellectual property rights falling within the scope of the company's purpose;

- to act as an advertising agency;

- to engage in the sale or exchange of all or part of the company's assets as well as any leasing or subleasing transactions;

- to gain equity stakes through capital contributions, mergers, equity investments and the purchase of stock, partnership shares or bonds or through any other lawful means, in any business or company, whether directly or indirectly related to the corporate purpose, and, in general, to acquire interests any business or company which may add to its customer base or promote the businesses in which it may have interests by any lawful means, specifically by the formation of new companies, capital contributions, mergers, partnerships, joint ventures, or economic interest groups;

- to carry out any industrial, commercial or financial transactions, including securities and real estate transactions pertaining directly or indirectly to the corporate purpose as well as any similar or related purpose.

21.2.2. Provisions of issuer's bylaws with respect to members of the administrative or management bodies

According to Article 12 to17 or the Bylaws, the company is administered and managed in the following manner:

- **Article 12** - Composition of the Board of Directors

The company shall be administered by a Board of Directors comprised of 5 members.

The number of directors over the age of 70 shall not exceed one-third of the members of the Board of Directors. If this limit is exceeded, the oldest director shall be deemed to have resigned from office. No one over the age of 70 shall be appointed to a directorship if such appointment results in one-third of the Board members exceeding this age.
The term of office of a director shall be 6 years; this term shall expire at the end of the Shareholders' Meeting convened to rule on the financial statements for the reporting year in which the term of office expires.

Any director appointed to serve out the remaining term of another director shall remain in office for the full term of his or her predecessor.

- **Article 13** - Powers of the Board of Directors

13.1. The Board of Directors shall determine the strategy of the company's business activities and shall monitor its implementation.

13.2. Subject to the powers expressly granted by the Law on Shareholders' Meetings and confined to the scope of the corporate purpose, all matters relating to the satisfactory performance of the company shall be brought before the Board, which shall adjudicate such matters through deliberation.

13.3. The following decisions shall be approved in advance by the Board of Directors:
  - transactions potentially modifying the nature of the Audika Group's business activities, such as moving to a market completely different from hearing aids and all products and services relating to hearing correction, hearing and its derivatives and significantly modifying its growth strategy;
  - issue of financial instruments or rights potentially modifying, whether immediately or in the long term, the capital stock of the company or the percentage of ownership by Audika of the capital of the companies of the Group;
  - modifying the dividend policy.

13.4. The Board of Directors shall conduct any controls or checks that it shall deem appropriate.

13.5. The Board of Directors may grant to any officer of its choosing all authorizations within the limits of authorization granted by law and under these Bylaws.

- **Article 14** - Board of Directors meetings and the transaction of business

Directors shall be notified of Board of Directors' meetings at least five days in advance by letter, telegram, fax or e-mail. The notice may be verbal and immediate with the consent of all Board members.

Where the Chairman is absent or unable to attend, the Board of Directors shall appoint a member to chair the meeting from among those directors present.
When it meets, the Board may appoint a secretary, who is not required to be a member of the Board.

Those directors taking part in Board meetings by videoconference shall be deemed to be present for the purposes of calculating the requisite quorum and majority. In order to be considered valid, the means of telecommunication chosen must at a minimum transmit the participants' voice and meet the technical requirements for the continuous, simultaneous broadcast of the deliberations. However, this provision is not applicable to the adoption of decisions pursuant to Articles L.232-1 (preparing the annual financial statements) and L.233-16 (preparing the consolidated financial statements) of the French Commercial Code.

Resolutions shall be carried by majority vote of the members attending or represented. However, as an exception to this rule, the decisions set out in Article 14.3 of the corporate Bylaws shall be carried by a two-thirds majority of the members of the Board.

In the event of a tie in the voting, the Chairman's vote shall determine the outcome.

- **Article 15** - Chairman of the Board of Directors

The Board of Directors shall elect a chairman from among its members, who shall be required to be a natural person.

The Chairman shall not be over the age of 70. Should the Chairman exceed 70 years of age, he or she shall be deemed to have resigned from office.

The Chairman of the Board shall represent the Board of Directors. The Chairman shall organize and direct the business of the Board on which he or she shall report to the Shareholders' Meeting. The Chairman shall ensure the proper functioning of corporate bodies and, specifically, ensure that the directors are able to perform their duties.

- **Article 16** - General management of the company

General management shall be the responsibility of either the Chairman of the Board or another physical person appointed by the Board of Directors and carrying the title of CEO
The Board of Directors shall select one of two approaches for general management by resolution in accordance with the majority requirements of Article 15 of these Bylaws.

The Chief Executive Officer shall not be over the age of 70. Should the CEO exceed 70 years of age, he or she shall be deemed to have resigned from office.

The CEO is invested with the broadest powers to act in the interests of the company in all circumstances. The CEO shall exercise such power within the limits of the corporate purpose and subject to the powers set out in the Memorandum and Bylaws, specifically Article 14.3, expressly granted to the Shareholders' Meeting and the Board of Directors.
The CEO shall represent the company to others.

- **Article 17** - Deputy Chief Executive Officers

Upon the recommendation of the Chief Executive Officer, the Board of Directors may appoint one or more natural persons to assist the CEO, who shall carry the title of Deputy Chief Executive Officer.

There shall be a maximum of 5 Deputy Chief Executive Officers.

The Deputy Chief Executive Officers shall not be over the age of 70. When a Deputy Chief Executive Officer exceeds this age, he or she shall be deemed to have resigned.

With the consent of the CEO, the Board of Directions shall determine the scope and the term of powers granted to the Deputy Chief Executive Officers.
However, the limitation on such power shall not be binding on others to whom the Deputy Chief Executive Officers have the same powers as the CEO.

21.2.3. Rights, privileges and restrictions attached to each class of the existing shares

In accordance with the provisions of Article 7 of the Bylaws, the shares issued by the issuer shall be common shares of the same class.

In accordance with the provisions of Article 11 of the Bylaws, the rights and obligations attached to the shares issued by the issuer are the following:

11.1. Each share shall confer upon the owner an interest in benefits, company assets and a share in any liquidation surplus proportional to the share of equity that the share represents.

11.2. Each share shall entitle the owner to vote and to be represented in Shareholders' Meetings subject to requirements established by laws and the Bylaws.

Voting or other rights attached to share capital shall be proportional to the share of equity that such shares represent.

One vote is attached to each share.

However, voting rights double those attached to other shares, in light of the proportion of equity represented, are attached to any fully-paid shares or share coupons entered in the issuer's share register in the name of the shareholder for at least 4 (four) years. Shares resulting from a split in shares entered in the issuer's share register in the name of the shareholder for at least 4 (four) years shall be granted double voting rights. The 4-year period shall run from the registration date of the shares, even if this date is prior to the Extraordinary General Meeting of Shareholders having approved such an amendment to the Bylaws.

Moreover, in the event of a capital increase through incorporation of reserves, profits or paid-in capital, double voting rights will be attached, as of the date of issue, to registered shares allocated free of charge to shareholders in exchange for old shares with double voting rights.

The merger or spin-off of the company shall have no effect on the double voting right that may be exercised within the targeted companies if the Bylaws of such companies permit.

Any share converted to a bearer share or of which ownership is transferred shall forfeit its double voting rights. However, the transfer of shares through succession, the liquidation of joint property between spouses or gifts by a living individual to a living spouse or relative who would be an heir by law does not cause the forfeit of the right and shall not interfere with eligibility period for acquiring double voting rights. The same shall apply to a transfer following a merger or spin-off of a shareholder-owned company.

The right to vote shall be granted to bare owners at general meetings and extraordinary meeting of shareholders and to income beneficiaries at ordinary general meetings of shareholders.

21.2.4. Action necessary to change the rights of holders of the shares

Pursuant to Article 21 of the Bylaws, the ordinary general meeting of shareholders and extraordinary general meetings of shareholders fulfilling the quorum and majority criteria required by the provisions respectively governing such meetings shall exercise the authority granted to them under the law.

21.2.5. Manner in which annual general meetings and extraordinary general meetings of shareholders are called and conditions of admission

21.2.5.1. Convocation of annual general meetings

In accordance with the provisions of Article 18 of the Bylaws, notice of annual general meetings shall be given in the form and by deadline required by law.

21.2.5.2. Conditions of admission to annual general meetings

In accordance with Article 19 of the Bylaws, any shareholder is entitled to attend the annual general meetings and to take part in the deliberations, in person or through a proxy, regardless of the number of shares owned, simply by confirming his or her identity, provided all payments due have been remitted and the shares are duly registered by midnight Paris local time no later than three business days preceding the date of the Shareholders' Meeting, in accordance with the provisions of Article R.225-85 of the French Commercial Code.

21.2.6. Provisions that would have an effect of delaying, deferring or preventing a change in control

Provisions likely to have an effect in the event of a public offer:

Pursuant to Article L.225-100-3 of the French Commercial Code, the provisions likely to have an impact in the event of a public offering are listed below:

- Provisions governed by Article L.225-100-3 7° of the French Commercial Code: Under the terms of a deed signed on September 14, 2007 between Alain and Jean-Claude Tonnard and Philippe Langzam, parties of the first part, and European Capital S.A. SICAR, party of the second part, it was agreed that the directors of Holton would undertake to use their powers and voting rights in Audika to see to it that Holton would be appointed a Director of Audika and that the two other members of the Board would be chosen from a list of candidates proposed by European Capital S.A. SICAR.
- Provisions governed by Article L.225-100-3 8° of the French Commercial Code: Under the provisions of Articles 14.3 and 15 of the Bylaws, the following decisions must be approved in advance by the Board of Directors by a two-thirds majority:
  - All operations likely to substantially affect the strategy of the Group (made of up the company and the companies that it controls pursuant to Article L.233-16 of the French Commercial Code), its legal or financial structure or its scope of operations;
  - The issue of any financial instruments or rights likely, whether in the near or long term, to substantially alter the common stock of the company or companies of the Group (as defined above);
  - Modification of the dividend distribution policy.

21.2.7. Ownership thresholds above which share ownership must be disclosed

In accordance with Article 11.3 of the Bylaws, it is stipulated that any natural person or legal entity, whether acting alone or jointly with others, who comes into possession of a number of shares exceeding the ceiling stipulated by Article L.233-7-I of the French Commercial Code, shall notify the company, within the period required by current French law, of the total number of shares or voting rights in his possession or assumed to be in his possession in accordance with Article L.233-9 of the French Commercial Code.

The company must also be duly notified within the same period when the equity stake of a natural person or legal entity falls back below the threshold specified above.

Persons required to provide the information above must specify the number of shares they own as well all attached voting rights.

Whenever the one-tenth or one-fifth cap on capital or voting rights is exceeded, the information required by Article L.233-7 of the French Commercial Code must also be provided.

21.2.8. Conditions imposed governing changes in the capital

Any modification of share capital shall be determined by the Extraordinary General Meeting of Shareholders which, in accordance with Article 21 of the Bylaws, shall transact business under the quorum requirements as stipulated by the provisions of the French Commercial Code and exercising the power granted to it under the law.

22

Chapter

Significant agreements

Not applicable

23

Chapter

Third party disclosures, statement by experts and declarations of any interest

Not applicable

24 Chapter Documents available to the public

Contents

24.1. Documents available on the company's website

The following documents are available on the company's website (www.audika.com):

- A full annual report, filed as a Registration Document with the French Financial Markets Authority (A.M.F.);

- Financial notices in the economic and financial press as well as numerous press releases published and disseminated by a distributor in accordance with the transparency directive and through stock market websites available to the public.

- A shareholders' letter issued during the third quarter of each reporting period presenting the year's highlights and the company's outlook.

Any requests for information may be made to the company.

Documents relating to the company, in particular the Bylaws may be examined at company's head offices.
58, avenue Hoche 75008 Paris

The person responsible for financial disclosures is Mr. Alain Tonnard, CEO and Chairman of the Board.

Tel.: +33 1 55 37 30 30
Fax: +33 1 55 37 30 36

24.2. Annual document issued pursuant to Article 221-1 of the French Financial Markets Authority's General Regulation

Summary of disclosures published or released from January 1, 2009 to April 1, 2010

Issue date	Medium	Type	Subject
January 19, 2009	AMF website La Tribune Audika website Hugin	Press release	2008 annual revenue
March 23, 2009	AMF website La Tribune Audika website Hugin	Press release	2008 annual results
April 10, 2009	Audika website Hugin	Press release	Report on the number of voting rights
April 20, 2009	AMF website La Tribune Audika website Hugin	Press release	Q1 2009 revenue
April 27, 2009	BALO	Notice of convocation and draft resolution	Shareholders' Meeting of June 17, 2009
May 6, 2009	Audika website AMF website Hugin	Press release	Release of the Registration Document
July 20, 2009	AMF website La Tribune Audika website Hugin	Press release	2009 interim revenue
September 2, 2009	BALO	Periodic publication	Certification of the 2008 financial statements and net income allocation determined by the Shareholders' Meeting of June 17, 2009
September 9, 2009	AMF website La Tribune Audika website Hugin	Press release	H1 2009 results
September 9, 2009	Audika website Hugin	Press release	Interim activity report
October 12, 2009	AMF website La Tribune Audika website Hugin	Press release	Q3 2009 revenue
January 18, 2010	AMF website La Tribune Audika website Hugin	Press release	Q4 2009 revenue
March 23, 2010	AMF website La Tribune Audika website Actusnewswire	Press release	2009 annual results

24.3. Disclosure schedule

January 19, 2010:	2009 Revenue
March 23, 2010:	2009 Performance
April 13, 2010:	Revenue for the first quarter of 2010
June 16, 2010:	Shareholders’ Meeting
July 20, 2010:	Revenue for the second quarter of 2010
September 7, 2010:	2010 half-year results
October 12, 2010:	Revenue for the third quarter of 2010

25

Chapter

Disclosures on holdings

See Chapter 7.2 above as well as Note 3 (List of companies included in the consolidated financial statements of December 31, 2009), found in Chapter 20.3.1.5 of this Registration Document.

26

Chapter

List of Reports

Reports	**Chapter**
Internal Reports	
Chairman's Report on the requirements for preparing and organizing the business of the Board of Directors and on the internal control procedures set up by the company.	16.5.
Reports by third parties	
Statutory Auditors' Report issued pursuant to Article L. 225-235 of the French Commercial Code on the Audika S.A.'s Chairman's Report on control procedures relating to the issue and treatment of accounting and financial information.	16.6.
Special Report of the Statutory Auditors on regulated agreements and commitments for the reporting period ended December 31, 2009.	19.2.
Report of the Statutory Auditors on the consolidated financial statements for the reporting period ended December 31, 2009.	20.4.1.
Report of the Statutory Auditors on the parent company financial statements for the reporting period ended December 31, 2009.	20.4.2.

Table of Contents

Contents

1. Report of the Board of Directors' to the Ordinary and Extraordinary Shareholders' Meeting of June 16, 2010

Dear Shareholders,

In accordance with the provisions of applicable laws and statutes, we have convened:

- an Ordinary Shareholders' Meeting in order to report on the company's results for the fiscal year ending December 31, 2009, to appropriate the year's earnings, to approve the renewal of our share buyback program and to address the other items on the agenda of the Ordinary Shareholders' Meeting called to approve the financial statements; and,

- an Extraordinary Shareholders' Meeting, specifically to grant the Board of Directors the authority to decide on the issue of shares or securities affording access to Group capital and to approve a capital increase reserved for employees.

A - Management's Report on the financial statements for the reporting year ending December 31, 2009 to the Ordinary Shareholders' Meeting (Articles L.225 100, L.232 1 and R.225 102 of the French Commercial Code)

Situation of the company for the reporting year (Article L.232-1 of the French Commercial Code)
(See the Reference Document, Chapters 9.2. and 20.3.2.)

The company's operations for the reporting year, the results of these operations, progress achieved and problems encountered (Article R.225-102 of the French Commercial Code).
(See the Reference Document, Chapters 9.2. and 20.3.2.)

Analysis of business trends, results and the financial situation of the company, notably its debt position with respect to business volume and complexity (Article L. 225-100 of the French Commercial Code)
(See the Reference Document, Chapters 9.2. and 20.3.2.)

Description of the principal risks and uncertainties facing the company (Article L. 225-100 of the French Commercial Code, specifically:

- the use of financial instruments and company objectives and policy on managing financial risk and hedging strategy,
- exposure of the company to price, credit, liquidity and funding risks.

(See the Reference Document, Chapter 4.8.)

Foreseeable trend in the company's position (Article L.2312) and the outlook for the future (Article R.225-102 of the French Commercial Code)
(See the Reference Document, Chapter 12.2.2.)

Significant events between the balance sheet date and the date on which the Management Report was prepared (Article L.232-1 of the French Commercial Code)
(See the Reference Document, Chapter 12.1.2.)

The company's Research and Development activities (Article L. 232-1 of the French Commercial Code)
(See the Reference Document, Chapter 11.)

Choice of one of two general management mandates pursuant to Article L.225-51-1 (Article R.225-102 of the French Commercial Code)
(See the Reference Document, Chapter 14.1.1.)

Five-year revenue summary (Article R. 225-102 of the French Commercial Code)
(See the Reference Document, Chapter 20.3.3)

Summary of currently valid authorizations granted by the Shareholders' Meeting to the Board of Directors relating

to the issue of shares and detailing the use of such authorizations throughout the fiscal year (Article L. 225-100 of the French Commercial Code).
(See the Reference Document, Chapter 21.1.5)

Items liable to have an impact in the event of a public offer (Article L.225-100-3 of the French Commercial Code)
(See the Reference Document, Chapter 21.2.6)

The status of employees' interests in the capital of the company and the percentage of capital held as part of an employee savings plan or mutual fund or, during the period of untransferability set forth in Article L.3324-10 of the French Labor Code relating to employee profit-sharing plans (Article L.225-102 of the French Commercial Code)
(See the Reference Document, Chapter 17.3.1)

Compensation and benefits and awards of shares to Board Members (Article L. 225-102-1 of the French Commercial Code)
(See the Reference Document, Chapter 15.1.)

List of the terms of offices and duties performed by Board members during the reporting period (Article L.225-102-1 of the French Commercial Code)
(See the Reference Document, Chapter 14.1.3)

Information on employee-related matters (Article L.225-100 of the French Commercial Code) and the manner in which the company addresses the social impact of its operations (Article L.225-102-1 and R. 225-104 of the French Commercial Code)
(See the Reference Document, Chapter 17.1.2)

Information on environment-related matters (Article L.225-100 of the French Commercial Code) and the manner in which the company addresses the environmental impact of its operations (Articles L.225-102-1, R.225-105 and A.225-1 of the French Commercial Code)
(See the Reference Document, Chapter 8.2.)

Modifications to the presentation of the annual financial statements or the measurement approaches adopted since the previous reporting period (Article L. 232-6 of the French Commercial Code)
(See the Reference Document, Chapter 20.3.1.)

Information on payment terms of vendors and customers (Articles L.441-6-1 and D.441-4 of the French Commercial Code)
(See the Reference Document, Chapter 10.6.)

Report on trading by the company on its own stock during the reporting period (Article L.225-211, Para. 2, of the French Commercial Code).
(See the Reference Document, Chapters 17.3.2. and 21.1.3.)

Adjustments to the number of shares that can be acquired through the exercise of stock options, call options or through the exercise of securities affording access to Group capital in the event of a company buyback of its own shares at a price higher than the quoted market price (Articles R.225-138 and R. 228-90 of the French Commercial Code)
(See the Reference Document, Chapter 21.1.4)

Adjustments in the terms and conditions governing the exercise of rights carried by securities affording access to Group capital in the event that the company carries out a transaction pursuant to Article L.228-99 (Article R.228-90 of the French Commercial Code)
(See the Reference Document, Chapter 21.1.4)

Equity investments representing more than 5%, 10%, 20%, 33.33% or 50% of the capital or voting rights, or takeovers, during the fiscal year in a company having its registered offices in France (Article L.233-6 of the French Commercial Code.
(See the Reference Document, Chapter 5.1.5)

The identity of the shareholders who hold over 5%, 10%, 15%, 20%, 25%, 33.33%, 50%, 66.66%, 90% or 95% of the capital or voting rights at Shareholders' Meetings as well as any changes thereto occurring over the reporting period (Article L.233 13 of the French Commercial Code)
(See the Reference Document, Chapter 18.1.)

Cross-shareholdings and treasury shares (Article L. 233-13 of the French Commercial Code)
(See the Reference Document, Chapter 21.1.3)

Disposal of shares in order to adjust cross-shareholdings pursuant to Articles L.233 29 and L.233 30 of the French Commercial Code (Article R. 233 19 of the French Commercial Code).
(See the Reference Document, Chapter 21.1.3)

Acquisitions, disposals, Audika share subscriptions, exchanges or trades of the company's stock through forward financial instruments during the last reporting period by corporate officers and those closely related to them (Articles L. 621 1 82 and R. 621-4 of the French Monetary and Financial Code and Article 223 26 of the Financial Market Authority's General Regulation)
(See the Reference Document, Chapter 21.1.8)

B - Consolidated Group Management Report on the consolidated financial statements at December 31, 2009 (Articles L.225-100-2, L.233-6, L.233-16, L.233-26 and R.225-102 of the French Commercial Code)

Consolidated position of all the entities included in the consolidation for the reporting period (Article L. 233-26 of the French Commercial Code)
(See the Reference Document, Chapters 9.1. and 20.3.1.)

The group's operations for the reporting year, the results of these operations, progress achieved and issues encountered (Article R. 225-102 of the French Commercial Code)
(See the Reference Document, Chapters 9.1. and 20.3.1.)

Analysis of business trends, results and the financial situation of all the entities included in consolidation, notably their debt position with respect to business volume and complexity (Article L. 225-100-2 of the French Commercial Code).
(See the Reference Document, Chapters 9.1. and 20.3.1.)

Employee-related information concerning the Group (Article L.225-100-2 of the French Commercial Code)
(See the Reference Document, Chapters 17.1.1. and 17.1.2.)

Description of the principal risks and uncertainties facing all the entities included in consolidation (Article L. 225-100 2 of the French Commercial Code), specifically:

- use of financial instruments and the company's objectives and policy in the management of financial risk and its hedging strategy;
- exposure of the company to price, credit, liquidity and funding risk.

(See the Reference Document, Chapters 4.1. through 4.7.)

Foreseeable trends for all the entities included in consolidation (Article L.233-26 of the French Commercial Code) and the outlook for the future (Article R.225-102 of the French Commercial Code)
(See the Reference Document, Chapter 12.2.1)

Significant events after the consolidated balance sheet date and the date on which the consolidated financial statements were prepared (Article L.233-26 of the French Commercial Code)
(See the Reference Document, Chapter 12.1.1)

The Group's Research and Development activities (Article L. 233-26 of the French Commercial Code)
(See the Reference Document, Chapter 11.)

Modifications to the presentation of the annual consolidated financial statements or the measurement approaches used in the previous reporting period.
(See the Reference Document, Chapters 20.3.1.5)

C - The Board of Directors' Special Report on stock options and call options awarded by the company pursuant to Articles L. 225-177 through L. 225-186 of the French Commercial Code (Article L.225-184 of the French Commercial Code)

(See the Reference Document, Chapters 17.2.1)

D - The Board of Directors' Special Report on transactions related to the allocation of free shares to employees and directors of the company pursuant to Articles L. 225-197-1 through L. 225-197-3 of the French Commercial Code (Article L.225-197-4 of the French Commercial Code)

(See the Reference Document, Chapter 17.2.2)

E - Resolutions put before the Ordinary Shareholders' Meeting

I. Approval of the financial statements

I.1. Approval of the Parent company financial statements

The Shareholders' Meeting is asked to approve the financial statements for the fiscal year ending December 31, 2009, such as they were presented, reporting net income of EUR 3,459,060.69.

I.2. Approval of certain non-deductible expenses

The cumulative amount of disbursements and expenses pursuant to Article 39-4 of the French General Tax Code restated as taxable income for the reporting period and to be approved pursuant to Article 223c of the French General Tax Code is EUR 20,532. This amount relates to excess depreciation, with the tax payable because of this being EUR 6,843.

I.3. Approval of the consolidated financial statements

The Shareholders' Meeting is asked to approve the consolidated financial statements for the fiscal year ending December 31, 2009, such as they were presented, reporting consolidated net income (Group share) of EUR 10,733,935.

II. Appropriation of earnings - Dividends

II.1. Appropriation of earnings – Payment of a dividend

The Board of Directors recommends the payment of a total dividend of EUR 3,969,000 or EUR 0.42 per share, a 5% increase compared to last year:

- By allocating from the "Net income for the year" the amount of EUR 3,459,060.69;
- With the balance drawn from the «Other Reserves» account in the amount of EUR 509,939.31

After such allocation, shareholders' equity breaks down as follows:

Shareholders' equity	in EUR
Capital	283,500.00
Additional paid-in capital	913,132.49
Legal reserves	28,350.00
Other reserves	3,170,756.00
Regulated provisions	167,575.57
Total	**4,563,314.06**

The dividends currently collected by natural persons maintaining a tax residence in France are taxed:

- either, in accordance with the provisions of Article 158 3 2° of the French General Tax Code, on a progressive scale, after taking a tax credit of 40% on the gross amount collected and a fixed annual tax exemption of EUR 1,525 or EUR 3,050 (based on marital status), conferring eligibility for a tax credit capped at EUR 115 or EUR 230 (based on marital status);
- or, in accordance with the provisions of the new Article 117c of the French General Tax Code, under an irrevocable option that the shareholder shall have notified to the company upon collection of the dividends at the latest, subject to withholding tax at the rate of 18% of the gross dividend collected, without entitlement to either the 40% tax credit or the fixed annual exemption of EUR 1,525 or EUR 3,050 or the tax credit of EUR 115 or EUR 230. It is stipulated that shareholders who opt for withholding at source for at least one dividend payout during the calendar year are also ineligible, as are the other members of their household, to receive such exemptions and tax credits in relation to all dividend payouts of the same nature for the same calendar year. The 18% withholding tax is declared on Form No. 2777 and paid to the French Treasury by the distributing company in the first two weeks of the month following the month in which the dividend was paid;

In any event, the gross amount of these dividends is also subject to standard Social Security contributions at a rate of 12.1%. It is stipulated that shareholders who opt for withholding at source pursuant to Article 117c of the French General Tax Code cannot apply the standard 5.8% Social Security deduction to income received in the year it is paid. These Social Security taxes are withheld at the source by the company distributing the dividend, declared on Form No. 2777 and paid by the distributing company to the French Treasury in the first two weeks of the month following the month in which the dividends were paid.

II.2. Dividends paid over the three previous fiscal years

In accordance with the provisions of Article 243 A of the French General Tax Code, the table below sets out the dividends paid over the three fiscal years prior to the period ending December 31, 2009, the amount of distributed earnings eligible for the tax credit of 40% pursuant to Item 2, Para. 3 of Article 158 of the French General Tax Code over these same three periods as well as distributed revenue amounts ineligible for such a tax credit:

Fiscal year	Total dividends	Dividend per share	Amount of income distributed eligible for the 40% tax credit	Amount of income distributed not eligible for the tax credit
2006	EUR 1,984,500 allocated from the «Net income for the year»	EUR 0.21	EUR 0.21 x the number of shares held by individuals and companies which are taxed on behalf of their individual partners	
2007	EUR 3,874,500 allocated from the “Net income for the year” in the amount of EUR 3,351,232.38 and from the line item, “Other Reserves” in the amount of EUR 523,267.62	EUR 0.41	EUR 0.41 x the number of shares held by individuals and companies which are taxed on behalf of their individual partners	
2008	EUR 3,780,000.00 allocated from the «Net income for the year»	EUR 0.40	EUR 0.40 x the number of shares held by individuals and companies which are taxed on behalf of their individual partners	

III. Regulated agreements

The regulated agreements governed by Article L.225 38 of the French Commercial Code are listed in the Statutory Auditors’ Special Report, presented to the Shareholders’ Meeting, pursuant to Article L.225 40 and, where applicable, L.225 42 of the French Commercial Code. These agreements are submitted to the Shareholders’ Meeting for approval.

IV. Directors’ attendance fees

No proposal to award directors’ fees to the Board of Directors is put before the Shareholders’ Meeting.

V. Directorships

V.1. Formal approval of temporary appointments to the Board of Directors

The Board of Directors meeting of March 19, 2010 appointed Mr. Tristan Parisot to replace Mr. Jacques Pancrazi, who resigned, to serve out the remaining term of this office.

Formal approval of this appointment is submitted to the Shareholders’ Meeting for approval.

V.2. Reappointment of directors

Mr. Tristan Parisot is nominated to replace Mr. Jacques Pancrazi, who was appointed by the Board of Directors meeting of September 14, 2007 to replace Mr. Philippe Langzam, having resigned, who had been appointed by the Shareholders' Meeting of June 15, 2004 and whose term of office was due to expire at the end of the Ordinary Shareholders' Meeting scheduled for 2010 to approve the financial statements for the fiscal year ending December 31, 2009.
As the directorship of Mr. Tristan Parisot expires at the end of the Shareholders' Meeting of June 16, 2010, a proposal is made to renew Mr. Parisot's appointment to the Board for a term of 6 years expiring at the end of the Annual Ordinary Shareholders' Meeting scheduled for 2016 to approve the financial statements for the fiscal year ending December 31, 2015.

Mr. Alain Tonnard's directorship was most recently renewed by the Annual Shareholders' Meeting of June 15, 2004 and is due to expire at the end of this Shareholders' Meeting. A proposal is made to reappoint Mr. Tonnard to the Board for a term of 6 years expiring at the end of the Ordinary Shareholders' Meeting scheduled in 2016 to approve the financial statements for the fiscal period ending December 31, 2015.

The Holton company (formerly Financière H) was appointed by the Board of Directors' meeting of January 4, 2008 to replace the Holton company (currently dissolved) having resigned after being appointed to the Board by the Shareholders' Meeting of June 15, 2004 and whose term expires at the end of the Ordinary Shareholders' Meeting scheduled for 2010 to approve the financial statements for the fiscal year ending December 31, 2009.
As Holton's term of office is to expire at the end of the Shareholders' Meeting of June 16, 2010, a proposal is made to reappoint Holton to the Board for a term of 6 years expiring at the end of the Ordinary Shareholders' Meeting scheduled for 2016 to approve the financial statements for the fiscal period ending December 31, 2015.

V.3. Renewal of the appointment of a Statutory Auditor and his or her Substitute

It is recommended to renew the appointment of Statutory Auditor, Deloitte & Associés, whose term of office is due to expire, for the next 6 reporting periods.
Pursuant to Article L. 621-22 of the French Monetary and Financial Code, it is noted that the Financial Markets Authority has formulated no comment on this proposed reappointment.

It is recommended to renew the appointment of Substitute Statutory Auditor, BEAS, which is expiring, for the next 6 reporting periods.
Pursuant to Article L. 621-22 of the French Monetary and Financial Code, it is noted that the Financial Markets Authority has formulated no comment on this proposed reappointment.

VI. New authorization to be granted to the Board of Directors superseding the previous authorization on the share buyback program

A recommendation is made to supersede the previous authorization granted by the Ordinary Shareholders' Meeting of June 17, 2009, pursuant to Article L.225-209 of the French Commercial Code, with a new authorization to buy back the company's shares.

This buyback program aims to:

- Cover obligations concerning:
  - stock option plans, the award of free shares or other programs allocating shares to employees and corporate officers of the Group;
  - allocating shares to employees in recognition of their contribution to the company's performance under a company savings plan or under any other employee savings scheme;
  - using stock for exercising rights linked to the issue of marketable securities resulting in the allocation of company shares, as payment, in exchange or in any other form;

- Sign liquidity contracts with an investment services provider in accordance with a code of ethics recognized by the French Financial Markets Authority;

- Use stock for financing acquisitions, where it is tendered either as payment, exchange or in the form of a capital contribution;

- The implementation of any market practices which might be approved by the AMF and, in general, carrying out any transactions in compliance with current regulations.

There are no foreseeable requests to cancel treasury stock.
Purchases may involve any number of shares such that the total number of shares that the company holds following such purchases does not exceed 10% of the shares constituting its equity. However, the number of shares acquired by the company with a view to retaining them or using them as payment or in exchange for assets as part of a merger, spin-off or a capital contribution may not exceed 5% of its capital. This percentage of capital applies to any change in capital following the completion of transactions approved by the Shareholders' Meeting.

When buying back its own shares, the company may pay no more than EUR 45 (excluding. expenses) for any share having a par value of EUR 0.03.

The authorized cap on repurchased shares would therefore be set at EUR 42,525,000. However, this amount will be limited as, pursuant to the provisions of Article L.225-210 of the French Commercial Code, the company is required to recognize reserves, in addition to legal reserves and additional paid-in capital on company stock, equal to at least the value of all of the shares that it might hold.

Said purchases, sales or transfers may be made by any means and at any time, including during a public offer, at the discretion of the Board of Directors. Such transactions may be made on or off the market and include block trades and options. The maximum percentage of capital acquired or transferred in the form of blocks of securities can reach the comprehensive authorized limit for the share buyback program.

In the event of a change to the par value of existing shares, a capital increase through the incorporation of reserves, the free allocation of shares, a reverse split, the distribution of reserves, capital amortization or any other operation with an effect on the company's treasury stock, the Shareholders' Meeting can authorize the Board of Directors to adjust the purchase price in question in order to factor in the effect of these transactions on the share price.

The authorization granted by the Shareholders' Meeting would remain in force for 18 months.

Full powers would be conferred on the Board of Directors to decide whether or not to exercise this authorization and, if necessary, clarify the terms thereof, with the option of delegating the powers of execution therein to its Chairman.

F - Report of the Board of Directors to the Extraordinary Shareholders' Meeting

F.1. Authorizations to be granted to the Board of Directors to decide on a capital increase

F.1.1. Full authorization to be granted to the Board of Directors to issue shares or marketable securities which afford access to Group capital, within a limit of EUR 50,000 in exchange for cash

In accordance with the provisions of Article L.225-129-2 of the French Commercial Code, a proposal is put before you to grant the Board of Directors authorization to increase Group capital within a limit of EUR 50,000.

This authorization would be granted for all share issues in exchange for cash and/or through the incorporation of reserves, profits or premiums.

This authorization would enable the Board to autonomously proceed with the issue of capital shares or any other form of marketable securities giving access to Group capital.

This system is designed to allow the Group to react as quickly as possible to address its financing needs by enabling it to issue, where necessary, both in France and abroad, the most suitable type of marketable security within the aforementioned limit of EUR 50,000. This limit does not include the nominal amount of any additional shares that may be issued to preserve the rights of existing holders of securities that can be converted into shares.

The wide range of financial products and the rapid change in capital markets requires a high degree of flexibility in order to choose the best method of raising capital for the company and to rapidly issue shares as opportunities arise.

The Board may exercise this authority in full or in part and in one or more stages whenever it shall deem appropriate.

The Board may select the type of securities to be issued and the terms of each issue of securities.

The Board of Directors would therefore have full powers to exercise the authority granted, set the dates, terms and conditions of any issue, recognize the resulting capital increase and amend the by-laws accordingly.

The Board of Directors would have full powers to define the investment terms with the investment service provider in charge of the securities offering and to set the price of the securities based on the financial analysis carried out for this purpose by said provider provided that, in the event of a public issue without granting existing shareholders pre-emptive subscription rights, there is compliance with the rules governing pricing as defined in Article L.225-136 of the French Commercial Code.

If the Board of Directors exercises this authority, the capital increase must take place within five years of the date of the authorization.

The authorization would be valid for a period of 26 months from the date of this meeting.

This authorization would supersede the authorization previously granted at the Extraordinary Shareholders' Meeting of June 17, 2009.

F.1.2. Additional capital increases

If the share issue is successful, a proposal is made to the Shareholders' Meeting to authorize the Board of Directors, pursuant to Article L.225-135-1 of the French Commercial Code, to raise the amount of capital increase by an additional 15% of the initial share issue, subject to legal and regulatory requirements, and at the same price as that set for initial issue.

F.1.3. Revocation of pre-emptive subscription rights

As company shares are traded on Eurolist of Euronext Paris SA, the Board of Directors must be granted the broadest of powers to seize the opportunities present in the financial markets under specific conditions and to make all pertinent decisions with the timeframe desired, specifically to take account of market conditions and to facilitate the sale of stock to individual, institutional and foreign investors. The Board of Directors would therefore be led, in the interests of the company and its shareholders, to carry out issues of shares without pre-emptive subscription rights.

For these reasons, we propose, pursuant to Article L.225- 135, Paragraph 1, of the French Commercial Code, granting the Board of Directors, in a separate resolution, the power to revoke pre-emptive subscription rights for the entire authorized amount of the capital increase described above, i.e. up to a limit of EUR 50,000.

Pursuant to Article L.225-135, Paragraph 2, the Shareholders' Meeting would grant the Board of Directors the power to determine, if needed, a time limit on pre-emptive subscription rights for existing shareholders and to set this limit as allowed by law.

F.1.4. Grant of full powers to the Board of Directors to issue all shares or marketable securities affording access to Group capital within a limit of EUR 30,000.

Pursuant to the provisions of Articles L.22-129 and L.225-129-2 of the French Commercial Code, a proposal is put before you to grant the Board of Directors authorization to increase share capital by EUR 30,000.

This authorization would be granted for any share issue limited to 10% of share capital issued as consideration for contributions in kind made up of shares or marketable securities affording access to Group capital, where the regulations set out in Article L.225-148 on public exchange offers are not applicable or in instances in which Article L.225-148 of the French Commercial Code is applicable as consideration for securities contributed in a public exchange offer on the securities of a company whose shares have been approved for trading on a regulated market of a Member State of the European Economic Area or a Member State of the Organization for Economic Cooperation and Development.

This authorization would enable the Board of Directors to issue shares or marketable securities affording access to Group capital, allowing it to select the most appropriate type of issued marketable security, based on the context of the transaction up to the aforementioned limit of EUR 30,000.

The Board may exercise this authority in full or in part and in one or more stages whenever it shall deem appropriate.

The Board of Directors would therefore have full powers to exercise the authority granted, set the dates, terms and conditions of any issue, recognize the resulting capital increase and amend the by-laws accordingly.

The authorization would be valid for a period of 26 months from the date of this meeting.

This authorization would supersede the authorization previously granted at the Extraordinary Shareholders' Meeting of June 17, 2009.

F.2. Capital increase reserved for employees pursuant to Article L.225-129-6 of the French Commercial Code

In accordance with the provisions of Article L.225-129-6 of the French Commercial Code, the Board of Directors has submitted a draft resolution to the Extraordinary Shareholders'
Meeting for the purposes of carrying out a capital increase reserved for employees under the terms of Article L.3332-19 of the French Labor Code.

The Shareholders' Meeting is asked to grant the Board of Directors' authorization to carry out, in one or more stages, a capital increase in cash, up to a limit of EUR 10,000, reserved for employees participating in a company savings plan and carried out in accordance with the provisions of Article L.3332-19 of the French Labor Code.

This authorization implies that shareholders refute their pre-emptive subscription rights.

Pursuant to Articles L.225-129-2 and L.225-138-1 of the French Commercial Code, the Board of Directors would have full powers to set the terms and conditions of the issue and the issue price in accordance with the provisions of Article L.3332-19 of the French Labor Code.

This authorization would be granted for a period of 26 months starting from the date of this meeting.

Although the resolution put before you complies with legal requirements, the Board of Directors does not deem this capital increase necessary and has voted not to carry out the draft resolution pertaining thereto. Consequently, we ask that you vote against this resolution.

We hope that you will adopt only those resolutions set before you which have been approved by the Board of Directors.

The Board of Directors

Alain Tonnard
Chairman of the Board and CEO

HOLTON
Director
Represented by Jean-Claude Tonnard

Dominique Baudouin Tonnard
Director

EUROPEAN CAPITAL S.A. A Venture Capital Investment Company (SICAR)
Director
Represented by Kevin Abrial

Tristan Parisot
Director

2. Draft resolutions submitted by the Board of Directors before the Annual Ordinary and Extraordinary Shareholders' Meeting of June 16, 2010

2.1. Agenda of the Annual Ordinary and Extraordinary Shareholders' Meeting of June 16, 2010

Ordinary Shareholders' Meeting

- Approval of the parent company financial statements for the fiscal year ending December 31, 2009;
- Approval of the consolidated financial statements for the fiscal year ending December 31, 2009;
- Appropriation of earnings for the fiscal year ending December 31, 2009, payment of a dividend;
- Approval, of regulated agreements, if any;
- Authorization of a share buyback program;
- Formal approval of the appointment of a director made by the Board of Directors;
- Reappointment of three directors;
- Reappointment of the Statutory Auditor and the Substitute Statutory Auditor;

Extraordinary Shareholders' Meeting

- Grant of a general authorization to the Board of Directors to allow it to issue shares in exchange for cash;
- Power for additional capital increase;
- Revocation of the pre-emptive right and the power to set a priority period;
- Grant of an authorization to the Board of Directors to decide on a capital increase as consideration for contributions in kind;
- Capital increase reserved for employees pursuant to Article L.225 129 6 of the French Commercial Code;
- Powers to complete formalities.

2.2. Draft resolutions submitted by the Board of Directors before the Annual Ordinary and Extraordinary Shareholders' Meeting of June 16, 2010

Ordinary Shareholders' Meeting

First Resolution

The Shareholders' Meeting, having reviewed the Board of Directors' Management Report and the Statutory Auditors' General Report for the period ending December 31, 2009, which resulted in a profit of EUR 3,459,060.69, approves the annual financial statements for the period ending December 31, 2009, such as they were presented, as well as the transactions disclosed in these statements or summarized in the Management Report.

Pursuant to Article 223c of the French General Tax Code, the Shareholders' Meeting approves the expenses governed by Article 39-4 of the French General Tax Code restated as taxable income 2009, i.e. the sum of EUR 20,532 corresponding to excess depreciation, with the tax payable because of this being EUR 6,843.

Second Resolution

The Shareholders' Meeting, having reviewed the Board of Directors' report on the management of the Group and the Statutory Auditors' General Report for the fiscal year ending December 31, 2009, approves the consolidated financial statements for the fiscal year ending December 31, 2009, such as they were presented, recognizing consolidated net income (Group share) of EUR 10,733,935. It also approves the activities reflected in these financial statements or summarized in the Group's Management Report.

Third resolution

The Shareholders' Meeting has decided to pay a total dividend of EUR 3,969,000, i.e. EUR 0.42 per share,

- by allocating from the "Net income for the year" the amount of EUR 3,459,060.69;
- with the balance drawn from the "Other Reserves" account in the amount of EUR 509,939.31

After this appropriation, shareholders' equity breaks down as follows:

Shareholders' equity	in EUR
Capital	283,500.00
Additional paid-in capital	913,132.49
Legal reserves	28,350.00
Other reserves	3,170,756.00
Regulated provisions	167,575.57
Total	**4,563,314.06**

The Shareholders' Meeting points out that the dividends received by natural persons electing France as their tax domicile are currently taxed as follows:

1. Income tax:

- either, pursuant to Article 158-3-2° of the French General Tax Code, payment of income tax on a progressive scale after taking a tax deduction of 40% of the gross amount received and a fixed annual exemption of EUR 1,525 or EUR 3,050 (depending on marital status), conferring eligibility for a tax credit limited to EUR 115 or EUR 230 (depending on marital status);
- or, in accordance with the new Article 117 quater of the French General Tax Code, under an irrevocable option exercised by the shareholder at the very latest when dividends are received, an 18% withholding tax on the gross dividend received, with no eligibility to receive either the 40% deduction or the fixed annual

exemption of EUR 1,525 or EUR 3,050 or the limited tax credit of EUR 115 or EUR 230, it being understood that shareholders who opt for withholding at source for at least one dividend payout during the calendar year are also ineligible, as are the rest of the members of their household, to receive any tax deductions and tax credits on any dividend payouts of the same nature for the same calendar year. The 18% withholding tax is declared on Form No. 2777 and paid to the French Treasury by the distributing company in the first two weeks of the month following the month in which the dividends were paid.

2. Social Security contributions:
The gross amount of the dividend paid is subject to Social Security contributions at a rate of 12.1% withheld at the source by the distributing company, reported on Return 2777 and paid by the company to the French Treasury within the first two weeks of the month following the payment of dividends.
If the taxpayer exercises the option to be taxed at the source as permitted by Article 117 quater of the General Tax Code, the Social Security contribution of 5.8% is not deductible from taxable income in the year it is paid.

Pursuant to Article 243 (a) of the General Tax Code, the Shareholders' Meeting has set out below dividends distributed in the three previous reporting periods as well as in the reporting period ending December 31, 2009, the amount of earnings distributed in these same periods eligible for the 40% deduction set out in Article 158 3 2 of the General Tax Code as well as distributed earnings that are ineligible for this deduction.

Fiscal year	Total dividend	Dividend per share	Amount of distributed earnings eligible for the 40% tax credit	Amount of distributed earnings ineligible for the tax credit
2006	EUR 1,984,500 allocated from "Net income for the year"	EUR 0.21	EUR 0.21 x number of shares held by individuals and companies which are taxed on behalf of their individual partners	
2007	EUR 3,874,500: EUR 3,351,232.38 allocated from "Net income for the year". The balance, i.e. EUR 523,267.62, taken from "Other Reserves".	EUR 0.41	EUR 0.41 x number of shares held by individuals and companies which are taxed on behalf of their individual partners	
2008	EUR 3,780,000.00 allocated from "Net income for the year"	EUR 0.40	EUR 0.40 x number of shares held by individuals and companies which are taxed on behalf of their individual partners	

Fourth resolution
Having read the Statutory Auditors' special report on the agreements governed by Articles L.225-38 and L.225-42 of the French Commercial Code, the Shareholders' Meeting approves this report and, if need be, approves each of the agreements described therein in accordance with the last paragraph of Article L.225-40 of the French Commercial Code.

Fifth resolution
The Shareholders' Meeting authorizes the Board of Directors, pursuant to Article L.225-209 of the French Commercial Code, to repurchase the company's stock, for the purposes of:

- Covering obligations concerning:
  - stock option plans or other programs allocating shares to employees and corporate officers of the Group;
  - allocating shares to employees in recognition of their contribution to the company's performance under a company savings plan or any other employee savings scheme;
  - using stock for exercising rights linked to the issue of marketable securities resulting in the allocation of company shares, as payment, in exchange or in any other form;

- Signing liquidity contracts with an investment service provider in accordance with a compliance charter recognized by the French Financial Markets Authority;

- Using stock for financing acquisitions, where it is tendered either as payment, exchange or in the form of a capital contribution.

- Implementing any market practices permitted by the AMF and, in general, carrying out all transactions in compliance with current regulations.

Such repurchases may involve any number of shares such that the total number of shares that the company might hold following these purchases does not exceed 10% of the shares constituting its capital. However, the number of shares purchased by the company with a view to retaining them or using them as payment or an asset exchange to finance a future merger, spin-off or capital contribution may not exceed 5% of its capital. This capital percentage applies to any changes in capital following the completion of transactions approved by the Shareholders' Meeting.

The price paid by the company when repurchasing its own shares may not exceed EUR 30.00 (excluding expenses) per share for any share with a par value of EUR 0.03.
Given the number of shares representing 10% of the share capital to date, the maximum overall amount may not exceed EUR 42,525,000; furthermore, this maximum may not exceed the amount of reserves, other than the legal reserve and additional paid-in capital.

Such purchases, sales or assignments may be made by any means and at any time, including during a public offer, at the discretion of the Board of Directors. Such transactions can be conducted on or off market, as well as in block trades and in options. The maximum proportion of capital acquired or sold in the form of blocks of securities can be equal to the overall authorized limit for the share buyback program.

In the event that the par value of a share changes, or a capital increase through the incorporation of reserves, the free allocation of shares, a reverse split, the distribution of reserves, capital amortization or any other transaction occurs affecting the company's treasury stock, the Shareholders' Meeting authorizes the Board of Directors to adjust the purchase price in question in order to factor in the effect of such transactions on the share price.

Full powers are conferred on the Board of Directors to decide whether or not to implement this authorization and, if necessary, to clarify the terms thereof, with the option of delegating the powers of execution therein to the Chairman.

The authorization granted by the Shareholders' Meeting shall remain in force for 18 months.

This authorization supersedes the one granted by the Annual Shareholders' Meeting of June 17, 2009.

Sixth resolution

The Shareholders' Meeting formally approves the appointment of Mr. Tristan Parisot as a director by the Board of Directors Meeting of March 19, 2010, replacing Mr. Jacques Pancrazi, having resigned, who was appointed by the Board of Directors Meeting of September 14, 2007 to replace Mr. Philippe Langzam, having resigned, who had been appointed by the Board of Directors Meeting of June 15, 2004 and whose term of office expires at the end of the Ordinary Shareholders' Meeting scheduled in 2010 to approve the financial statements for the reporting period ending December 31, 2009.

Seventh resolution

The Shareholders' Meeting renews the appointment Mr. Tristan Parisot to the Board for a term of 6 years; this directorship expires at the end of the Ordinary Shareholders' Meeting scheduled for 2016 to approve the financial statements for the reporting period ending December 31, 2015.

Eighth resolution

The appointment of Mr. Alain Tonnard to the Board of Directors, renewed by the ordinary Shareholders' Meeting of June 15, 2004 and due to expire at the end of this shareholders' meeting, is renewed by this Shareholders' Meeting for a term of six years expiring at the end of the Ordinary Shareholders' Meeting planned in 2016 to approve the financial statements for the reporting period ending December 31, 2015.

Ninth resolution

The appointment of the HOLTON company (formerly Financière H), to the Board by the Board of Directors Meeting of January 4, 2008 to replace Holton (currently dissolved), having resigned, who had been appointed by the Shareholders' Meeting of June 15, 2004 and whose term of office expires at the end of this Ordinary Shareholders' Meeting, is renewed by the Shareholders' Meeting for a term of 6 years, expiring at the end of the Ordinary Shareholders' Meeting planned for 2016 to approve the financial statements for the reporting period ending December 31, 2015.

Tenth resolution

The Shareholders' Meeting hereby renews the appointment of Deloitte & Associés as Statutory Auditors for the next 6 reporting periods.

Eleventh resolution

The Shareholders' Meeting hereby renews the appointment of BEAS as Substitute Statutory Auditors for the next 6 reporting periods.

Extraordinary Shareholders' Meeting

Twelfth resolution

Having read the Management Report and the Statutory Auditors' Report, the Extraordinary Shareholders' Meeting, pursuant to Articles L.225-129 and L.225-129-2 of the French Commercial Code, grants the Board of Directors full powers, subject to the limits set forth below, to proceed with:

- a share issue in exchange for cash through the issue of shares or securities affording access to the capital of the company;
- a share issue by the incorporation of reserves, profits or premiums associated with share capital.

This capital increase authorization has an overall cap of EUR 50,000; it being specified that, where necessary and in accordance with the law, the nominal amount of additional shares issued in order to preserve the rights of existing shareholders shall be added.

The authorization is valid for a period of 26 months starting as of the date of this Shareholders' Meeting.

This authorization supersedes the authorization to issue new shares in exchange for assets granted under the provisions of the sixth resolution of the Extraordinary Shareholders' Meeting of June 17, 2009.

Thirteenth resolution

In accordance with the provisions of Articles L.225-135-1 and R.225-118 of the French Commercial Code, the Shareholders' Meeting resolves that, in the event of a share issue in exchange for cash carried out pursuant to the preceding resolution, the number of shares may be increased up to a limit of 15% of the initial issue within thirty days of the closure of subscription and at the same price as the initial issue.

Fourteenth resolution

Having read the Management Report and pursuant to Article L.225-135, Para. 1, of the Commercial Code, in the event of a share issue in exchange for cash, the Shareholders' Meeting resolves that the share issue ceiling resulting from all shares issues authorized by the twelfth and thirteenth resolutions set forth above can be used by the Board of Directors, if it deems advisable, through the removal of the right of pre-emption in whole or in part on the entire amount.

In the event of the revocation of the right of pre-emption, the Board may, in accordance with Article L.225-135, Para. 2, of the French Commercial Code, grant shareholders priority subscription on all or part of the issue during a period of no less than three trading days.

This authorization cancels and replaces the authorization granted under the terms of the tenth resolution of the Extraordinary Shareholders' Meeting of June 17, 2009.

Fifteenth resolution

The Shareholders' Meeting, after having reviewed the reports of the Board of Directors and the Statutory Auditor pursuant to Articles L.225-129 and L.225-129-2 of the French Commercial Code, grants the Board of Directors full powers to issue shares in exchange for assets up the limit stipulated below:

- either, pursuant to Article L.225-147 of the Commercial Code, up to a limit of 10% of share capital, in compensation for contributions of assets consisting of equity instruments or marketable securities affording access to Group capital, provided the provisions of Article 225-148 of the Commercial Code governing public exchange offers do not apply;
- or, pursuant to Article L.225-148 of the French Commercial Code, as compensation for assets contributed to a public exchange offer on a company whose shares are traded on an exchange regulated by a member state of the European Economic Area or a member state of the Organization for Economic Cooperation and Development. This pertains to the issue of any equity security or other security affording access to Group capital.

This capital increase authorization has an overall cap of EUR 30,000.

The authorization is valid for a period of 26 months starting as of the date of this Shareholders' Meeting.

This authorization supersedes the authorization to issue new shares in exchange for assets granted under the provisions of the ninth resolution of the Extraordinary Shareholders' Meeting of June 17, 2009.

Sixteenth resolution

The Shareholders' Meeting, having reviewed the Statutory Auditors' Special Report, grants, pursuant to the provisions of Article L.225-196-6 of the French Commercial Code, the Board of Directors the authority to make a share issue reserved to employees participating in a company savings plan, up to a limit of EUR 10,000 by issue of shares or securities affording access to Group capital in accordance with the provisions of Article L.3332-18 et seq. of the French Labor Code.

The Shareholders' Meeting resolves to revoke the pre-emptive subscription right of existing shareholders to subscribe for the shares reserved to company employees.

The Shareholders' Meeting grants full powers to the Board of Directors, within the limits stipulated above, to:

- Set up an employee savings plan under the terms of Article L.3332-1 et seq. of the French Labor Code;
- Establish, pursuant to Article L.225-138-1 of the French Commercial Code, the issue price of the shares reserved to employees participating in the employee savings plan pursuant to Article L.3332-19 of the French Labor Code;
- Establish, in accordance with Article L.225-129-2 of the French Commercial Code, the terms and conditions for the issue of shares, to recognize the capital increase and to amend the by-laws accordingly.

This authorization is granted for a period of 26 months starting from date of this Meeting.

Seventeenth resolution

The Shareholders' Meeting resolves to grant full powers to the bearer of an original, copy or excerpt of these minutes to carry out any official business relating to legal notices or other formalities required by law.

3. Statutory Auditors' Special Report on the issue of various marketable securities

(This is a free translation into English of the statutory auditors 's report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law end professional auditing standards applicable in France)

Extraordinary Shareholders' Meeting of June 16, 2010
(twelfth, thirteenth, fourteenth and fifteenth resolutions)

To the Shareholders:

In our capacity as the Statutory Auditors for your company and as part of our assignment pursuant to Articles L. 225-135 and L. 228-92 of the French Commercial Code, we hereby present our report on the planned issue of shares or marketable securities affording access to the capital of your company, on which you are asked to vote.

Based on its report, your Board of Directors recommends that you grant it authorization for a period of 26 months to decide on the following transactions and to establish the final terms and conditions for these issuances; it also proposes, if necessary, revoking the pre-emptive subscription rights of existing shareholders:

- Issue of shares or securities affording access to the capital of your company, maintaining the pre-emptive right of existing shareholders to subscribe for new shares (twelfth resolution),

- Issue of shares or securities affording access to the capital of your company, revoking the pre-emptive right of existing shareholders to subscribe for new shares (fourteenth resolution),

- Issue of ordinary shares or securities affording access to the capital of the company (1) for the purposes of consideration for contributions of assets in other companies to the company comprised of equity securities affording access to the capital of the company; (2) in the event of a public exchange offer bid of a company whose shares are traded on a regulated exchange within the European Economic Area or a member state of the Organization for Economic Cooperation and Development (fifteenth resolution).

The overall value of all capital increases likely to occur in the short or long term shall not exceed EUR 50,000 as set forth in the twelfth and fourteenth resolutions or EUR 30,000 as set forth in the fifteenth resolution.
The number of securities to be created as part of exercising the authority granted in the twelfth and fourteenth resolutions can be increased as allowed by Article L.225-135-1 of the French Commercial Code if you adopt the thirteenth resolution.
Your Board of Directors would also be required to prepare a report in compliance with the provisions of Articles R.225-113, R.225-114 and R. 225-117 of the French Commercial Code. Our role is to issue a judgment on the information drawn from the company's accounts, on the recommendation to revoke your pre-emptive subscription rights, and on other information relating to these transactions, which are described in this report.

We performed all the due diligence required by the standards of the *Compagnie nationale des commissaires aux comptes* (French National Statutory Auditors Board) applicable to our assignment. Such due diligence consisted in verifying the content of the Board of Directors' Report on this transaction and the methods used to determine the issue price of the shares to be issued.

As the Board of Directors' Report does not specify the methods for determining the issue price of the equity securities to be issued as part of implementing the twelfth, fourteenth and fifteenth resolutions, we are unable to issue an opinion on the selection of the components used in calculating the issue price.

As the issue price of the equity securities to be issued is not set, we can offer no judgment either on the final terms under which share issue will be carried out or on the recommendation to revoke your pre-emptive subscription rights.

In compliance with Article R.225-116 of the French Commercial Code, we shall prepare an additional report, if necessary, when such authorizations are used by your Board of Directors to issue marketable securities affording access to the capital of the company or in the event of an issue with revocation of pre-emptive subscription rights of existing shareholders.

Paris and Neuilly-sur-Seine, April 27, 2010
Statutory Auditors

Pierre-Henri Scacchi et Associés	Deloitte & Associés
Alain ZENTAR	Christophe PERRAU

4. Statutory Auditors’ report on the capital increase reserved for employees

(This is a free translation into English of the statutory auditors 's report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law end professional auditing standards applicable in France)

Extraordinary Shareholders’ Meeting of June 16, 2010
(sixteenth resolution)

To the Shareholders:

In our capacity as the Statutory Auditors of your company and in the course of carrying out the audit provided for by Articles L.225-135 et seq. and L.228-92 of the French Commercial Code, we hereby present our report on the proposal which has been put before you for approval, namely the proposal to grant authorization to the Board of Directors to carry out a capital increase in cash via the issue, with revocation of pre-emptive subscription rights, of any share capital or marketable securities affording access to the company’s capital, for a maximum nominal amount of EUR 10,000, reserved for the employees of your company and of the companies affiliated therewith, as defined by Article L.225-180 of the French Commercial Code, who belong to a company savings plan.

This capital increase is submitted for your approval in accordance with the provisions of L.225-129-6 of the French Commercial Code and Article L.3332-18 of the French Labor Code.

Your Board of Directors has recommended that, on the basis of its report, you grant it the authorization, for a period of 26 months, to carry out a capital increase. It also recommends that your pre-emptive subscription rights to the share capital or marketable securities to be issued affording access to the capital of the company be revoked. Where applicable, the Board of Directors will be responsible for establishing the final terms and conditions for this transaction.

The Board would also be responsible for preparing a report on the transaction, in compliance with Articles R.225-113 and R.225-114 of the French Commercial Code. Our role is to issue a judgment on the truthfulness of quantified information drawn from the company’s accounts, on the recommendation to revoke your pre-emptive subscription rights, and on other information relating to the share issue contained in this report.

We performed all due diligence required by the standards of the *Compagnie nationale des commissaires aux comptes* (French National Statutory Auditors Board) applicable to this audit. This due diligence consisted of verifying the content of the Board of Directors’ report on this transaction and the methods used to determine the issue price of the share capital to be issued.

Subject to a subsequent revision of the terms of the proposed capital increase, we have no comments relating to the methods used to determine the issue price as outlined in the Board of Directors’ report.

As the issue price has not been set, we shall not issue a judgment on the final terms under which the capital increase would be carried out or the proposal to revoke the pre-emptive subscription rights of existing shareholders which has been put before you.

In the event this resolution is approved, and pursuant to Article R.225-116 of the French Commercial Code, we shall issue an additional report, where applicable, addressing the utilization of this authorization by your Board of Directors.

Paris and Neuilly-sur-Seine, April 27, 2010
Statutory Auditors

Pierre-Henri Scacchi et Associés	Deloitte & Associés
Alain ZENTAR	Christophe PERRAU

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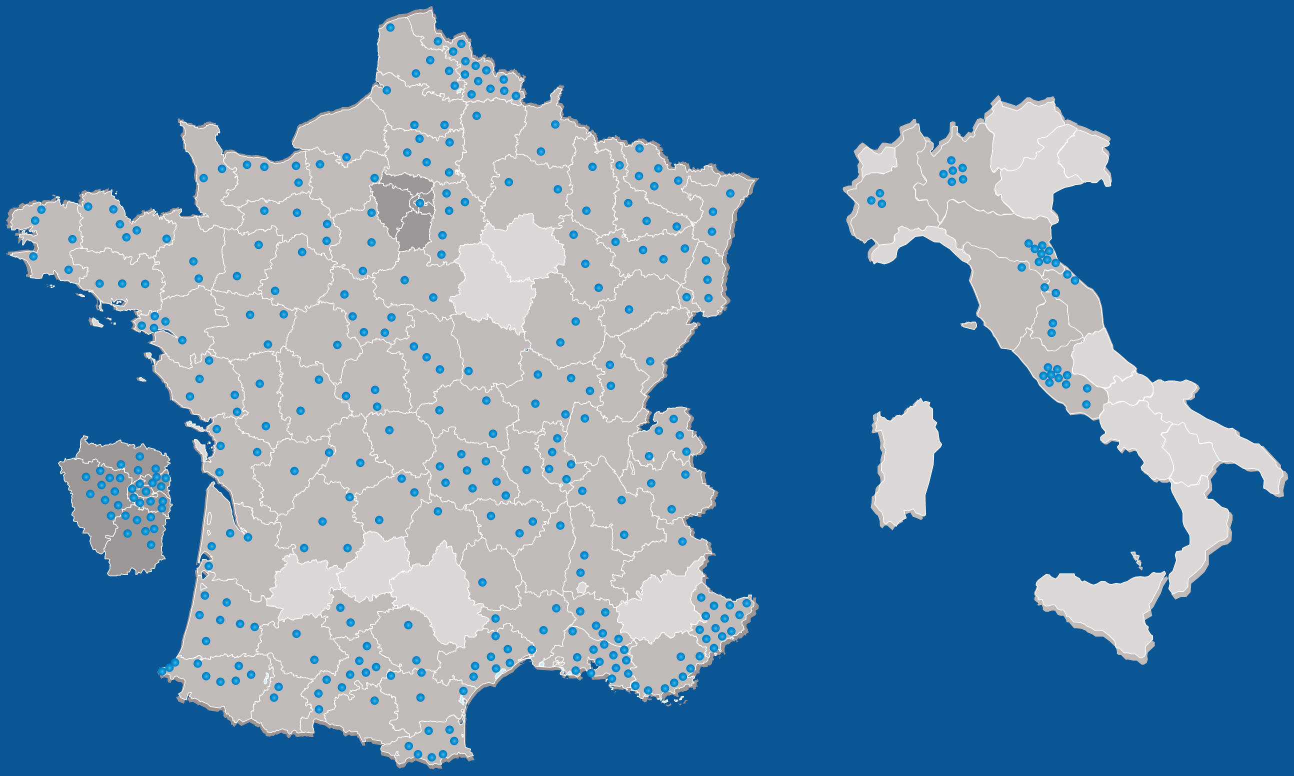

Leader in France, with nearly 400 centers
an ambitious challenger in Italy, with nearly 50 centers.

N°1 in Francia con circa 400 centri.
Protagonista in Italia con circa 50 centri.

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