



Audika

**FRENCH LEADER IN
HEARING CORRECTION**

**2005
ANNUAL REPORT**

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**FRENCH LEADER
IN HEARING CORRECTION**



**A degree of market
recognition that continues
to surpass that
of our competitors**

AN INTERVIEW WITH THE CHAIRMEN

How would you sum up the Group's business environment in 2005?

Alain: 2005 was an unusual year and one that was marked by a temporary slowdown in market growth as a result of a number of unfavorable external factors. As was the case for all market players, center attendance rates were disrupted for almost a month due to difficult weather conditions.

Jean-Claude: We were also impacted by a wait-and-see sentiment amongst prospective customers following the gradual implementation of the system requiring patients to register their attending physician, which promptly led to a slowdown in the number of referrals to specialist ENT doctors. Overall, market growth this year has been around 2 times lower than the 7% and 8% growth that we have seen in recent years.

How did Audika Group fare against this backdrop?

Alain: After a difficult start to the year, we quickly implemented a series of dynamic sales and marketing drives, notably including the launch of our new exclusive financing offer: a ten-installment, interest-free payment plan. These actions bore fruit in the fourth quarter of the year with growth coming out at 19.6% (of which 13.9% was internal), thus enabling us to once again outperform the market as a whole with an overall internal growth rate of 4.3% in 2005.



Alain Tonnard and Jean-Claude Tonnard
Founders and co-Chairmen
of Audika Group

Jean-Claude: At the same time, we actively continued to reinforce our network with 26 new centers, 17 of which were acquisitions and 9 of which were new centers. As such, 2005 saw the number of Group centers exceed the 300 mark across 75 regional departments, which was after all the target we set ourselves upon our IPO in 1998. Today, this not only confirms our position as France's market leader with the widest geographical coverage, but is also a significant competitive advantage in capitalizing on the market's excellent outlook.

Did you meet your profitability targets?

Alain : Despite 2005 being an unusual year, we were able to maintain a sound level of profitability in line with our strategy to boost growth and our bottom line.

Jean-Claude: These strong results also meant improvement in our fundamentals with a significant reduction in gearing which stood at 72% versus 85% at end-2004. This has given us comfortable room for maneuver to continue and even accelerate our development over the coming years.

**Alain and
Jean-Claude Tonnard,
Founders and co-Chairmen
of Audika Group**

Have we seen the end to the disruptions linked to the new system requiring patients to register their attending physician?

Alain: Yes. Since about the middle of the first quarter, we have seen the flow of patients referred by ENT doctors return to normal, with the latter also alluding to a pick-up in their activity for that matter. 2006 should therefore see a more favorable market climate than in 2005.

What are the company's plans for 2006?

Alain: In 2006, we intend to capitalize on the launch of our new marketing campaign, in which Robert Hossein continues to star and which focuses on the benefits of our new financial offer which is now available in all of our centers to further our growth. Moreover, the fact that we are better known amongst the general public than any of our competitors affords us a major competitive edge and means we will be the first to benefit from market growth. We have therefore set ourselves a sales growth target of between 10% and 15% (excluding new acquisitions) and will be looking to improve our operating margin further.

Jean-Claude: Alongside these initiatives, we also intend to continue and even accelerate the reinforcement of our network, in order to reach our medium-term target of 500 centers as quickly as possible. We have thus decided to reinforce our development team which is now made up of 7 people and notably benefits from the expertise of Philippe Langzam. Growth of our network will be achieved via both acquisitions and new centers in a bid to render our geographical coverage as efficient as possible.

And how do you see your medium-term development?

Alain: As surprising as it may seem, I believe that our best years are still to come. We are set to benefit from very favorable demographic changes over the coming years as the "oldies boom" generation, i.e. our main target category, progressively reach the age of 60, with the first peak forecast for 2010.

What is more, at just 15%, the number of people with hearing difficulties that use hearing aids is low compared to countries such as Germany and the United States and so can only increase.

Jean-Claude: We are also in the process of launching marketing campaigns aimed at "younger seniors" in order to lower the age at which people have their first hearing aid. This is another growth driver, if we consider that users generally renew their hearing aids every five years or so. We therefore attach great importance to the quality of our services and the welcome we give our customers in order to ensure that they come back again and again. In fact, we offer a whole range of services designed to meet their needs every step of the way.

Alain: All this means that we are very confident about our development prospects and our ability to generate robust growth and high profitability, a confidence to which we hope all of our shareholders subscribe.

MANAGEMENT AND KEY FIGURES

Two brothers, two complementary profiles

A genuine family business, Audika Group's success stems from its various teams' respective expertise, as well as from the visionary and complementary talent of two brothers, Jean-Claude and Alain Tonnard.

Each year, Alain and Jean-Claude Tonnard alternate in the role of Chairman of the Group which they founded in 1977 - a flawless, complementary approach that is without doubt the origin of their success.



Jean-Claude Tonnard, developer

The man behind the creation of Audika, it was Jean-Claude who oversaw the development of a new generation of centers for hearing correction adapted to market needs. A born salesman and perfectionist with a passion for the future and people relations, he commands genuine authority throughout the profession.



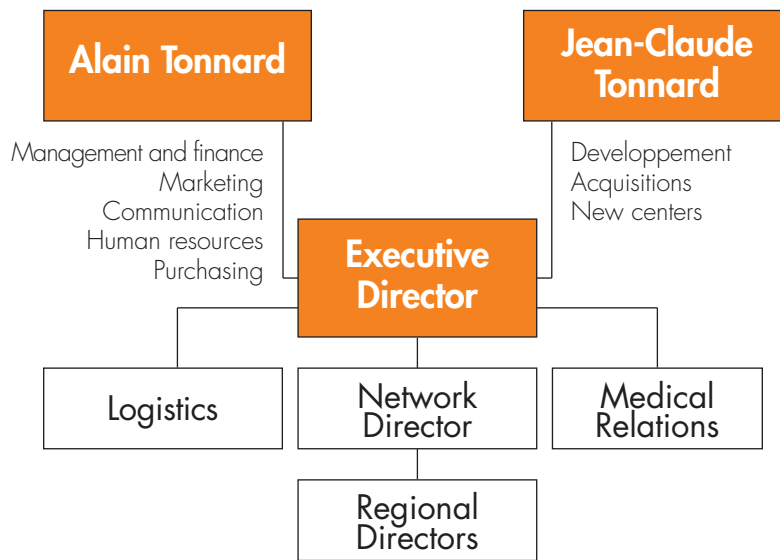
Alain Tonnard, manager

Since graduating from Paris Dauphine University in 1976, Alain has been in charge of the organization and management of the company. A respected player within France's financial community, it is he who manages Group's logistics, and who prepares Audika for its future growth. An unrelenting visionary, he is also someone who keeps their finger firmly on the pulse.

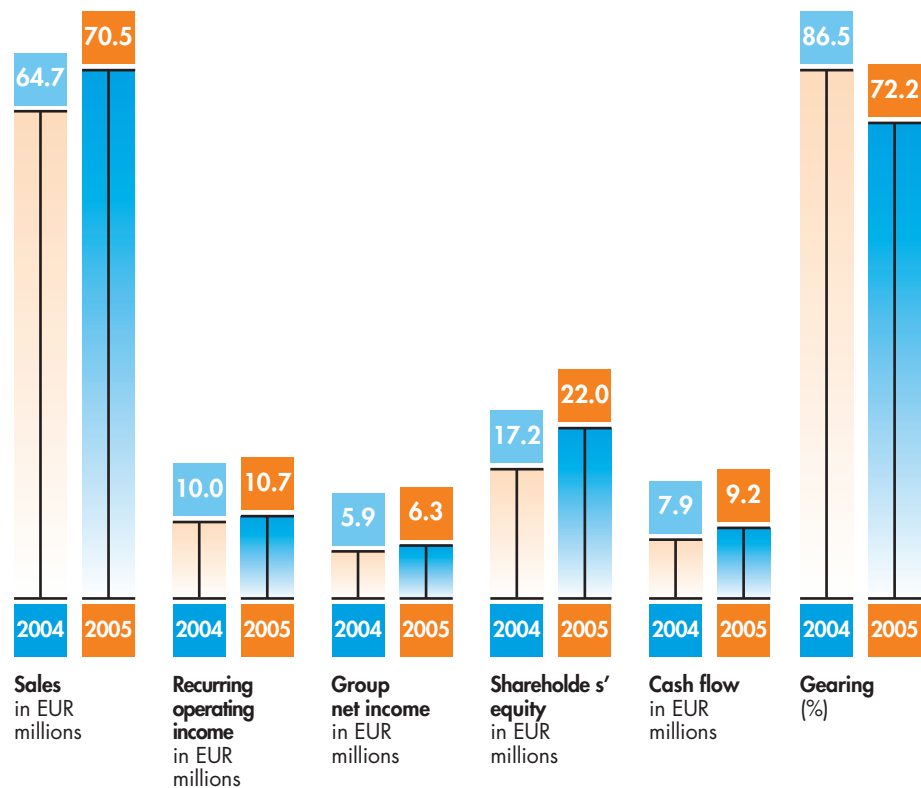
Throughout its major development over the years, Audika Group has enriched both its management and teams while maintaining the family entrepreneurial spirit which has made the company what it is today, and will continue to afford it unparalleled strength in the face of new challenges.

2006 will be marked by the arrival of an Executive Director in order to enable the two founders to dedicate themselves entirely to the management and development of the Group, thereby consolidating the company's market leadership.

Organizational chart



Key figures (under IFRS)



CHAPTER 1

**A FAMILY
SUCCESS STORY**

BACKGROUND INFORMATION: THE AUDIKA STORY

- 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** Alain and Jean-Claude Tonnard set up a purchasing center, Sarffa, while at the same time launching one of the first advertising campaigns to target both the general public and the medical profession.
- 1978** Otometry is introduced in France, revolutionizing the hearing aid sector by introducing the notion of a comfort threshold.
- 1979** The first intra-auricular aids are marketed in France.
- 1983** Audika launches its first national advertising campaign.
- 1990** The Audika brand is created, and the Group's first TV ads are broadcast.
- 1998** Audika is listed on the Second Marché of the Paris Bourse on May 26.
- 1999** Development of the Group's external growth policy with four acquisitions, two of which are major (a regional network in central France and Elstar). First sales of third-generation digital products.
- 2000** **Acquisition of 26 centers, set-up of 8 centers and integration of 3 franchised centers.**
- 2001** **Acquisition of 10 new centers and integration of 7 franchised centers.**
- 2002** **Acquisition of 25 centers and set-up of 4 centers.**
- 2003** **Acquisition of 39 new centers including the major acquisition of l'Aide Auditive - Bernard Azéma (23 centers located in 9 regional departments). Integration of 12 franchised centers and set-up of 2 centers.**
- 2004** **Acquisition of 19 new centers, integration of 3 franchised centers and set-up of 11 centers. Launch of the 'Audika Kids' department.**
- 2005** **Acquisition of 17 centers and set-up of 9 centers. The network now has over 300 centers. Sales: EUR 70.6 million**

OUR EXPERTISE OUR BUSINESS

Audika plays a major role in the hearing correction market in France. The chosen partner of a number of major manufacturers, and working hand-in-hand with ENT specialists, Audika's customer relations take the form of a policy of active communication and education, offering individually tailored health solutions. To achieve this, Audika draws on the expertise of its hearing aid practitioners as well as on the quality and proximity of the services on offer throughout its network of over 300 centers across France.

Health and services

Psychological support in all of our centers



Audika:
welcoming and listening
to our patients

Before our teams intervene on any technical aspects, the first contact with center staff and hearing aid practitioners aims to reassure the customer, to win over their trust and to get to know their lifestyle in order to determine their psychological profile so as to advise them on which hearing aids are best suited to their needs.

Statistics show that there are major psychological barriers to hearing aids, with only 15% of seniors actually wearing one.

This first contact is essential because patients and hearing aid practitioners will need to see each other regularly in order to monitor any changes in hearing levels, and to control and adjust hearing aids. Audika has implemented specific training sessions in this area for all of its staff in order to guarantee the same level of customer care throughout its network.

Hearing aid quality, a key factor in success and customer loyalty

With nearly 30 years' experience in the field, Audika has developed a unique hearing aid protocol, which guarantees customers both high added value and satisfaction.

- 1) Acoustic tests (Audirama, an acoustic facility which recreates the sounds of day-to-day life using surround sound technology - 360°) on the patient in order to precisely define which settings which will best ensure high-performance, efficient hearing aids for customers.
- 2) Selection of the hearing aid which is best adapted to the patient's hearing difficulties. Audika has always chosen the best products from amongst the market's leading manufacturers.
- 3) Gradual adaptation of the hearing aid over the first three months at different adjustment sessions in order to gently accustom the patient to different sound environments.
- 4) Monitoring of the hearing aid throughout the whole of its life. Technical tests are carried out twice a year on average to guarantee optimum hearing comfort.

Security and peace of mind are two values sought after by our customers. At Audika, they benefit from a whole range of personalized services to ensure their ongoing loyalty.

The hearing aid practitioner, a key player in development

Once prescribed by an ENT specialist, only a hearing aid practitioner is qualified to fit a patient's hearing aid.

By offering the best facilities for welcoming patients, analyzing their difficulties and accompanying them each step of the way, Audika constitutes an attractive employer for all hearing aid practitioners as they can carry out their profession under ideal conditions while retaining a certain autonomy in their centers.



Hearing aid practitioners:

All our practitioners hold a state qualification and constantly receive training in the latest hearing correction techniques.

A range of tailored and loyalty services



Membership cards

Guarantee of up to four years on hearing aids.

Audika offers a wide range of solutions to simplify access to hearing aids that facilitate financing and meet the expectations in terms of security of hard-of-hearing seniors: satisfaction guarantee (satisfied or your money back within the first two months), membership cards with a 4-year guarantee and free nationwide assistance in over 300 centers.

The ten-installment, interest-free payment plan: an instant success

In September 2005, Audika launched an exclusive, innovative offer to facilitate access to hearing aids. Specially designed to meet customer needs, this offer has proven extremely successful since its deployment in the fourth quarter of 2005, notably leading to an increase in the conversion rate of potential clients. The offer also provided an ideal opportunity to follow up Audika's database of potential customers which currently contains almost 200,000 names.

A RESPECTED AMBASSADOR FOR A RESPECTED BRAND: ROBERT HOSSEIN

**A prominent personality amongst
France's senior citizens,
Robert Hossein is seen as a man
of passion and conviction.**



Robert Hossein is also widely respected by each of the ENT specialists with whom Audika works.

Continuing the “Robert Hossein success story”

Audika and Robert Hossein have successfully collaborated together since 2003, during which time successive marketing campaigns have enabled Audika to significantly increase the number of people who are aware of the brand, as shown in the table below:

Overall awareness amongst the over 60s	2002	2005	2006
Audika	27%	44%	52%
Audio 2000	16%	14%	16%
Audition Conseil	5%	6%	14%
Entendre	5%	4%	9%
Audition Santé	4%	6%	8%
Amplifon	-	6%	7%

Source: IFOP 2006

Bolstered by these excellent results, Audika has chosen to retain Robert Hossein as ambassador for the Group’s brand, drawing on the French celebrity’s dynamic personality, strong convictions and popular reputation amongst its target customer segment of senior citizens.

The new advertising campaign which began in January 2006 is designed to inform the general public of the complexities of hearing correction (even high-performance hearing aids need 3 months of re-education) which call for genuine expertise and the highest professional standards: two criteria that lie at the heart of the value-added in the services Audika provides.

A value added that the Group constantly seeks to improve through a rigorous training policy for each and every one of its employees.

Local and national marketing initiatives

Audika dedicates a budget of around 5% of sales to communication. In particular, the Group broadcasts over 300 commercials per year and regularly publishes reply coupons in different communication media which target seniors.

Alongside this nationwide marketing, Audika has also defined a local marketing policy to drive the development of its network in those towns and cities in which the Group has centers. This can take the form of advertising in local newspapers, targeted mailings or sales days.

Lastly, the Group also carries out marketing initiatives targeted at prescribing ENT doctors and that respect the highest professional ethics such as the company’s active participation at conferences, information letters about products and even regular medical visits by hearing aid practitioners.

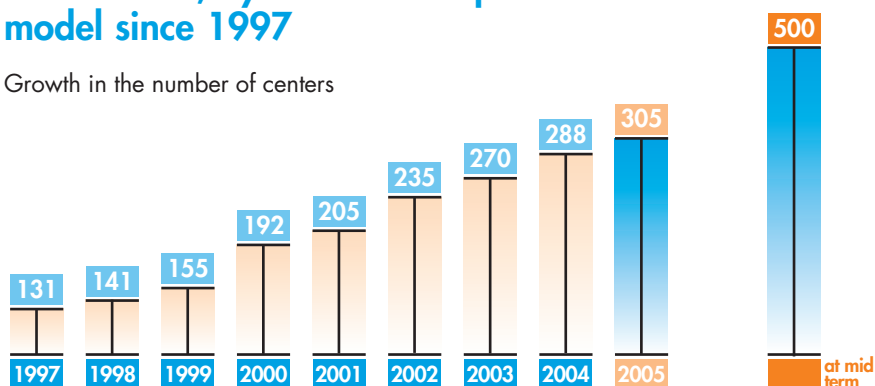


Sales brochure:
A guide to your hearing

AN AMBITIOUS EXPANSION PLAN

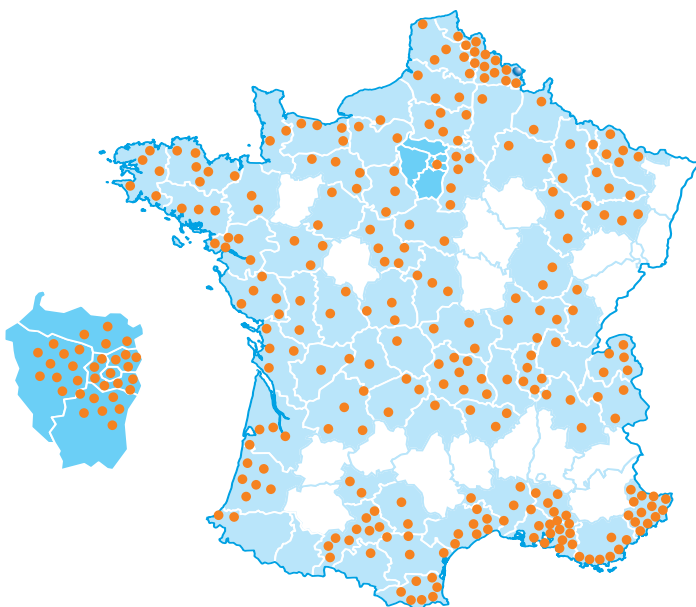
A consistent, dynamic development model since 1997

Growth in the number of centers



Audika - the number one network in France

Today, Audika is present in 75 regional departments, a nationwide presence which is set to expand even further over the coming months, with the Group looking to add to its already impressive geographical reach.



The most complete market coverage

Between 1998 and 2005, Audika Group acquired one new center every 15 days on average, taking the total number of centers acquired to 156 and the number of franchise centers integrated to 26! At end-2005, Audika had a network of over 300 centers.

A medium-term target of 500 centers

Given the current state of the market, Audika estimates its medium-term potential at 500 centers. The Group still enjoys significant potential in large towns such as Le Mans, Mulhouse, Saint Etienne, Strasbourg and Tours. At present, France is estimated to have over 2,600 hearing correction centers, 1,000 of which are independent and 700 of which operate under a cooperative brand, making the country a valuable source of potential targets in the years to come.

31/12/05	Number of sales	Regional Departments in which centers are located
Network of subsidiaries		
Audika	305	75
Amplifon	283	58
Independents under a cooperative brand		
Audition Santé	265	73
Audition Conseil	228	60
Entendre	204	64
Audio 2000	96	48
Independents		
Independents	1,038	-
Mutual		
Audition Mutualiste	216	-
Market overall	2,635	-

Source: Audiophonology Directory

This strategy provides Audika with immediate returns, in that it means buying into an existing clientele and immediately integrating new hearing aid practitioners. After each acquisition, Audika implements its business model in the new entities. In addition, the leverage provided by advertising, the Group's procedures and its brand recognition nationwide make it easier to achieve economies of scale and allows for the smooth integration of new entities within 6 to 12 months.

This acquisitions program will be pursued alongside the setting-up of new centers for even greater nationwide coverage and in order to maximize on regional potential.

CHAPTER 2

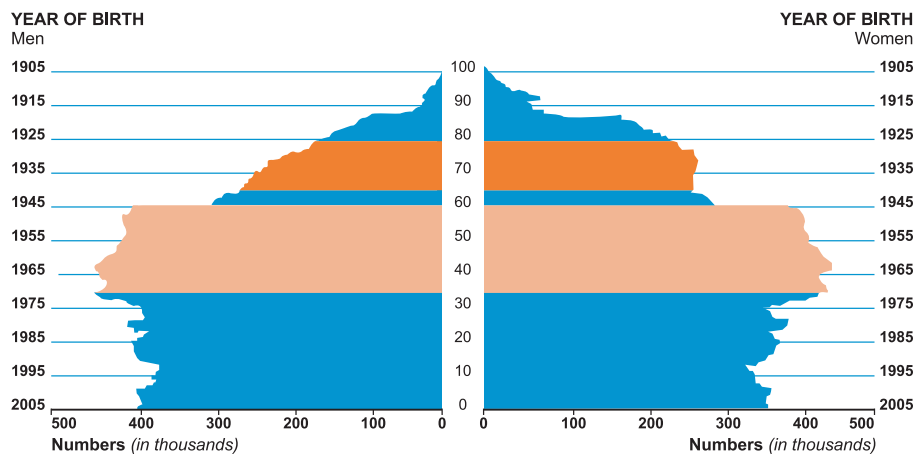
A LEADING POSITION IN A GROWING MARKET

FAVORABLE DEMOGRAPHIC TRENDS

Favorable demographic trends

Positioned on the market for hearing correction solutions for senior citizens, and in particular the 65 to 85 age group, Audika and in fact the market as a whole is soon to benefit from the gradual arrival of the "oldies boom" generation into the company's primary target segment. Audika should benefit from a first peak as of 2010, as indicated by the age pyramid below.

In addition, this population will have been more exposed to noise and be more sensitive to communication needs. This should make them less opposed to wearing a hearing aid, especially as the latest models are increasingly discreet and efficient.

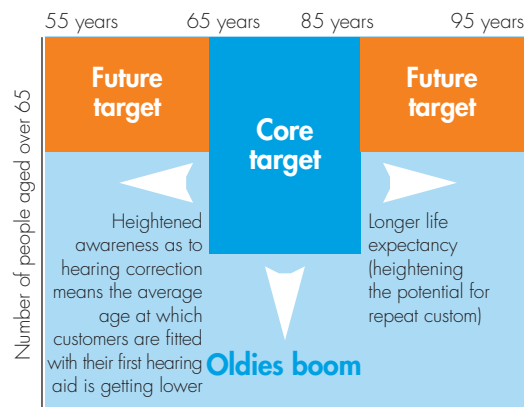


Source INSEE - Audika

Demographics that underpin market growth and expansion

2005 is the year in which the generation born in 1945 (beginning of the baby boom) turns 60. The transformation of French demographics is underway. As the over-60s are our target customers, this represents a genuine long-term growth driver.

Moreover, life expectancy continues to rise in France. In 2004, for example, life expectancy rose above the age of 80 for the first time.



PRESBYCUSIS

Natural loss of hearing

Presbycusis is the natural loss of hearing, an inevitable phenomenon much like its better-known counterpart, presbyopia (long-sightedness).

This natural wearing out of the hearing system begins at age 30 and gradually becomes "awkward" as of age 50 or above. It takes the form of a very gradual cellular degeneration which affects each of us sooner or later depending on how noisy our surroundings are.

High pitched sounds become more difficult to hear, leading to comprehension problems, and therefore, communication problems.

Decibel value of different sound environments

0 dB	below 0 dB, no sound can be heard by humans
0 to 10 db	normal hearing threshold
20 db	acoustic test premises, inaudible sounds in a normal environment
20 to 25 db	recording studio, still countryside, birds and insects
25 to 35 db	whispered conversation, place of worship
35 to 55 db	rest area, offices, classroom
55 to 75 db	conversation, lively area, pedestrian street, department store
75 to 90 db	shouting, busy, traffic-filled street
90 to 110 db	motor sports, nightclub
over 110 db	concert, rave, car tuning. Risk of acute sound trauma

With a few exceptions, natural sounds do not last long enough or are not loud enough to be harmful. However, our company has created sounds which are capable of irreversibly altering hearing. Even if high sound levels do not perforate the ear drum as they are widely thought to, they do have an insidious effect, altering and wearing out the inner ear's sensory cells. As a result, people who are exposed to noise run the risk of becoming hard of hearing in the long term.

A single solution: hearing aids

For those with advanced stage hearing difficulties, a hearing aid is the only means to improve communication. While they should not be used before they are needed, nor should the use of hearing aids be put off too far. Isolation due to a lack of communication should be avoided and a patient's ability to adapt to wearing a hearing aid should remain intact.

Today, there is no medical solution currently suited to the treatment of presbycusis. Hearing aids are therefore the solution.

Hearing deficiencies can now be overcome by the majority of those who have them, giving people the chance to maintain an active social life and relationships, thanks to modern technology.

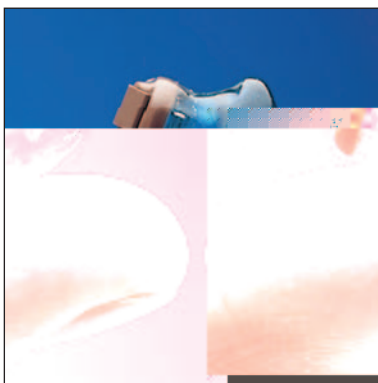
Constantly improving products: discretion and performance

Hearing aids use digital technology that has evolved considerably to resemble natural hearing more and more. Thanks to the hearing aid's microprocessor, sound is analyzed several thousands of times a second, is modified and played back whilst being instantly adapted to the hard of hearing person's needs depending on their surrounding environment. The sound restored is pure and any situation is made more comfortable (background noise, street noise, restaurant, etc.).

Every two to three years, manufacturers release a new generation of digital hearing equipment on the market, which have been developed using the enhanced capabilities of digital microchips, as well as offering devices which are ever more

miniaturized to overcome the psychological barriers linked to wearing a hearing aid, which still carries some degree of social stigma. In fact, nearly 85% of the hard of hearing do not currently wear a hearing aid for that very reason.

The new generation of increasingly discreet, high-performance products will reinforce the favorable trends in the hearing correction market.



Audipuce
discretion guaranteed

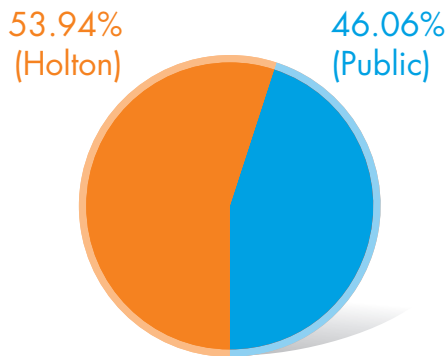


Starkey
invisible technology

SHAREHOLDERS' BROCHURE

Share ownership structure

Breakdown of capital and voting rights at 31/12/05:

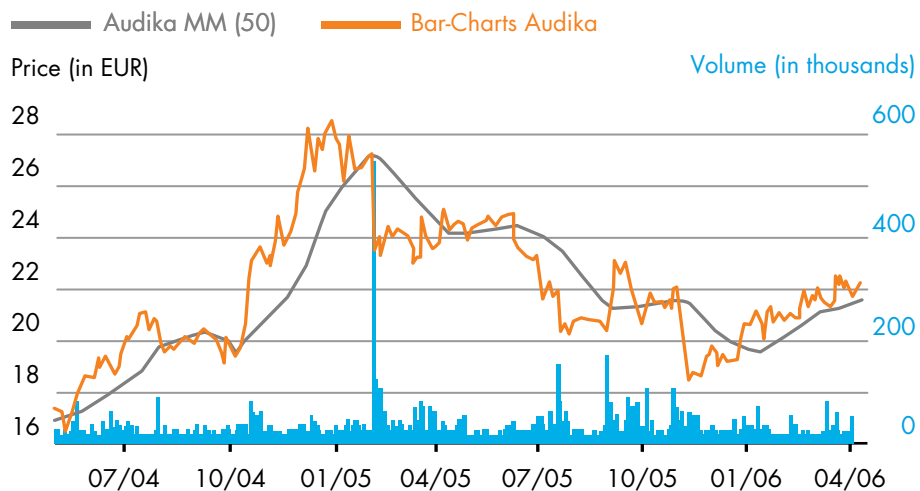


One for three stock split

At the Joint Shareholders' Meeting held on June 14, 2005, Audika's shareholders unanimously approved a 1-for-3 stock split. As a result, shareholders who held 1 Audika share prior to the split now hold 3 shares, with the par value thereof also divided by 3. Following this transaction, the number of Audika shares stands at 9,450,000.

This transaction makes share ownership more accessible and increases the company's liquidity, thereby confirming Audika's determination to pursue an active market strategy whilst strengthening shareholder relations.

Stock price trends adjusted for the stock split



A proven dividend policy

Since its listing on the stock market in 1998, Audika Group has developed a steadfast policy of dividend distribution. The amount of dividends distributed corresponds to approximately 25% of consolidated net income.

The Board of Directors will propose the payment of a dividend of EUR 0.17 per share at the Shareholders' Meeting, representing an increase of almost 11% on 2004.

An active policy for shareholders

In order to maintain regular, transparent and exhaustive communications with its shareholders, Audika has devised a financial communications policy which includes:

- a full annual report, registered 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 a number of press releases most often circulated and distributed by stock market websites for the general public;
- a shareholders' letter presenting the year's highlights and the company's outlook;
- regular meetings with analysts, managers and journalists;
- a complete, regularly updated website in French and English (www.audika.com).

Communication Calendar

<u>Dates</u>	<u>Events</u>
January 24, 2006	Sales for the fourth quarter of 2005
March 28, 2006	Meeting for the presentation of the 2005 annual results
April 25, 2006	Sales for the first quarter of 2006
June 14, 2006	Shareholders' Meeting
July 18, 2006	Sales for the second quarter of 2006
September 26, 2006	Meeting for the presentation of the 2006 half-yearly results
October 17, 2006	Sales for the third quarter of 2006

CHAPTER 3
MANAGEMENT
REPORT

3.1 Introduction

2005 was marked by the impact on activity of various external factors, from weather conditions (cold snap in February, heat wave in June) to the uncertainties linked to the implementation of the system requiring patients to register their attending physician: factors to which our senior customer base proved particularly sensitive, as corroborated by the significant decline in specialist fees in 2005.

Despite this unfavorable business backdrop, Audika Group continued with its aggressive marketing strategy throughout the year, (devoting a budget of EUR 3.9 million therein). This strategy was reinforced at the end of the year by the successful launch of our new service: the ten-installment, interest-free payment plan.

Lastly, 2005 was also marked by the implementation of an employee profit-sharing scheme within Audika Group and which amounted to EUR 594,000 in 2005.

3.1.1 Consolidated sales up by over 9%

Audika Group posted annual consolidated sales of EUR 70.6 million, an increase of 9.02% on 2004. This performance was underpinned by both internal growth of 4.3%, which came out slightly higher than that of the market, and by the contribution of new acquisitions.

Investments made throughout the year bore fruit in the fourth quarter when Audika once again enjoyed sustained growth, posting sales of EUR 23.0 million for an overall growth rate of 19.6%, 13.9% of which was internal.

3.1.2 Acquisition and creation of 26 new centers

Alongside its internal development, Audika Group continued to reinforce its geographical coverage in order to cement the company's number one position in France. With 17 acquisitions and 9 new centers opened in 2005, the Group has exceeded the 300 center mark and now boasts 305 centers in 75 regional departments.

- the acquisition of 16 new centers (1 in Isère, 2 in the Rhône, 1 in the Yvelines, 1 in the Alpes Maritimes, 2 in Hérault, 1 in Charente, 4 in Finistère, 2 in the Var and 2 in the Pyrénées Atlantiques);
- the integration of one already franchised center (Seine Saint Denis);
- the creation of 9 new centers (1 in the Alpes Maritimes, 1 in Isère, 1 in Hérault, 1 in Saône et Loire, 1 in Gironde, 1 in the Var, 1 in Dordogne, 1 in Tarn and 1 in the Rhône).

3.2 Report on the Group's management and consolidated financial statements

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

	2005	2004	Change as a %
Sales	70,583	64,746	+9.02
Recurring operating income	10,799	10,074	+7.20
Operating income	10,610	10,028	+5.80
Financial income	(1,052)	(715)	-47.13
Earnings before taxes	9,558	9,313	+2.63
Consolidated net income	6,407	5,988	+7
Group share	6,286	5,890	+6.72

Sales grew by over 9% on 2004 to stand at EUR 70,583,000. Internal growth stood at 4.3% versus 7.29% in 2004.

Operating expenses totaled EUR 60,340,000, up nearly 9% on 2004. The main changes include:

- an increase in the Group's gross margin which rose from 73.36% to 74.30%;
- an increase in the Group's payroll expenses of almost 12%, mainly due to the implementation of an employee profit-sharing scheme (EUR 594,000) which represents 3.8% of the company's payroll excluding expenses, and to our ongoing acquisitions policy. The ratio of payroll expenses/sales remained stable on 2004, increasing slightly from 32.45% to 33.31% of sales;
- a decrease in the Group's depreciation, amortization and provisions of 7% to EUR 2,292,000.

Recurring operating income stood at EUR 10,799,000, up 7% on 2004, for a margin that declined by 26 basis points to 15.3% versus 15.56% in 2004. This figure includes the employee profit-sharing scheme (EUR 594,000) implemented for the first time in 2005 and triggering an 84 basis point drop in the overall margin. Excluding profit sharing, recurring operating income would have come out at 16.14% of sales and would therefore be up on last year.

Financial income stood at EUR -1,052,000 compared with a loss of EUR -715,000 in 2004, following the increase in debt taken on by the Group in order to finance its acquisitions. Net debt improved considerably to stand at 72% versus 86% in 2004.

Recurring income before tax totaled EUR 9,558,000 compared with EUR 9,313,000 in 2004, up almost 2.63%.

The Group's tax expense stood at EUR 3,151,000 versus EUR 3,325,000 in 2004. At 33%, Audika's effective tax rate is very much in line with the theoretical tax rate (33.83%).

Consolidated net income totaled EUR 6,407,000, up 7% on 2004, and coming out at 9.08% of sales compared with 9.25% in 2004.

3.3 Dividends

The Board of Directors proposed the payment of a dividend of EUR 0.17 per share at the Shareholders' Meeting, namely an increase of over 10% on 2004. The Board of Directors reminded the meeting that the number of company shares had tripled from 3,150,000 to 9,450,000 (3 new shares for 1 old share) in accordance with the resolutions of the Joint Shareholders' Meeting held on June 14, 2005.

3.4 Analysis of changes in the marketplace and competition

Audika operates on a highly fragmented market. France has over 2,600⁽¹⁾ hearing correction centers. Around 1,800 of these are independent (1,000 are independent and 800 operate under a cooperative brand), affording the Group major potential in terms of acquisition targets.

On the French market, Audika excluded, there is only one major network: CCA (Amplifon Group), which was created in 1980 and has 283 centers.

(1) estimated data at 31/12/2005 (Source: Audiophonology directory).

3.5 Analysis of financial position and Group financing

Audika Group's net debt increased from EUR 14,819,000 at December 31, 2004 to EUR 15,833,000 at December 31, 2005. This change is due to the Group's ongoing policy of using bank loans to finance growth. Gearing, however, fell from 86.52% in 2004 to 71.89% at 31/12/2005. Audika Group's cash flow stood at EUR 9,193,000 versus EUR 7,832,000 in 2004.

Working capital requirements totaled EUR -34,000 versus EUR -418,000 in 2004. This improvement is mainly due to the implementation of a COFIDIS loan in 2005.

3.6 Parent company financial statements

An examination of the income statement for the year ended December 31, 2005 highlights the following elements:

(in EUR)	2005	2004	Change as a %
Sales	12,105,229	10,654,691	+13.61
Operating income	1,508,929	1,617,363	-6.70
Financial income	477,348	539,961	-11.60
Recurring income before tax	1,986,277	2,157,323	-7.93
Exceptional income	(76,365)	1,813	ns
Net income for the year (profit)	2,130,062	1,727,448	+23.31

In line with the recommendations of the CNC (French National Accounting Standards Board), Audika has included its commitments relative to long-service employee benefits in the financial statements for the year ended December 31, 2005.

In addition, as of January 1, 2004, Audika opted for a tax consolidation scheme which applies to all companies that are more than 95% owned and that are included in the consolidation scope on January 1 of each year. Accordingly, three new companies entered the tax consolidation scope in 2005: Aide Auditiv Bernard Azéma, Audio Service and Opale Audiologie.

Sales totaled EUR 12,105,000, up nearly 14% on 2004.

Operating expenses totaled EUR 10,723,000, up by more than 15% on the previous year.

The main changes include:

- personnel expenses which rose by almost 18%, partly due to the transfer of the regional directors to the holding company and partly due to the reinforcement of various departments at head office;
- certain overheads, which also increased significantly compared with the previous year for the above-mentioned reason;
- tax expenses, which amounted to EUR 231,000 were stable on last year;
- amortization and provision expenses which fell by almost 60%, due in particular to an end to the amortization on certain intangible assets and subsequent canceling of provisions.

Net earnings after taxes totaled EUR 2,130,000, up by more than 23% on 2004.

Over the past financial year, Audika acquired stakes in a number of companies whose head offices are located in France:

- on January 1, 2005: acquisition of a 100% stake in the company, Laboratoire Renvoiret;
- on November 1, 2005: acquisition of a 100% stake in the company, Labelson Pays Basque.

Financial income stood at EUR 477,000 versus EUR 540,000 in 2004. Dividends received totaled EUR 1,267,000 in 2005 compared to EUR 1,238,000 for the previous year.

Bank debt rose from EUR 20,320,000 in 2004 to EUR 24,576,000 at December 31, 2005.

New loans rose to EUR 9 million over the year and principal payments on borrowings increased to EUR 4,750,000. Cash flow stood at EUR 2,429,000 at 31/12/2005 versus EUR 2,229,000 in 2004.

3.7 Recent developments and outlook

In a market which still offers excellent prospects for medium-term growth, notably given the acceleratory effect of the expected "oldies boom" over the coming years, Audika Group is actively pursuing its growth in 2006. In particular, the company will be drawing on the new marketing campaign centered around Robert Hossein to cement its leadership in terms of customer awareness and to be the first to benefit from the predicted market upturn.

This campaign will be underpinned by the impact over a full year of the new exclusive service offered by the Group (ten-installment, interest-free payment plan), aimed at facilitating access to hearing aids. Lastly, Audika will benefit from the impact of acquisitions made and new centers opened in 2005.

Bolstered by these different factors, Audika has set itself a growth target of between 10% and 15% in 2006 excluding new acquisitions. The Group also benefits from a strong degree of visibility in terms of its acquisitions and new center program, and will continue its active strategy in this area in 2006 in line with its medium-term target of 500 centers in France.

In addition, Laboratoire Renvoiret, in which Audika holds a stake of more than 95%, has been included within Audika's tax consolidation scope since January 1, 2006.

CHAPTER 4
CONSOLIDATED
FINANCIAL STATEMENTS

4.1 Consolidated balance sheet (in EUR thousands)

	Note	31/12/05	31/12/04
Assets			
Non-recurring assets			
Intangible fixed assets	16	3,191	2,506
Tangible fixed assets	17	6,633	5,810
Goodwill	16	33,900	29,492
Non-recurring financial assets	18.1	581	477
Deferred tax assets		1,170	1,818
Total non-recurring assets		45,475	40,103
Recurring assets			
Inventories	19	3,860	3,612
Recurring financial assets			
Trade and other accounts receivable	18.2	6,926	6,918
Assets held for sale			1,201
Cash	18.2	9,347	4,422
Other recurring assets	18.2	463	376
Total recurring assets		20,596	16,529
Total Assets		66,071	56,632
Liabilities			
Capital		283	252
Capital reserves		4,538	4,521
Consolidated reserves/unrealized exchange gains or losses		10,530	6,189
Group net income		6,286	5,890
Group shareholders' equity	20	21,637	16,852
Minority interests		386	275
Total shareholders' equity		22,023	17,127
Non-recurring liabilities			
Non-recurring financial liabilities	21.1 and 2	17,717	15,463
Deferred tax liabilities		5	
Provisions for employee benefits	22 and 23	1,234	1,071
Total non-recurring liabilities		18,956	16,534
Recurring liabilities			
Provisions for disputes (less than one year)	22	189	196
Recurring financial liabilities			
Short-term financial liabilities	21.1 and 2	7,577	5,237
Supplier and other debts	21.3	17,326	17,538
Total recurring liabilities		25,092	22,971
Total Liabilities		66,071	56,632

4.2 Consolidated income statement (in EUR thousands)

	Note	31/12/05	31/12/04
Income from ordinary activities	6	70,583	64,746
Sales		70,583	64,746
Cost of goods and services sold		18,140	17,250
Gross operating margin		52,443	47,496
Overheads and sales costs		39,908	35,663
Other outside purchases and expenses	7	14,669	13,181
Taxes		1,514	1,341
Payroll expenses	8	23,510	21,007
Other expenses		215	134
Amortization, depreciation and provisions	9	(2,292)	(2,469)
Other net operating income and expenses		556	710
Recurring operating income		10,799	10,074
Other operating income and expenses	10	(189)	(46)
Operating income		10,610	10,028
Income from loans and short-term investments		67	33
Financial expenses		1,119	748
Financial income	12	(1,052)	(715)
Earnings before taxes		9,558	9,313
Corporate income tax	13	3,151	3,325
Consolidated net income		6,407	5,988
Minority share		121	98
Group consolidated net income		6,286	5,890
Earnings per share (in EUR) ⁽¹⁾	14	0.67	0.62
Diluted earnings per share (in EUR) ⁽¹⁾	14	0.67	0.62

(1) 3-for-1 stock split on July 1, 2005 (approved by the Extraordinary Shareholders' Meeting of June 14, 2005) applied retroactively to all periods and fiscal years presented.

4.3 Cash flow statement (in EUR thousands)

	31/12/05	31/12/04
Operations		
Net income	6,286	5,890
Elimination of items with no impact on cash or not linked to operations		
Minorities' share	121	98
Amortization, depreciation and provisions	2,219	2,562
Reversals of depreciation and provisions	(185)	(323)
Capital gains and losses on disposals	82	51
Deferred taxes	670	(379)
Cash flow	9,193	7,899
Changes in working capital requirements		
Changes in financial expenses	6	10
Changes in operating capital	1,679	2,025
Changes in inventories	(219)	(128)
Changes in deferred expenses		(324)
Changes in trade receivables	1,010	1,501
Changes in trade payables	(888)	(3,074)
Changes in non-operating capital	(1,719)	(1,617)
Change in non-operating receivables and payables	(1,640)	(1,733)
Prepaid income and expenses	(79)	(116)
Cash flow from operations	9,159	7,481
Investments		
Intangible fixed asset acquisitions	(4,539)	(2,142)
Tangible fixed asset acquisitions	(2,241)	(1,354)
Disposals of tangible and intangible fixed assets	5	94
LT investment acquisitions	(103)	(34)
LT investment disposals	65	3
Net cash from acquisitions of subsidiaries	(768)	(8,221)
Cash flow from investments	(7,581)	(11,654)
Financing		
Capital increase		
Dividends paid	(1,469)	(1,211)
Proceeds from borrowings	9,000	19,383
Principal payments on borrowings	(4,785)	(13,668)
Changes in deferred expenses		
Loans to purchase securities	259	982
Repayment of loans to purchase securities	(1,223)	(221)
Cash flow from financing	1,782	5,265
Change in estimated cash position	3,360	1,092
Cash at beginning of year	5,288	4,196
Cash restatements (financial instruments)	61	
Cash at year end	8,587	5,288
Change in actual cash position	3,360	1,092

4.4 Statement of changes in Group shareholders' equity (in EUR thousands)

	Capital	Premiums	Reserves	Income	Other	Total shareholders' equity
At January 1, 2004						
After allocation	252	913	9,793	0	0	10,958
Capital increase						
Net income				5,890		5,890
Appropriation of earnings			4,441	(5,890)		(1,449)
Change in method						
Translation differences						
Other			4			4
At December 31, 2004						
After allocation	252	913	14,238	0	0	15,403
Capital increase	32		(32)			0
Net income				6,286		6,286
Appropriation of earnings						0
Change in method (IFRS)			(40)			(40)
Translation differences						0
Other			(12)			(12)
At December 31, 2005						
before allocation	284	913	14,154	6,286	0	21,637

4.5 Notes to the consolidated financial statements

Note 1 - Information relating to the Group

Audika Group is made up of 19 companies, of which Audika is the parent and holding company. It is a French *société anonyme* (public limited company) with a Board of Directors, whose head offices are located in Paris, 24 avenue de Friedland (75008).

On March 21, 2006, the Board of Directors approved the accounts and authorized the publication of Audika Group's consolidated financial statements for the fiscal year ended December 31, 2005.

The consolidated financial statements are reported in euro currency. Unless specified, all figures are in thousands of euros.

Note 2 - Summary of main accounting methods

Note 2.1 - Principles for the preparation of the financial statements

This is the first time that Audika's consolidated financial statements have been prepared in accordance with the principles set out by the IASB (International Accounting Standards Board). International accounting standards include IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards), as well as interpretations developed by IFRIC (International Financial Reporting Interpretations Committee). The information required under IFRS 1 governing the first-time application of IFRS is presented in Note 3.

Note 2.2 - Consolidation principles

The consolidated financial statements include the financial statements of Audika and its subsidiaries on December 31, 2005. Those companies in which Audika exercises exclusive control, whether directly or indirectly, are fully consolidated. Those companies in which Audika has a controlling stake alongside one or several other shareholders are also fully consolidated.

All major inter-company transactions and dividend payments have been eliminated.

Note 2.3 - Translation of the financial statements of foreign subsidiaries

The currency for each subsidiary is its local currency, in which most transactions are reported.

Foreign subsidiary accounts are translated at the year-end exchange rate for balance sheet items and at the average rate for the fiscal year for the income statement. Any differences occurring from the translation of the financial statements of the foreign subsidiaries are directly reported as unrealized exchange gains or losses and are taken into account in the Group's consolidated shareholders' equity.

In 2005, items reported under unrealized exchange gains or losses pertain to Industan only.

Note 2.4 - Foreign currency operations

Foreign currency operations are translated by subsidiaries into their local currency at the exchange rate on the day of the transaction. Monetary items on the balance sheet are revalued at the closing exchange rate at each accounting year-end and any corresponding valuation differences are booked to the income statement.

Note 2.5 - Income from ordinary activities

Sales are essentially generated from the sale of hearing aids. Income from ordinary activities is booked when the Group is likely to benefit from future economic gains and when said income can be reliably estimated.

Sale of merchandise

Sales of hearing aids are booked as sales on the day that the risks and advantages linked to the property are transferred, namely on the delivery date of the hearing aid to the client. Hearing aids being tested at home are not deemed to constitute income.

Sales of accessories (batteries, maintenance products) are recorded under income when said accessories are delivered.

Services provided

Income corresponding to insurance services (offered with the Sérenité (Peace-of-Mind) package and membership cards) is booked upon the sale of the equipment to the client at the same time as the insurance expense.

In addition, Audika bills for communication services.

Note 2.6 - Goodwill

Goodwill represents the difference between the purchase price of securities in consolidated companies and the Group share in the fair value of their net assets at the date of acquisition.

Goodwill also includes intangible assets purchased by the Group and not recognized under IFRS.

Goodwill has an indefinite lifespan which is linked to the life of the underlying business assets. It is subject to depreciation tests where factors exist to suggest a depreciation in value or where events may compromise the recoverability of assets, with a standard test scheduled at least once a year. Given the major consolidation of distribution subsidiary Sarffa and the subsidiaries that make up its different points of sale, depreciation tests are carried out at a Group level.

Note 2.7 - Intangible fixed assets

Intangible fixed assets are amortized using the straight-line method over periods corresponding to the following useful lives:

- Software: 2 to 3 years;
- Concessions, patents, licenses: 5 years.

Lease rights are not amortized. At least once a year they are subject to an impairment test which takes into account local commercial factors and the remaining lease term.

Note 2.8 - Tangible fixed assets

Depreciation is calculated using the straight-line method depending on the estimated useful lives of each category of fixed assets.

Fixed assets financed by a lease purchase or lease financing contract are booked as assets at the discounted value of future payments or at their market value if the latter is lower. Any corresponding debt is booked as a financial liability.

Fixed assets are amortized using the straight-line method and according to the useful lives below:

- Buildings: 10 years;
- Fixtures and fittings: 6 to 7 years;
- Machinery and equipment: 5 years;
- Office furniture: 7 years;
- IT equipment: 2 to 3 years.

Note 2.9 - Depreciation of fixed assets

The book value of tangible fixed assets is tested where factors exist to suggest a depreciation in value. The test is carried out at least once a year for assets with an indefinite lifespan. For this purpose, fixed assets are grouped by Cash Generating Units (CGUs). A CGU is a homogenous group of assets whose ongoing use generates cash inflows which are totally independent from cash inflows generated by other asset groups.

The book value of a CGU is determined in reference to the value of their expected discounted future cash flows according to the economic theory and operating conditions forecast by the Group's General Management. Where this value is inferior to the net accounting value of a CGU, the difference is recorded under the operating margin and deducted from goodwill first.

Given the major consolidation of distribution subsidiary Sarffa and the subsidiaries that make up its different points of sale, depreciation tests are carried out at a Group level.

Note 2.10 - Financial assets and liabilities

Financial assets include long-term investments, while recurring assets extend to trade receivables, debt and investment securities (including derivatives) and cash.

Financial liabilities include loans, debts related to lease financing, other bank financing and overdrafts, derivatives and trade payables.

Recurring items are booked separately from non-recurring items.

Recurring financial items are listed below:

- assets and liabilities used in the normal production cycle (accounts receivable, supplier debt, etc);
- assets held for transaction purposes or which the Group expects to realize in the 12 months following the close of the fiscal year;
- cash and cash equivalents;
- liabilities from lease financing;
- other liabilities due in less than one year.

Non-recurring financial items include those assets and liabilities due in over one year.

Recurring financial assets include:

- Trade receivables:

Trade receivables are booked as the amount invoiced minus any provisions for the depreciation of irrecoverable sums. Estimates of non-performing loans are made when it is no longer likely that the receivables will be recovered in full.

A provision for depreciation is booked for disputed and irrecoverable receivables.

- Cash and cash equivalents:

Cash and cash equivalents include bank cash, cash to hand, short-term investments with an initial maturity of less than three months and marketable securities. Marketable securities are assimilated to available-for-sale financial assets.

For the purposes of the consolidated cash flow statement, cash and cash equivalents include the cash and cash equivalents defined above, net of any recurring bank borrowings.

Non-recurring financial assets include:

- Financial LT investments:

Assets booked as non-recurring assets are those that are due in more than one year such as rental deposits and employee loans of more than one year.

- Other non-recurring assets:

This item mainly consists of permanent advances to employees maturing in over one year.

- Deferred tax assets:

Under IAS 1, deferred tax assets are booked under non-recurring assets.

Recurring financial liabilities include:

- supplier debt regardless of maturity;
- the short term part (< one year) of interest-bearing debt;
- any other debt expiring in less than one year.

Employee debt is booked under recurring liabilities, regardless of maturity, where it is used within the framework of the Group's normal operating cycle.

Tax debt is booked as recurring or non-recurring, according to its maturity.

Non-recurring financial liabilities include:

- the long-term part of interest bearing debt;
- deferred tax liabilities;
- any other liabilities with a term of over one year.

Evaluation methods:

There are two methods for valuing financial assets where they fall within one of the following four categories:

- loans and receivables issued;
- assets held until expiry;
- assets held for sale;
- available-for-sale assets.

Assets held for sale and available-for-sale assets are booked at their fair value.

Loans and receivables issued (loans issued and debt securities subscribed for issuance) as well as assets held to maturity (bonds, T-bills, TCN (negotiable debt securities), etc.) are valued at their amortized cost. Debt securities are depreciated where they cannot be recovered.

Changes in fair value are booked to income with the exception of available-for-sale assets whose changes are booked to shareholders' equity.

With the exception of derivatives, debt and other financial liabilities are valued at amortized cost calculated on the basis of an effective interest rate. Debt issuance expenses are deducted from the debt in question under balance sheet liabilities. Issuance expenses are spread over the length of the debt according to an effective interest rate.

Hedge accounting:

Derivative instruments may be booked as hedging instruments where they are used to hedge fair value or future cash flows:

- hedging fair value helps cover the risk of a change in value in any asset or liability as a result of exchange rate movements,
- hedging future cash flows helps cover the risk of a change in the value of future cash flows linked to existing or future assets or liabilities.

Only the hedging of future cash flows applies to Audika.

Hedge accounting is valid where:

- the nature of the hedge is clearly defined and documented on the date of its implementation,
- the efficiency of the hedge is proven from the outset and throughout its life.

Hedges are booked at fair value on the balance sheet where they are used for future cash flows relative to assets and liabilities already recorded on the balance sheet. In exchange:

- the actual share of the change in fair value which is attributable to the risk covered is booked under shareholders' equity,
- the share of the change in the fair value which is not attributable to the risk covered is booked as income.

Given the late application of IAS 32 and 39 governing financial instruments by the European Union in 2004, Audika decided not to apply these standards until January 1, 2005.

Note 2.11 - Inventories

Inventories are valued at their lowest cost and their net realizable value.

The acquisition cost of inventories is calculated using the weighted average cost method. This includes the purchase price and any ancillary expenses, such as customs and shipping.

The net realizable value is the estimated sales price in the normal course of business, minus any estimated costs deemed necessary to carry out the sale.

A provision for depreciation is booked when the probable realizable value falls below the net accounting value.

Note 2.12 - Taxes

Deferred taxes are booked for all temporary differences between accounting values and fiscal values, and according to the liability method of tax allocation.

Deferred tax assets are booked for all deductible temporary differences, tax loss carry-forwards or tax credits that have not been used, provided that there is a likelihood of there being a taxable profit from which these temporary differences on tax loss carry-forwards and tax credits that have not been used can be deducted.

Deferred tax assets and liabilities are valued at the effective tax rate applicable during the fiscal year in which the asset is realized or the liability paid, on the basis of the tax rates (and tax regulations) adopted at fiscal year end.

Deferred tax assets and liabilities are not discounted.

Note 2.13 - Provisions

Provisions are set aside when the Group has a third-party obligation (legal or implicit) owing to a past event that is likely to result in an outflow of economic resources to cover said obligation, and when the amount or maturity of the obligation in question can be reliably estimated. If the impact of the time value of money is considerable, provisions are calculated by adjusting expected future cash flows at a discount rate before tax which reflects current market assessments of the time value of money and, as applicable, any risks specific to the liabilities in question. Where the provisions are discounted, the increase in provisions over time is booked under interest expenses.

Note 2.14 - Retirement commitments and similar

In addition to retirement allowances that comply with current legislation, Audika Group employees are paid retirement bonuses and retirement severance pay. The Group offers these benefits via defined contribution (with the obligation to pay premiums) and defined benefit schemes.

Within the framework of the defined benefit schemes, retirement commitments and similar are valued on the basis of an actuarial method of projected credit unit based on salary at the retirement date.

The provision for retirement severance is calculated at its existing value adjusted to the discount rate used over the remaining service life of the beneficiary at the time of the valuation until the actual retirement date, factoring in the possibility of the death of the beneficiary or their departure from the company and prorata to the ratio of the length of service at the time of the valuation/length of service at the retirement date.

In principal, the calculations are based on:

- a theoretical retirement date (voluntary or involuntary);
- a theoretical increase in the number of employees (including inflation rates);
- a theoretical employee turnover rate;
- a financial discount rate;
- a theoretical employee expenses rate.

These valuations are carried out annually.

Actuarial gains and losses are generated by changes in assumptions or by differences between what was forecast and what actually happened on the commitments or financial assets of the scheme. These differences are booked under income using the corridor method: they are spread over the residual length of the beneficiary's working life for the portion exceeding 10% of commitments or 10% of the fair value of the scheme's assets at fiscal year end.

According to the collective bargaining agreement covering all Audika Group personnel, extra days of paid holiday are earned each year, according to the number of years' service for the Group (between one and three extra days per year). Commitments are calculated on the same assumptions as those used for retirement.

Note 3 - Impact of the first-time application of IFRS

In application of IFRS 1 "First-time adoption of International Financial Reporting Standards", Note 3 details the principles used to draw up the opening balance sheet as at January 1, 2004, the differences with the accounting principles previously applied and their quantified impact on the Group's opening balance sheet and results in 2004.

Note 3.1 - Accounting principles and options applied by the Group

In order to publish comparative financial statements for the fiscal year ended December 31, 2005, and in line with the AMF's (French Financial Markets Authority) recommendations governing financial communications during transition periods, Audika has reviewed its 2004 financial data in line with the transition to IFRS, outlining the initial quantified impact on:

- the balance sheet as at January 1, 2004, the date as of which the impact of the transition to IFRS will be booked under shareholders' equity in the 2005 consolidated financial statements;
- the balance sheet as at December 31, 2004, along with the income statement and cash flow statement for the fiscal year ended December 31, 2004.

The information on the quantified impact on 2004 data of the transition to IFRS was prepared by applying the same standards and interpretations that Audika Group applied to its comparative consolidated financial statements as at December 31, 2005.

International accounting standards (excluding IAS 32 and IAS 39) were applied retroactively to the opening balance sheet at the transition date (January 1, 2004); with the exception of certain optional or obligatory exemptions provided for by IFRS 1 (first-time adoption of IFRS) and outlined below.

IFRS 3 - Business combinations

In application of IFRS 1, the Group has chosen to apply the exemption relating to the restatement of business combinations prior to January 1, 2004.

As a result, the standard governing business combinations has only been applied to acquisitions made after January 1, 2004.

Once a year, goodwill is subject to an impairment test, unless there is an apparent depreciation in value. Goodwill related to controlled companies is booked to consolidated balance sheet assets under "Goodwill".

IAS 38 - Intangible fixed assets

Only intangible assets corresponding to the definition of IAS 38 have been recorded on the balance sheet.

As such, business assets derived from business combinations prior to the transition date have been restated as goodwill. Furthermore, any deferred expenses have been eliminated from the opening balance sheet and deducted from shareholders' equity or incorporated in the cost of the corresponding asset.

IAS 16 - Property, plant and equipment

In line with the option offered by IFRS 1, the Group has decided not to restate intangible fixed assets at their fair value in the opening balance sheet, but to apply the historical cost method.

In application of IAS 16, fixed assets should be amortized gradually over the course of their useful lives and reflect the rate at which future economic benefits attributable to the asset are used by the company. The Group carried out a study on the probable useful lives of its principle fixed assets and concluded that the useful lives under previous standards corresponded most to the technical durations used to calculate IFRS amortization.

Furthermore, the Group decided not to retain the residual value of its fixed assets as, generally speaking, equipment is destined to be used until the end of its useful life.

IAS 17 - Leases

The assessment criteria already applied by Audika Group to lease financing contracts are extremely close to those required under IAS 17. As such, assets financed by lease financing are reported as fixed assets when leasing contracts result in the transfer to the Group of almost all of the risks and advantages linked to the assets in question. The Group nonetheless reviewed all existing lease contracts at the transition date and concluded that no major restatements were required.

IAS 18 - Revenue

In application of IAS 18, income is not recognized until the effective transfer of hearing aids, that is after being tested at home over a 15-day period in general.

IAS 36 - Impairment of assets

As at January 1, 2004, Audika Group carried out impairment tests for assets with an indefinite lifespan, including all goodwill, business assets and leaseholds, in accordance with IAS 36 and IFRS 1.

These impairment tests are carried out at least once a year.

IAS 19 - Employee benefits

In line with IAS 19, Audika Group has reviewed its retirement and related commitments. This extends to benefits awarded after the term of employment, notably any retirement severance pay or other long-term benefits (earned during the term of employment), such as any extra days of paid holiday earned each year in regard of an employee's number of years service for the Group. All retirement severance pay previously booked was revalued according to IAS 19 (projected credit unit method based on salary at the retirement date) and the resulting adjustment applied as of January 1, 2004.

With the first-time application of IAS 19 on January 1, 2004, the cost of the restatement under IFRS of the Group's consolidated financial statements at December 31, 2004 initially drawn up in line with standard 99-02, amounted to EUR 267,000.

IAS 12 - Income taxes

Here, the global impact of the various restatements under IFRS at January 1, 2004 is an increase in deferred tax assets of EUR 696,000 and a decrease in deferred tax liabilities of EUR 591,000.

IAS 37 - Effect of changes in foreign exchange rates

In line with IAS 37, a provision is set aside when the Group has a third-party commitment that is likely or even certain to result in an outflow of resources to cover at least the amount equal to the obligation. In the case of restructuring, a provision is booked as soon as it has been announced or a detailed restructuring plan has been drawn up, or where restructuring has started.

IAS 32 and 39 - Financial instruments

Audika Group did not opt for the first-time adoption of IAS 32 and IAS 39 relative to financial instruments as of January 1, 2004. As a result, financial assets and liabilities are valued in accordance with French accounting standards on the balance sheet at January 1, 2004 and restated under IFRS at December 31, 2004.

IAS 21 - Effect of changes in foreign exchange rates

The translation of foreign subsidiary financial statements triggered the cancellation of exchange differences as at January 1, 2004 (with no impact on the total amount of shareholders' equity).

Other standards

We have no specific comments to make on the other IFRS standards as they do not have any impact on the opening balance sheet under IFRS.

Note 3.2 - Impact on net worth

Consolidated shareholders' equity at January 1, 2004 (in EUR thousands)	Group	Minorities	Total
Under French standards	14,548	370	14,918
Revenue (IAS 18)	(1,536)	(7)	(1,543)
Intangible assets (IAS 38)	(506)	(76)	(583)
Employee benefits (IAS 19)	(187)	(2)	(190)
Other immaterial expenses	(163)	(51)	(214)
Under IFRS	12,156	233	12,389
Equivalent to a reduction of:	(2,392)	(137)	(2,529)

Note 3.3 - Impact on income

The transition to IFRS led to an increase in operating income of EUR 20,000, notably due to the strict adoption of IAS 18 governing income from ordinary activities (negative impact of EUR -279,000), the application of IAS 19 governing employee benefits (negative impact of EUR -131,000) and the cancellation of the amortization of goodwill (positive impact of EUR 592,000). Taking into account the positive impact on corporate tax of IAS 18 and 19, consolidated net income under IFRS came out EUR 273,000 higher than under French standards.

Income statement (in EUR thousands)	31/12/04 Under French standards	Revenue (IAS 18)	Intangible fixed assets (IAS 38)	Employee benefits (IAS 19)	Other (of which IAS 39)	31/12/04 IFRS
Sales	65,092	(346)	0	-	0	64,746
Cost of goods sold	(17,061)	(189)	0	-	0	(17,250)
External expenses	(13,679)	498	0	-	0	(13,181)
Payroll expenses	(21,007)	0	0	-	0	(21,007)
Taxes	(1,341)	0	0	-	0	(1,341)
Amortization and provisions	(2,956)	-	618	(131)	-	(2,469)
Other operating income and expenses	1,006	(242)	207	-	(395)	576
Operating margin	10,054	(279)	825	(131)	(395)	10,028
Other operating income and expenses	(46)	0	0	-	0	(46)
Operating income	10,054	(279)	825	(131)	(395)	10,028
Income from cash and cash equivalents	578	0	0	0	(545)	33
Cost of gross financial debt	(1,287)	0	0	0	539	(748)
Cost of net financial debt	(709)	0	0	0	(6)	(715)
Other financial income and expenses	-	-	-	0	0	0
Earnings before tax	9,299	(279)	825	(131)	(401)	9,313
Corporate income tax	(3,584)	98	(55)	41	175	(3,325)
Group share in income from non-consolidated companies	0	0	-	-	-	0
Total net income	5,715	(181)	770	(90)	(226)	5,988
Group share	5,606	-	-	-	-	5,890
Minority share	108	-	-	-	-	98

Note 3.4 - Impact on the balance sheet

Balance sheet summary (in EUR thousands)	01/01/04 Under French standards	Revenue (IAS 18)	Intangible fixed assets	Employee benefits	Other (of which netting of deferred tax)	01/01/04 Restated under IFRS	31/12/04 Restated under IFRS
Intangible fixed assets	16,431	0	(14,149)	0	0	2,282	2,506
Goodwill	4,560	0	14,413	0	0	18,973	29,492
Tangible fixed assets	5,355	-	-	0	-	5,355	5,810
Investments in companies	0	0	0	0	0	0	0
Other financial assets	359	0	0	0	0	359	477
Deferred taxes	923	1,634	(250)	99	(787)	1,619	1,818
Total non-recurring assets	27,628	1,634	14	99	(787)	28,588	40,103
Inventories	2,061	804	0	0	0	2,865	3,612
Trade and other accounts receivable	8,868	(3,168)	0	0	0	5,700	4,815
Tax receivables	-	0	0	0	0	0	-
Other recurring assets	4,384	(643)	(597)	0	0	3,144	2,479
Sale of securities and other investments	4,221	0	0	0	0	4,221	1,201
Cash and cash equivalents	10	0	0	0	0	10	4,422
Total recurring assets	19,544	(3,007)	(597)	0	0	15,940	16,529
Total Assets	47,172	(1,373)	(583)	99	(787)	44,528	56,632
Capital	252	0	0	0	0	252	252
Capital premiums	913	0	0	0	0	913	913
Other reserves	3,361	0	0	0	0	3,361	3,608
Accumulated earnings	10,023	(1,522)	(521)	(188)	(165)	7,627	12,079
Total Group shareholders' equity	14,549	(1,522)	(521)	(188)	(165)	12,153	16,852
Minority interests	371	(21)	(62)	(2)	(51)	235	275
Total shareholders' equity	14,920	(1,543)	(583)	(190)	(216)	12,388	17,127
Financial loans and borrowings	9,866	0	0	0	0	9,866	15,463
Personnel commitments	410	0	0	289	0	699	1,071
Other provisions	258	-	0	0	0	258	-
Deferred taxes	686	-	-	-	(591)	95	-
Other long-term liabilities	-	0	0	0	0	0	-
Total non-recurring liabilities	11,220	0	0	289	(591)	10,918	16,534
Bank loans and borrowings	4,557	0	0	0	20	4,577	5,237
Suppliers and other creditors	10,100	170	0	0	0	10,270	17,538
Other recurring liabilities	6,375	0	0	0	0	6,375	196
Total recurring liabilities	21,032	170	0	0	20	21,222	22,971
Total liabilities	47,172	(1,373)	(583)	99	(787)	44,528	56,632

Note 3.5 - Impact on cash flow statement

31/12/04

Net income	5,890
Elimination of items with no impact on cash or not linked to operations	
Minorities' share	98
Amortization, depreciation and provisions	2,562
Reversals of depreciation and provisions	(323)
Capital gains and losses on disposals	51
Deferred taxes	(379)
Cash flow	7,899
Changes in financial expenses	(10)
Changes in operating capital	(2025)
Changes in inventories	(128)
Changes in deferred expenses	(324)
Changes in trade receivables	1,501
Changes in trade payables	(3,074)
Changes in non-operating capital	1,617
Prepaid income and expenses	(116)
Exchange losses and gains	
Other accounts	1733
Changes in working capital requirements	(418)
Cash flow from operations	7,481
Capital expenditure	
Acquisition of intangible assets	(2,142)
Acquisition of tangible assets	(1,354)
Disposals of tangible and intangible fixed assets	94
Acquisition of financial assets	(34)
Disposal of financial assets	3
Net cash from acquisitions of subsidiaries	(8,221)
Cash flow from capital expenditure	(11,654)
Financing transactions	
Capital increase	
Dividends paid	(1,211)
Proceeds from borrowings	19,383
Principal payments on borrowings	(13,668)
Loans to purchase securities	982
Repayment of loans to purchase securities	(221)
Cash flow from financing	5,265
Estimated change in cash position	1,092
Cash at beginning of year	4,196
Cash at year end	5,288
Actual change in cash position	1,092

Note 4 - Consolidation scope

The consolidated financial statements at December 31, 2005 include the financial statements of Audika and its subsidiaries listed in the table below. All Audika Group companies are fully consolidated.

Companies	Head Office	SIREN N°	% equity stake at 31/12/05	% controlling interest at 31/12/05	% equity stake at 31/12/04	% controlling interest at 31/12/04
Audika	24 av. de Friedland 75008 Paris	31061238700053	Parent company	Parent company	Parent company	Parent company
Sarffa	24 av. de Friedland 75008 Paris	31495130200053	99.97%	99.97%	99.97%	99.97%
Audika Ile de France	24 av. de Friedland 75008 Paris	30889577000011	99.40%	99.40%	99.40%	99.40%
Audika Sud	1 La Canebière 13001 Marseille	38847059300012	99.91%	99.91%	99.91%	99.91%
IAV, Institut de l'Audition du Var	24 rue Gimelli 83000 Toulon	34077355500016	60.00%	60.00%	60.00%	60.00%
Audika Alpes	15 rue de la Préfecture 74000 Annecy	40415042700015	50.00%	50.00%	50.00%	50.00%
Audika Ouest	10 av. des Congrès 17200 Royan	38045033800013	100.00%	100.00%	100.00%	100.00%
Audika-Centre Audiométrique	24 av. de Friedland 75008 Paris	67203598700169	100.00%	100.00%	100.00%	100.00%
Elstar	24 av. de Friedland 75008 Paris	40373270400024	99.88%	99.88%	99.88%	99.88%
Audika Centre	24 av. de Friedland 75008 Paris	33779445800019	100.00%	100.00%	100.00%	100.00%
CFA	11 rue Jean Mermoz 75008 Paris	32299730500022	89.71%	99.68%	89.71%	99.68%
Industan AG	rue François Bellot, 6 - Genève - Suisse	CH020-391-327-6-4	90.00%	90.00%	90.00%	90.00%
Audika AAC	40 av. Joseph Claussat 63400 Chamalières	42095955500013	100.00%	100.00%	100.00%	100.00%
Audika Nord	14 rue Gabriel Péri 93200 saint Denis	32378549100060	99.97%	99.97%	99.97%	99.97%
SCS Audika	21 rue de Fontvieille 98000 Monaco	ROI 03S04200	99.75%	99.75%	99.75%	99.75%
Opale Audiologie	17 rue du Temple 62100 Calais	40208512000036	99.70%	99.70%	99.70%	99.70%
L'Aide Auditive Bernard Azéma	230 rue Fbg St Honoré 75008 Paris	31714400400015	99.88%	99.88%	99.88%	99.88%
Audio Service	24 av. de Friedland 75008 Paris	34349876200016	100.00%	100.00%	100.00%	100.00%
Laboratoire Renvoiret	37 av. du Gal de Gaulle 79200 Parthenay	39539753200015	100.00%	100.00%	100.00%	100.00%
Labelson Pays Basque	8 rue de Gramont 64100 Bayonne	38996068300016	100.00%	100.00%	100.00%	100.00%

Changes to the consolidation scope during the period concern the following companies:

- 100% acquisition of Laboratoire Renvoiret on January 1, 2005;
- 100% acquisition of Labelson Pays Basque on November 1, 2005.

Note 5 - Industry information

Since Audika's business is conducted entirely in France, and over 87% of its sales come from the sale of hearing aids and accessories, industry information is of no material interest.

Note 6 - Income from ordinary activities

(in EUR thousands)	2005	2004
Hearing aid sales	54,525	49,548
Sales of accessories	7,193	6,546
Services	8,865	8,652
Total	70,583	64,746

Consolidated sales were up by just over 9% on 2004.

Audika's business is conducted entirely in France, and over 87% of its sales come from the sale of hearing aids and accessories. The Group's services are made up largely of services linked to hearing aids (after-sales service, commissions on hearing aids, etc.).

Note 7 - Outside purchases and expenses

Purchasing is essentially handled through Audika Group's logistics platform. By centralizing purchases therein, Audika is able to improve on batch order reductions year after year and therefore improve its gross margin which rose from 73.36% in 2004 to 74.30% in 2005.

Outside expenses consist mainly of marketing expenses (EUR 3,740,000) and rent (EUR 3,496,000). These two items represent almost 50% of outside expenses.

Note 8 - Payroll expenses

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

(in EUR thousands)	2005	2004
Salaries and wages	15,865	14,599
Payroll taxes	7,050	6,408
Employee profit-sharing	595	
Total	23,510	21,007

Employees	31/12/05			31/12/04		
	Open-ended contract	Fixed-term contract	Total	Open-ended contract	Fixed-term contract	Total
Executives	231	2	233	212	2	214
Non-executives	270	16	286	241	12	253
Total	501	18	519	453	14	467

At December 31, 2005, Audika Group employed 146 hearing aid practitioners (versus 134 at end-2004), 36 regional technical managers (versus 31 at end-2004) and 215 center staff (versus 184 at end-2004). The company's payroll for centers (excluding expenses and profit-sharing) increased by 7.2% from EUR 10,644,000 in 2004 to EUR 11,410,000 in 2005, while the number of employees rose by almost 14% from 349 at end-2004 to 397 at end-2005.

Note 9 - Amortization

Amortization included in operating expenses concerns the following assets:

(in EUR thousands)	2005	2004
Intangible fixed assets	143	194
Tangible fixed assets	1,766	1,611
Total	1,909	1 805

Note 10 - Other operating income and expenses

	2005	2004
Disposal of assets	5	95
Other operating income	46	177
Total operating income	51	272
Disposal of assets	87	146
Other operating expenses	152	171
Total operating expenses	239	317

Note 11 - Proceeds from loans and cash investments

	2005	2004
Proceeds from loans		
Proceeds from cash investments	13	15

Note 12 - Financial expenses

	2005	2004
Interest on loans	(847)	(720)
Interest on overdrafts	(11)	(7)
Interest on lease financing		(1)
Income from exchange rates on financial transactions	(6)	2
Income from loan hedges	24	
Other	(212)	11
Total	(1,052)	(715)

Note 13 - Income tax

Current income tax is equal to the amount of income tax due to the tax office for the fiscal year, according to the current applicable regulations and tax rates in France. In 2005, Audika's tax consolidation scope included the following companies: Audika, Sarffa, Audika Ile de France, Audika Sud, Audika Ouest, Audika Centre Audiométrique, Elstar, Audika Centre, Audika AAC, Audika Nord, Opale Audiologie, L'Aide Auditive Bernard Azéma and Audio Service.

Deferred taxes

Deferred taxes are determined in accordance with the accounting method described in Note 2-12 "Taxes".

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

(in EUR thousands)	Deferred tax assets	Deferred tax liabilities
01/01/2005	1,818	-
Increase		5
Decrease	648	
31/12/2005	1,170	5

The basic tax rate in France is 33.33%

Finance Act No. 2004-1484 passed on December 30, 2004, implemented the phasing out of the additional tax which had been fixed at 3% of the base tax rate since 2002. This additional tax was reduced to 1.5% on January 1, 2005, and will no longer apply in 2006.

The tax rate applicable to all the Group's companies now stands at 33.83%.

Law 99-1140 of December 29, 1999 on social security contributions introduced an additional tax equivalent to 3.3% of the basic tax rate. For French companies, the legal tax rate therefore increased by 1.1%.

The impact of this additional tax contribution on the Group's income tax at December 31, 2005 was EUR 39,000. It was therefore not included in the deferred tax rate calculation.

Reconciliation between the theoretical tax calculated according to the current tax rate in France and the actual tax expense

Computed tax/actual tax reconciliation (in EUR thousands)	2005	2004
Consolidated net income	6,407	5,988
Tax expense	3,151	3,325
Earnings before taxes	9,558	9,313
Theoretical tax	3,233	3,197
Parent company/subsidiary tax regime	21	32
Tax rate differences on reserves	22	
Repayment of 2004 corporate tax	(38)	
Impact of social/tax discrepancies	51	139
Non-booking of losses (Industan and SCS Audika)	7	10
Consolidation adjustments	(184)	(53)
Social security contribution	39	
Total calculated tax	3,151	3,325

Data on deferred taxation

(in EUR thousands)	2005	2004
Ordinary tax losses carried forward before tax consolidation	72	16
Total	72	16

Corporate income tax corresponds to the total corporate tax for all of the Group's companies adjusted for deferred taxes based on temporary variances and consolidation restatements.

Tax expenses stood at EUR 3,151,000 and are broken down as follows:

Breakdown of taxes

	2005	2004
Recurring income tax	2,480	3,703
Deferred taxes	671	(379)
Total	3,151	3,325

A deferred tax expense of EUR 671,000 is recorded on the income statement and breaks down as follows:

- Consolidation adjustments: EUR 894,000;
- Temporary differences: EUR -223,000.

Note 14 - Earnings per share

Basic earnings per share are calculated by dividing the net income for the year attributable to ordinary shareholders by the average weighted number of ordinary shares outstanding over the fiscal year. The number of shares outstanding is calculated on the basis of the different changes to the common stock after any treasury stock withheld by the Group.

Diluted earnings per share are also calculated by dividing the net income for the year attributable to ordinary shareholders (after deducting any interest on preferential, convertible, repayable shares) by the average weighted number of ordinary shares outstanding over the fiscal year (adjusted for the effect of diluted stock options and diluted, preferential, convertible, repayable shares).

As the company holds no treasury stock, earnings per share as at December 31, 2005 equated to the Group's net income divided by the number of outstanding shares (9,450,000).

As there are no dilutive instruments, diluted earnings per share equated to net earnings per share.

Note 15 - Dividends proposed and approved

Since its listing on the Second Marché in 1998, Audika Group has applied a steadfast policy of dividend distribution. The amount of dividends distributed corresponds to approximately 25% of consolidated net income.

Dividends proposed at the Ordinary Shareholders' Meeting for 2003 and paid in 2004 came to EUR 0.38 per share, representing a total of EUR 1,197,000.

Dividends proposed at the Ordinary Shareholders' Meeting for 2004 and paid in 2005 came to EUR 0.46 per share, representing a total of EUR 1,449,000.

Note 16 - Goodwill and intangible fixed assets

Change in goodwill

(in EUR thousands)

	2005		2004
	Gross values	Amortization	Net values
Net value at January 1, 2005	29,492		29,492
Acquisition	4,408		4,408
Decrease			
Net value at December 31, 2005	33,900		33,900

The gross value of goodwill was EUR 33,899,673.

In 2004, the integration of companies acquired generated goodwill of EUR 720,242, broken down as follows:

- Audika Ile de France: EUR 30,500
- Audika Ouest: EUR 52,552
- Laboratoire Renvoiret: EUR 201,510
- Labelson Pays Basque: EUR 435,680.

Goodwill is summarized in the following table (in EUR):

Company	Initial balance	Increase	Decrease	Balance at 31/12/05
Sarffa	257,347			257,347
Audika Ile de France	1,503,951	78,369		1,582,320
Audikasud	1,987,104	1,528,207		3,515,311
Institut Audition du Var	12,483			12,483
Audika Ouest	3,277,444	775,551		4,052,995
Audika Centre Audiométrique	3,256,426			3,256,426
Elstar	604,428			604,428
Audikacentre	2,015,854	952,480		2,968,334
CFA	1,302,469			1,302,469
Industan	228,064			228,064
Audika AAC	3,231,913			3,231,913
Audika Nord	2,645,144	174,698		2,819,842
SCS Audika	213,942			213,942
Opale Audiologie	191,040	361		191,401
Aide Auditive Bernard Azéma	8,374,404			8,374,404
Audio Service	390,171			390,171
Laboratoire Renvoiret		462,143		462,143
Labelson Pays Basque		435,680		435,680
Total	29,492,184	4,407,489		33,899,673

In 2005, Laboratoire Renvoiret and Labelson Pays Basque generated sales of EUR 367,000 and a net loss of EUR -40,000. The acquisition cost of these two companies was EUR 825,000. These two acquisitions had no significant impact on either the consolidated balance sheet or the consolidated income statement rendering any presentation of the proforma accounts unnecessary. The goodwill posted is due to the fact that the consolidated financial statements do not include the valuation of business assets and that income is widely distributed, leading to the low capitalization of companies.

Change in intangible fixed assets

	Concessions	Leaseholds	Other intangible assets	Total
Gross value at January 1, 2004	1,222	1,867	110	3,199
Change in consolidation scope	85			85
Acquisitions	109	304	64	477
Disposals/reductions		(71)		(71)
Other changes	(85)	49		(36)
Gross value at December 31, 2004	1,331	2,149	174	3,654
Accumulated amortization	1,096		52	1,148
Net value at December 31, 2004	235	2,149	122	2,506
Gross value at January 1, 2005	1,331	2,149	174	3,654
Change in consolidation scope	4	93		97
Acquisitions	142	432	227	801
Disposals/reductions		(49)		(49)
Other changes	(34)	(24)	(6)	(64)
Gross value at December 31, 2005	1,443	2,601	395	4,439
Accumulated amortization	1,161		88	1,249
Net value at December 31, 2005	282	2,601	307	3,190

Note 17 - Tangible fixed assets

	Buildings	Machinery and equipment	Other tangible assets	Total
Gross value at January 1, 2004	3,227	1,953	7,539	12,719
Change in consolidation scope	14	490	958	1,462
Acquisitions	254	157	1,264	1,675
Disposals/reductions	(208)	(107)	(73)	(388)
Other changes		14	21	35
Gross value at December 31, 2004	3,287	2,507	9,710	15,504
Accumulated amortization	1,570	2,055	6,069	9,694
Net value at December 31, 2004	1,718	452	3,640	5,810
Gross value at January 1, 2005	3,287	2,507	9,710	15,504
Change in consolidation scope	34	32	97	163
Acquisitions	144	262	2,083	2,489
Disposals/reductions		(17)	(149)	(166)
Other changes	(28)	(81)	(839)	(948)
Gross value at December 31, 2005	3,437	2,703	10,901	17,041
Accumulated amortization	1,855	2,191	6,362	10,408
Net value at December 31, 2005	1,582	512	4,539	6,633

The gross value of tangible fixed assets held for lease financing contracts was EUR 435,000 at December 31, 2005. Net value was EUR 1,000. The corresponding financial debt at December 31, 2005 was negligible and the impact of contract capitalization on net worth before deferred taxes and minority interests was EUR -7,000 at December 31, 2005. These contracts concern management company cars, furniture and IT and telephone equipment.

Note 18 - Other financial assets

Note 18.1 - Other non-recurring financial assets

Other non-recurring financial assets are as follows:

LT investments

LT investments include deposits and sureties paid on signing commercial leases.

The breakdown of long-term investments by type is as follows:

(in EUR thousands)	31/12/05	31/12/04
Equity investments	3	4
Personnel loans	1	5
Deposits on rentals	502	458
Depreciation	(2)	(33)
Net value	504	434

Permanent advances to employees

The portion of permanent advances to employees granted by Group companies and which are due in more than one year is classed as a non-recurring financial asset. These permanent advances stood at EUR 78,000 at December 31, 2005. The portion due in less than one year, i.e. EUR 22,000, is classed as a recurring financial asset in the same way as "Due from companies".

Note 18.2 - Other recurring financial assets

Trade and other accounts receivable

	2005	2004
Gross trade receivables	4,861	5,966
Provision for depreciation	(442)	(505)
Net trade receivables	4,419	5,461
Other receivables	-	-
Due from companies	22	109
Tax receivables	1,491	457
Other receivables	994	891
Other net receivables	2,507	1,457
Total trade and other accounts receivable	6,926	6,918

Tax receivables essentially comprise VAT credit currently being repaid and the income tax surplus paid at the end of the fiscal year.

Other receivables essentially comprise sums due and prepayments for suppliers (EUR 827,000 at end-2005 and EUR 730,000 at end-2004).

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

There is practically no risk surrounding the collection of accounts receivable as Audika Group's clientele is essentially comprised of individuals. The vast majority of provisions for depreciation linked to trade accounts receivable are either provisions made before entry into the Group's consolidation scope, or provisions made after entry into the Group's consolidation scope and which have prompted the booking of a guarantee to cover assets.

Cash and cash equivalents

	2005	2004
Cash and cash equivalents	9,347	4,422
Marketable securities		1,189
Sub-total	9,347	5,611
Unrealized capital gains		12
Total	9,347	5,623

Marketable securities are cash funds held for transaction purposes.

They are therefore booked at fair value, i.e. the closing price.

Advance payments

In all of the Group's companies, any expenses booked in advance are linked to operating activities and are due in less than one year.

Note 19 - Inventories

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

Inventories of finished products are as follows:

(in EUR thousands)	2005	2004
Hearing aids	2,680	2,370
Other	1,180	1,242
Total	3,860	3,612

Every product is individual and made to order. Given Audika's margins, any negative differences between the cost and net value of manufacturing for items on the inventories are not booked as depreciation.

Stock rotation posted a very slight improvement, decreasing from 23.5 days of sales in 2004 to 22.8 days of sales in 2005.

Note 20 - Shareholders' equity

Capital

Audika Group's capital increased from EUR 252,000 at December 31, 2004 to EUR 283,500 following the capital increase approved by the Joint Shareholders' Meeting of June 14, 2005.

At December 31, 2005, the Group's capital comprised 9,450,000 shares with a par value of EUR 0.03.

	2005	2004
Number of shares at January 1	3,150,000	3,150,000
Number of shares at December 31	9,450,000	3,150,000

Given the double voting rights assigned to shares that have been registered for over four years, the total number of voting rights attached to Audika Group's capital is 9,450,168.

Shares	Number of shares	Par value (in EUR)	Total
Ordinary shares	9,449,916	0.03	283,497.48
Shares with double voting rights	84	0.03	2.52
Total	9,450,000	0.03	283,500.00

Group consolidated reserves and net income

	2005	2004
Additional paid-in capital	913	913
Legal reserve	25	25
Other reserves	3,599	3,583
Consolidated reserves	10,530	6,189
Group net income	6,286	5,890
Total	21,353	16,600

Note 21 - Financial liabilities

Note 21.1 - Loans and Borrowings

The distinction between recurring and non-recurring borrowings is shown in the table below:

	2005	2004
Recurring	7,577	5,237
Bank borrowings due in less than one year	722	335
Interest-bearing loans due in less than one year	6,855	4,902
Non-recurring	17,717	15,463
Bank borrowings	17,603	15,291
Other borrowings due in over one year	114	172

The Group's principal loans, along with their due dates and repayment schedules are listed in the table below:

Ref	Bank of origin	EAR	Loan issuance costs	Under 1 year	1 to 5 years	Total in EUR	Repayments schedule	Year issued
E11	BDPME	2.66%		0	350,000	350,000	Yearly	2002
E21	CDN	2.89%		400,000	800,000	1,200,000	Half-yearly	2003
E22/E23	BNP/CIC San Paolo	3.89%	348,800	5,964,474	16,686,726	22,651,200	Yearly	2004
Total			348,800	6,714,474	17,486,726	24,201,200		

Audika Group took out a syndicated loan of EUR 32,000,000 with several banks (BNP/CIC/San Paolo). The loan is indexed on the 3-month Euribor at a +0.75% spread. The guarantees on the loan consist of a pledge of 95 % of the shares in Sarffa and Aide Auditive Bernard Azéma, and a EUR 5 million 'Key employee' insurance policy on Alain and Jean-Claude Tonnard. In addition, Audika also took out an interest rate hedge equivalent to 50% of the outstanding. As its hedge, Audika chose a cap, the characteristics of which are described below.

At December 31, 2005, EUR 24.2 million remained outstanding. On January 20, 2004, Audika purchased an interest rate cap with the following main terms:

- Maturity: December 20, 2007;
- Notional amount: EUR 9 million;
- Guaranteed rate: 3.10% per year;
- Premium: 0.53% of the notional sum.

This interest rate cap was applied for the first time in 2005 and the listing of this financial instrument had an impact of EUR 40,000 net of tax on the reserves at the beginning of the fiscal year.

The loan includes a clause whereby the terms may be changed if certain of the Group's financial ratios deteriorate. For 2005, the ratios are set at:

- NFD/RGOS < 1.4;
- FCF/DS > 1;
- FD/SE < 1.7.

Abbreviations stand for the following:

- NFD: Net financial debt;
- RGOS: Restated gross operating surplus;
- FCF: Free cash flow;
- DS: Debt servicing;
- FD: Financial debt;
- SE: Shareholders' equity.

As at December 31, 2005, the terms of each of the different covenants had been upheld.

(in EUR thousands)		31/12/05
NFD	Net financial debt	16,048
RGOS	Restated gross operating surplus	12,794
FCF	Free cash flow	10,820
DS	Debt servicing	7,060
FD	Financial debt	25,395
SE	Shareholders' equity	22,023

Ref	Required ratio	Covenant 1 Actual ratio	Required ratio	Covenant 2 Actual ratio	Required ratio	Covenant 3 Actual ratio
E11	None		None		None	
E21	DFN/EBER < 1,4	1,25	CFL/SDLD >1	1,53	DF/FP < 1,7	1,15
E22	DFN/EBER < 1,4	1,25	CFL/SDLD >1	1,53	DF/FP < 1,7	1,15
E23	DFN/EBER < 1,4	1,25	CFL/SDLD >1	1,53	DF/FP < 1,7	1,15

The contract on the syndicated loan provides for the adjustment of covenants as a result of the transition to IFRS. Expenses relating to the issue of the syndicated loan were EUR 418,000 and were charged against the loan taken out.

The interest rate cap was booked at its fair value of EUR -61,000 on January 1, 2005 and valued at EUR -37,000 on December 31, 2005.

Note 21.2 - Other non-recurring liabilities

Other non-recurring liabilities include:

Other debts due in over one year and, in particular, earn-out clauses of over one year as shown in the table below:

Debts on securities purchased	Amount	< 1 year	1-5 years	> 5 years
Tirel (Audiotechnologie)	46		46	
Caruana (AAC)	99	99		
Prudhomme (Cochléa)	30		30	
Bourguet (Audition Bourguet)	10	10		
Pi (Centre de l'Audition)	84	46	38	
Azéma (Aide Auditive B. Azéma)	97	97		
Patrouix (Labelson)	108	108		
Total	474	360	114	

Note 21.3 - Recurring liabilities

Recurring liabilities include the following:

(in EUR thousands)	2005	2004
Suppliers and other creditors		
Supplier debt	10,201	10,115
Payroll debt	4,427	3,439
Tax liabilities	829	1,542
Sellers' loans due in less than one year	481	1,323
Other debt	1,263	999
Unearned income	125	120
Sub-total	17,326	17,538
Provisions	189	196
Total	17,515	17,734

Note 22 - Provisions

Provisions break down as follows:

(in EUR thousands)	2005	2004
Provisions for charges	1,234	1,071
Provisions for deferred tax liabilities	5	
Non-recurring liabilities	1,239	1,071
Provisions for risks	189	195
Provisions for exchange losses		1
Recurring liabilities	189	196
Total provisions	1,428	1,267

The risk provision essentially includes EUR 104,000 to cover social disputes within various Group companies, EUR 16,000 to cover customer guarantees and EUR 69,000 to cover any client litigation. Risks were evaluated through careful estimation, taking account of the maximum risk incurred by the Group and the probable outcome of any litigation.

The provision for charges includes commitments for retirement severance pay and additional paid holidays due to staff depending on their length of service. The Group's three Directors are not entitled to additional holidays.

The scope and changes in the provisions for risks and charges are as follows:

(in EUR thousands)	31/12/04	Change in consol. scope	Provisions	Reversals used	Reversals not used	31/12/05
Retirement severance	862	1	174		43	994
Long-service benefits	209		35	4	240	
Social risks	155		38	42	47	104
Tax risks	0					
Commercial risks	40		60	15		85
Financial risks	1			1		0
Total	1,267	1	307	58	94	1,423

Reversals of unused provisions relate to retirement severance pay and long-term employee benefits for employees who left the Group during the fiscal year. No retirement severance pay was paid out during 2005.

Note 23 - Retirement and other commitments

(in EUR thousands)

Actuarial debt at December 31, 2004	1,071
Cost of services in 2005	115
Interest credited in 2005	46
Actual services	(38)
Acquisition of new companies	1
Actuarial losses (+)/gains (-)	39
Actuarial debt at December 31, 2005	1,234

The main criteria used to evaluate these commitments are as follows:

- Life expectancy of 88-90 years;
- Audika employees benefit from retirement severance pay under France's collective bargaining agreement for businesses and service providers in the technical medical field;
- Discount rate of 4%;
- Turnover rate of 13.61%;
- Voluntary retirement age: 62 years old (50% of the workforce);
- Mandatory retirement age: 65 years old (50% of the workforce);
- Salary appreciation rate: 2.20%.

Note 24 - Market risks

Interest rate risks

As at December 31, 2005, Audika had hedged its loans in the amount of EUR 9 million with a 3.10% cap. This hedge, which will reach maturity on December 20, 2007, incurred an expense of almost EUR 41,000 over 2005.

Exchange rate risks

Audika Group's exchange rate risk exposure is extremely low since all of its sales are realized in France and foreign currency purchases account for only 1% of all external purchases and expenses.

Consequently, the Group has no policy relating to exchange rate risk. In 2005, Audika Group recorded a net foreign exchange loss of EUR 6,000.

Note 25 - Off-balance sheet commitments given and received (in EUR thousands)

Commitments given at December 31, 2005

Sureties on loans	208	Sureties on loans taken out by centers	
Fund pledges		None	
Share pledges	23,000	Pledge of 95% of Sarffa and AABA's shares as a guarantee on the syndicated loan from BNP.	
Operating leases	5,419	Rent for leasing premises and long-term vehicle rental	
Non-accounted earn-out clauses	55		
Discounted notes not yet matured	7		
Rental payments	under 1 year	less than 1 year	Total
Leases	2,598	1,983	4,581
Long-term vehicle rental	421	417	838
Total	3,019	2,400	5,419

Commitments received at December 31, 2005

First request guarantee	518
Insurance transfers	76
Bank guarantees	310
Total	904

Note 26 - Eventual liabilities

Note 26.1 - Social and tax risks

Audika Group is subject to regular tax and social audits by the competent bodies and government departments. Previous tax audits have had no material impact on the Group's results. Throughout 2005, Audika and Audika Centre underwent a tax audit which led to a total adjustment of EUR 21,000, part of which is being contested (EUR 9,000). In addition, Sarffa, Audika Ile de France and Aide Auditive Bernard Azéma underwent a French Social Security (URSSAF) audit which led to a net refund of contributions in the amount of EUR 1,000 (adjustment of EUR 2,000 and refund of EUR 3,000).

Note 26.2 - Commercial risks

Given that its activity extends to the sale and distribution of hearing aids to individuals, the Group is not subject to any major commercial risks, both in terms of its standard sales and sales realized through the COFIDIS offer.

Moreover, the Group's procurement policy advocates the use of diverse suppliers, the majority of which are major groups.

Note 26.3 - Insurance and level of cover for all risks

Audika Group is insured for all of the risks inherent to its activity by Axa Group. Risk cover includes the entire head office (Paris), the logistics platform and all fitting centers.

The main insurance contracts concern:

	Head office and centers	Clichy site (logistics platform)
Legal liability	EUR 9,883,000/claim	EUR 9,883,000/claim
Business interruption	EUR 5,360,000/claim	EUR 5,360,000/claim
Company multi-risk	EUR 608,000/claim	EUR 2,300,000/claim

Note 26.4 - Price, credit, liquidity and cash risk

Audika Group's core activities fall within the scope of a regulated sector. The principal constraints this implies are:

- hearing aid practitioners must be state-qualified;
- premises must be approved;
- all hearing aids sold must comply with EU standards;
- medical prescriptions are mandatory.

Hearing aids are reimbursed by the French social security system. However, the level of reimbursement is so low that the Group's activity is not affected by any positive or negative variations therein.

In terms of liquidity and cash risk, Audika Group's exposure is extremely low, as the majority of its clientele are individuals, which greatly dilutes any risk.

Note 26.5 - Legal risks

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

Like all other paramedical practitioners, hearing aid specialists are bound by secrecy. This is safeguarded by the configuration of the Group's IT systems.

Finally, the Group is insured against any damages incurred by hearing aid practitioners during the fitting, and particularly the diagnosis, of the customer's hearing aid.

Note 26.6 - Environmental risks

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

Even though its sector of activity is deemed to produce a low level of pollution, Audika's commitment to preserving the environment is clear. The company's consumption of water and energy remains low, limited as it is to the Group's commercial and administrative offices.

Under Decree 99-37 of May 12, 1990, which establishes a regulatory framework for recycling used batteries and storage cells, whether or not they are built into an appliance, any manufacturer, importer or distributor of batteries is required to collect used batteries according to specific directives. Accordingly, in each center there is a receptacle for Audika customers to dispose of their used batteries. These batteries are then packed and dispatched to a company which specializes in waste collection and recycling (Screlec). Screlec is paid through a tax which has been levied by suppliers on all sales since January 1, 2002.

Note 27 - Information on related parties

Transactions between the parent company and its subsidiaries, which are related parties, were eliminated from the consolidation scope and are not presented in these notes. Transactions with related parties primarily extend to transactions with companies for which Audika's Chairman is a member of the Board of Directors. The main transactions between Audika and its subsidiaries extend to management and accounting fees and any inter-company billing of insurance and communication expenses. These transactions totaled EUR 8,275,000 in 2005.

Note 28 - Compensation of senior management

In 2005, the overall compensation and benefits paid to Group directors and officers, namely the three salaried directors of Audika Group, amounted to EUR 737,724.

External board members received no compensation.

Apart from their salaries, senior managers do not benefit from any current or future additional compensation.

Note 29 - Statutory Auditors' fees

Financial year 2004	Deloitte et Associés		Excom	
	Fees excl. tax	%	Fees excl. tax	%
Audit	EUR 75,000		EUR 75,000	
Statutory auditors, certification, examination of parent company and consolidated financial statements				
Other assignments			EUR 5,600	
Total	EUR 75,000	48%	EUR 80,600	52%

Exercice 2005	Deloitte et Associés		Excom	
	Fees excl. tax	%	Fees excl. tax	%
Audit	EUR 90,000		EUR 90,000	
Statutory auditors, certification, examination of parent company and consolidated financial statements				
Other assignments				
Total	EUR 90,000	50%	EUR 90,000	50%

Note 30 - Significant events after the closing date

In a market which still offers excellent prospects for medium-term growth, notably given the acceleratory effect of the expected "oldies boom" over the coming years, Audika Group is actively pursuing its growth in 2006. In particular, the company will be drawing on a new marketing campaign centered around Robert Hossein to cement its leadership in terms of customer awareness and to be the first to benefit from the predicted market upturn.

This campaign will be underpinned by the impact over a full year of the new exclusive service offered by the Group (ten-installment, interest-free payment plan), aimed at facilitating access to hearing aids. Lastly, Audika will benefit from the impact of acquisitions made and new centers opened in 2005.

Bolstered by these different factors, Audika has set itself a growth target of between 10% and 15% in 2006 excluding new acquisitions. The Group also benefits from a strong degree of visibility in terms of its acquisitions and new center program, and will continue its active strategy in this area in 2006. Audika has a medium-term target of 500 centers in France.

Lastly, Laboratoire Renvoiret, in which Audika holds a stake of more than 95%, has been included within Audika's tax consolidation scope since January 1, 2006.

Activity for the first quarter of 2006

(in EUR thousands) under IFRS	Q1 2005	Q1 2006	Change
Sales	16,027	18,156	+13.3%

Internal growth of 8.5% in the first quarter of 2006

Sales for Audika over the first three months of 2006 came out at EUR 18.2 million, up 13.3% on the previous period and including internal growth of 8.5%. This performance, which is entirely in line with the Group's development plan, came on the back of a more favorable market backdrop that saw a gradual end to the disruptions linked to France's Social Security requiring patients to register their attending physician.

Inaugurated at the start of the year, the company's new marketing campaign has already borne fruit with a strong increase in center attendance in March and April. Accordingly, Audika is ideally placed to pursue its buoyant growth trend in the months ahead. Thus, excluding any new acquisitions which would provide an additional boost, the Group has confirmed its target increase in sales of between 10 and 15% in 2006.

Ongoing nationwide expansion with 13 new centers

Audika actively pursued the development of its network of centers in the first quarter of 2006 with the acquisition of 7 new centers, including 4 in the Paris region, 2 in the Provence, Alpes and Côte d'Azur region and 1 in the Lorraine region. Over a full year, these acquisitions will represent additional sales of almost EUR 1 million for Audika.

At the same time and as planned, Audika continued to step up the creation of new centers, optimizing its geographical coverage with 6 new entities in 6 different regions (Higher and Lower Normandy, Rhône Alpes, Paris region, Lorraine and Brittany).

With over 315 centers to its name, Audika has once again reinforced its market leadership, affording the Group a major competitive edge on an ever-growing market. Moreover, before the end of the first half of 2006, the Group is expected to announce a further wave of acquisitions which are currently under negotiation.

4.6 Report of the statutory auditors on the consolidated financial statements

Year ended December 31, 2005

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we hereby report to you for the year ended December 31, 2005, on the audit of the accompanying financial statements of Audika. The consolidated financial statements were drawn up by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit. These financial statements were drawn up for the first time under IFRS, as adopted by the European Union. For comparative purposes, they also include 2004 data which has been restated in line with the said standards.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with auditing standards generally accepted in France. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements were drawn up in accordance with IFRS as adopted by the European Union, and present fairly, in all material respects, the assets, financial position and results of all of the entities included in the consolidation scope.

II. Justification of our assessments

In accordance with the provisions of Article L 823-9 of the French Commercial Code relating to the justification of our comments, the following points should be noted:

- At the end of each fiscal year, the company carries out an impairment test of its goodwill and assets with an indefinite lifespan and also evaluates any data to indicate a depreciation in value in long-term assets, in line with the terms set out in note 2.9 of the financial statements. We examined this impairment test and the assumptions used and have also assessed their respective relevance with reasonable regard to these estimations.
- These assessments were performed as part of our audit of the consolidated financial statements as a whole and therefore contribute to the opinion given in the first part of this report.

III. Specific procedures prescribed by law

Furthermore, we have also verified the information which was given in the Group management report in accordance with accounting principles generally accepted in France. We have no observation to make as to its sincerity or consistency with the consolidated financial statements.

Paris and Neuilly-sur-Seine - April 10, 2006

Statutory Auditors

EXCOM
12 rue Poncelet
75017 Paris
Thierry Dubreuil

Deloitte & Associés
185, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex
Christophe Perrau

CHAPTER 5
PARENT COMPANY
FINANCIAL STATEMENTS

5.1 Balance sheet - assets (in EUR)

	Gross	31/12/05 Amort./ Prov.	Net	31/12/04 Net	31/12/03 Net
Intangible fixed assets					
Start-up costs		-	-	-	-
Concessions, patents, licenses	590,339	554,910	35,429	91,323	158,882
Other intangible fixed assets	227,200	-	227,200	-	-
Business	-	-	-	-	-
Prepayments	-	-	-	-	-
Other	-	-	-	-	-
Total	817,539	554,910	262,629	91,323	158,882
Tangible fixed assets					
Land	-	-	-	-	-
Buildings	17,006	13,965	3,041	4,741	6,442
Machinery and equipment	2,467	1,534	933	1,426	1,919
Other tangible fixed assets	559,843	315,298	244,545	234,009	278,922
Property under development	-	-	-	-	-
Prepayments	-	-	-	-	-
Total	579,316	330,797	248,519	240,176	287,283
LT investments					
Other equity investments	25,773,048		25,773,048	24,975,325	16,471,263
Advances to non-consolidated companies	-	-	-	-	-
Other LT investments	-	-	-	-	-
Loans	-	-	-	-	-
Other	65,491		65,491	62,692	60,609
Total	25,838,539	0	25,838,539	25,038,017	16,531,872
Total fixed assets	27,235,394	885,707	26,349,687	25,369,516	16,978,037
Inventories	-	-	-	-	-
Prepayments on orders	-	-	-	-	-
Trade & other accounts receivable	1,901,446	8,042	1,893,404	1,462,076	1,857,780
Other receivables	7,501,662	-	7,501,662	4,142,814	4,038,311
Marketable securities	-	-	-	-	-
Cash and cash equivalents	4,161,190	-	4,161,190	3,048,780	2,975,760
Prepayments	196,441	-	196,441	217,129	173,976
Total available	13,760,739	8,042	13,752,697	8,870,799	9,045,827
Deferred charges	427,694	0	427,694	720,873	324,464
Unrealized exchange losses	-	-	-	-	-
Overall total	41,423,827	893,749	40,530,078	34,961,188	26,348,328

5.2 Balance sheet - liabilities (in EUR)

	31/12/05	31/12/04	31/12/03
Shareholders' equity			
Capital	283,500	252,000	252,000
Additional paid-in capital	913,132	913,132	913,132
Legal reserve	25,200	25,200	25,200
Other reserves	3,599,419	3,582,804	3,335,277
Retained earnings	-	-	-
Net income for the year	2,130,061	1,727,448	1,444,528
Total	6,951,312	6,500,584	5,970,137
Provisions for risks and charges	99,264	67,614	64,000
Financial debt			
Bank loans and debt	25,297,778	20,586,493	13,844,110
Miscellaneous loans and debt	5,148,896	3,103,401	2,651,916
Total	30,446,674	23,689,894	16,496,026
Trade & other accounts payable	1,017,813	1,418,999	1,574,478
Taxes and social security liabilities	877,766	1,385,478	798,782
Debt on fixed assets and related debt	474,306	1,517,573	807,075
Other debt	662,943	381,046	637,830
Unearned income			
Unrealized exchange profit			
Overall total	40,530,078	34,961,188	26,348,328

5.3 Income statement (in EUR)

	31/12/05	31/12/04	31/12/03
Operating income			
Sale of merchandise	-	-	-
Sale of goods	-	-	-
Sale of services	12,105,229	10,654,691	8,901,164
Net sales	12,105,229	10,654,691	8,901,164
Capitalized production			
Inventories			
Operating subsidies	2,970		648
Reversals on provisions, amortization and expense transfers	66,443	223,722	323,194
Other income	57,003	31,221	45,185
Total operating income	12,231,645	10,909,634	9,270,191
Operating expenses			
Cost of merchandise	0	229	645
Change in inventory levels	-	-	-
Cost of goods sold	-	-	-
Other outside purchases and expenses	6,236,402	5,116,033	4,738,734
Taxes and similar	231,336	233,652	147,166
Salaries and wages	2,793,031	2,365,768	1,812,628
Payroll taxes	1,249,028	1,066,113	809,256
Depreciation on fixed assets	144,666	434,932	446,830
Net allocation to provisions for recurring assets	0	8,042	
Net allocation to provisions for risks and charges	58,650	60,614	64,000
Other expenses	9,603	6,888	3,810
Total operating expenses	10,722,716	9,292,271	8,023,069
Operating income	1,508,929	1,617,363	1,247,122
Financial income	1,445,767	1,908,382	1,009,713
Financial expenses	968,420	1,368,421	527,351
Net financial items	477,347	539,961	482,362
Recurring income before tax	1,986,276	2,157,324	1,729,484
Exceptional income	0	4,000	20,466
Exceptional expenses	76,365	2,187	25,222
Net exceptional items	(76,365)	1,813	(4,756)
Employee profit-sharing	47,237	-	-
Income tax	(267,387)	431,689	280,200
Net income	2,130,061	1,727,448	1,444,528

5.4 Five year financial summary

(Articles 133, 135, and 148 of the Decree of March 23, 1967 governing commercial companies)

(in EUR thousands, unless otherwise specified)

	31/12/01	31/12/02	31/12/03	31/12/04	31/12/05
Capital at year-end		(1)			(2)
Common stock (in EUR)	241,000	252,000	252,000	252,000	283,500
Number of shares	787,500	3,150,000	3,150,000	3,150,000	9,450,000

Operations and results for the year

Sales before tax	6,441	7,449	8,901	10,655	12,105
Earnings before tax, profit-sharing, depreciation, amortization and provisions	2,165	2,101	2,171	2,663	2,113
Corporate income tax	487	408	280	432	(267)
Employee profit-sharing	-	-	-	-	47
Earnings after tax, profit-sharing depreciation, amortization and provisions	1,422	1,303	1,445	1,727	2,130
Dividends paid	709	882	1,197	1,449	1,607

Earnings per share (in EUR)

Earnings after tax and profit-sharing but before depreciation, amortization and provisions	2.13	0.54	0.60	0.71	0.25
Earnings after tax, profit depreciation, amortization and provisions	1.81	0.41	0.46	0.55	0.23
Dividends per share	0.90	0.28	0.38	0.46	0.17

Personnel

Average head count during the fiscal year	22	32	35	48	60
Total payroll for the year	1,178	1,578	1,813	2,366	2,793
Employee benefits paid	376	518	566	767	886

(1) The number of shares was multiplied by 4 in accordance with the resolutions of the Extraordinary Shareholders' Meeting of June 12, 2002.

(2) The number of shares was multiplied by 3 in accordance with the resolutions of the Extraordinary Shareholders' Meeting of June 14, 2005.

5.5 Notes to the parent company financial statements

5.5.1 2005 Highlights

1 Mergers and Acquisitions

- On January 1, 2005, the company acquired 100% of the capital of EURL Laboratoire Renvoïret.
- On November 1, 2005, the company acquired 100% of the capital of Labelson Pays Basque.

2 Company loans

On January 13, 2004, Audika took out a syndicated loan of EUR 32,000,000 with several banks in order to finance its acquisitions program and refinance its existing bank debt. The Board of Directors authorized the loan on January 12, 2004.

Throughout 2005, Audika drew a credit line of EUR 9,000,000.

The loan is indexed on the 3-month Euribor at a +0.75% spread.

The company chose not to incorporate the related expenses into the total amount of the loan.

3 Tax consolidation

Audika has opted for a tax consolidation scheme which complies with the agreement signed on April 21, 2004, with effect from January 1, 2004 between the following ten companies:

- Audika
- Sarffa
- Audika Ile de France
- Audika Sud
- Audika Ouest
- Audika Centre Audiométrique
- Elstar
- Audika Centre
- Audika AAC
- Audika Nord

Three new companies entered into the tax consolidation scope on January 1, 2005:

- Opale Audiologie
- Aide Auditive Bernard Azéma
- Audio Service

5.5.2 Accounting principles, rules and methods

1 General principles

The financial statements for the year ended December 31, 2005 were drawn up in accordance with the legal and regulatory provisions and accounting standards generally accepted in France.

2 Change of method

The application of regulation 2004-06 of the French Regional Audit Board (CRC), which modifies regulation 99-02 governing the definition of assets at January 1, 2005, constitutes a retrospective change in accounting methods and gave rise to the cancellation of part of the deferred expenses booked at the beginning of the fiscal year against shareholders' equity.

The impact of this cancellation on shareholders' equity was EUR 230,000.

The deferred expenses thus canceled included:

- EUR 169,000 in share acquisition costs;
- EUR 16,000 in consultancy fees;
- EUR 38,000 in advertising costs;
- EUR 7,000 in website design and publication expenses.

The application of regulation 2002-10 of the CRC on January 1, 2005 had no impact on the financial statements.

3 Intangible fixed assets

Concessions and similar rights are valued at their acquisition cost. These mainly comprise software, which is amortized using the straight-line method over 36 months.

4 Tangible fixed assets

Tangible fixed assets are booked at their acquisition cost. Depreciation is computed based on the estimated useful lives of the assets. The application of regulation 2002-10 of the CRC governing the evaluation, amortization and depreciation of assets had no impact on the valuation of assets. The useful lives retained by Audika correspond to the stated amortization plan, the most common of which are:

Type	Term ⁽¹⁾	Method ⁽²⁾
Installations and buildings	10	SL
Equipment	4	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

5 Equity investments

Equity investments are booked at their purchase price. When the estimated value falls below the purchase price, a provision for depreciation is set aside to cover the difference.

The book value of equity investments corresponds to their value in use. This is assessed on the basis of criteria such as the Group's share of the net assets or the outlook for profitability. Moreover, these criteria are weighted by the impact of retaining said shares for strategic purposes or to harness further synergies in light of the other stakes owned by the company.

6 Receivables

Receivables are booked at their face value. A provision for depreciation is set aside when their estimated value falls below their book value.

7 Provisions for risks and charges

Provisions for risks and charges are set aside to cover risks and charges linked to events occurring before the accounts are closed where the related obligations are likely to result in a loss.

Commitments linked to long-term employee benefits are provisioned in accordance with the governing collective bargaining agreement, taking into account employee life expectancy, staff turnover in terms of length of service, an estimated 2.2% increase in salaries and a discount rate of 4% (versus 4.5% over the previous year).

However, while retirement commitments constitute an off-balance sheet commitment in the parent company financial statements, they are booked for the purposes of the consolidated financial statements.

5.5.3 Notes to the balance sheet - Assets

1 Intangible fixed assets (in EUR thousands)

	Concessions and licenses	Businesses and leaseholds	Other intangible fixed assets	Total
Gross value at January 1, 2004	540	-	-	540
Acquisitions	49	-	-	49
Disposals/reductions	-	-	-	0
Other changes	-	-	-	0
Gross value at December 31, 2004	589	-	-	589
Accumulated amortization	(498)	-	-	(498)
Net value at December 31, 2004	91	-	-	91
Gross value at January 1, 2005	589	-	-	589
Acquisitions	228	-	-	228
Disposals/reductions	-	-	-	-
Other changes	-	-	-	-
Gross value at December 31, 2005	817	-	-	817
Accumulated amortization	(555)	-	-	(555)
Net value at December 31, 2005	262	-	-	262

Acquisitions correspond mainly to the advertising film with R. Hossein filmed at the end of 2005, broadcast from January 2006 and scheduled for amortization over the next three years.

2 Tangible fixed assets (in EUR thousands)

	Buildings	Machinery and equipment	Other tangible fixed assets	Total
Gross value at January 1, 2004	17	3	478	498
Acquisitions	-	-	48	48
Disposals/reductions	-	-	(2)	(2)
Other changes	-	-	-	-
Gross value at December 31, 2004	17	3	524	544
Accumulated amortization	(12)	(1)	(290)	(303)
Net value at December 31, 2004	5	2	234	240
Gross value at January 1, 2005	17	3	524	544
Acquisitions	-	-	96	96
Disposals/reductions	-	-	(60)	(60)
Gross value at December 31, 2005	17	3	560	580
Accumulated amortization	(14)	(2)	(315)	(331)
Net value at December 31, 2005	3	1	245	249

The cost of tangible fixed asset acquisitions was EUR 96,000 and was mainly due to the purchase of two sedans. The reduction of EUR 60,000 was mainly due to the discarding of office and IT equipment.

3 LT investments (in EUR thousands)

	LT investments	Deposit and sureties	Total
Gross value at January 1, 2004	16,471	61	16,532
Increases	8,504	2	8,506
Reductions			
Other changes			
Gross value at December 31, 2004	24,975	63	25,038
Accumulated provisions			
Net value at December 31, 2004	24,975	63	25,038
Gross value at January 1, 2005	24,975	63	25,038
Increases	818	3	821
Reductions	20		20
Other changes			
Gross value at December 31, 2005	25,773	66	25,839
Accumulated provisions			
Net value at December 31, 2005	25,773	66	25,839

LT investments are linked to the acquisition of the following companies (in EUR thousands):

- EURL Laboratoire Renvoiret: 197
- SARL Labelson Pays Basque: 518
- Additional payment on previously acquired securities (earn-out): 103

The reductions in shares correspond to a price adjustment relating to a previous acquisition (EUR 20,000).

Deposits and sureties correspond to deposits on rentals of EUR 3,000.

4 Subsidiaries and affiliates (in EUR)

All of the subsidiaries listed below are fully consolidated.

Company	Capital	Shareholders' equity other than capital	Equity stake held	Net value of shares held	Sales exc. tax over the past year	Income over the past year	Collateral and sureties given	Loans and advances granted by the company	Dividends received by the company
Sarffa	126,128	13,282,295	99.97%	1,340,697	31,504,679	3,449,385	-	2,001,304	197,025
Audika Ile de France	16,800	1,231,311	99.40%	1,029,286	7,031,141	76,063	-	47,626	-
Audika Sud	34,865	(589,669)	99.91%	430,091	7,155,067	(865,576)	5,574	701,217	-
IAV	7,622	182,196	60.00%	4,573	1,330,061	68,134	-	19,306	7,500
Audika Alpes	7,622	294,176	50.00%	3,811	911,075	60,154	-	1,062	15,000
Audika Ouest	86,042	1,237,388	100.00%	2,411,945	7,479,097	77,812	59,796	244,941	349,928
Audika									
Centre Audiométrique	178,289	1,800,323	100.00%	1,901,226	7,534,644	213,308	-	150,637	397,630
Elstar	40,000	42,671	99.88%	329,331	1,562,186	3,247	-	488,974	-
Audika Centre	92,220	1,517,192	100.00%	2,450,519	6,045,868	325,350	-	204,643	299,715
Industan	500,000 ⁽¹⁾	(386,735) ⁽¹⁾	90.00%	1,009,213	-	(14,980) ⁽¹⁾	-	531,404	-
Audika-AAC	1,154,023	441,663	100.00%	2,202,467	6,553,812	110,231	23,780	276,840	-
Audika Nord	746,620	630,302	99.97%	3,280,724	5,240,167	18,218	-	17,836	-
SCS Audika	40,000	(52,125)	99.75%	39,900	63,060	(11,231)	-	191,472	-
Opale Audiologie	38,112	(84,148)	99.70%	174,304	187,603	(27,308)	-	1,348	-
Aide Auditive	202,480	(597,658)	99.88%	7,881,873	5,131,894	(445,077)	62,500	55,923	-
B. Azéma									
Audio Service	37,000	89,410	100.00%	485,364	265,146	(46,921)	-	969	-
Laboratoire Renvoiret	7,500	(8,551)	100.00%	196,849	296,807	(47,900)	31,377	251,375	-
Labelson Pays Basque	16,000	133,153	100.00%	517,822	76,655	7,521	24,699	1,408	-
Total	-	-	-	25 773 048	-	-	207,726	5,188,286	1,266,798

(1) In CHF.

5 Maturities on receivables (in EUR thousands)

Receivables schedule	Gross amount	Up to 1 yr. maximum	Over 1 year
Advances to non-consolidated companies			
Loans			
Other financial LT investments	65		65
Total financial LT investments	65		65
Doubtful or disputed accounts receivable	9	9	
Other accounts receivable	1,893	1,893	
Total trade and other accounts receivable	1,902	1,902	
Personnel and accounts receivable	29	4	25
Income tax	1,029	1,029	
Value added tax	65	65	
Other taxes			
Miscellaneous			
Group and associates	6,184	5,653	531
Sundry debtors	195	195	
Total - Other receivables	7,502	6,946	556
Prepayments	196	196	
Overall total	9,665	9,044	621

6 Deferred expenses (in EUR)

In accordance with the application on January 1, 2005 of regulation 2004-06 of the French Regional Audit Board (CRC) governing the definition of assets, deferred expenses which do not fulfill this definition were canceled against shareholders' equity.

Type	Balance at 31/12/04	Increase over the year	Cancellations over the year	Amount booked	Balance at 31/12/05
Acquisition of shares	166,912		166,912		
Advertising film	38,334		38,334		
Non-marketing website	8,070		8,070		
Friedland leasehold	17,017		17,017		
Commission on loan	490,540	60,000		122,846	427,694
Total	720,873	60,000	230,333	122,846	427,699

In accordance with regulation 2004-06 of the CRC, the only deferred expenses retained under company assets are loan issuance costs.

Loan costs are amortized using the straightline method over the duration of the loan, i.e. 6 years.

5.5.4 Notes to the balance sheet - Liabilities

1 Breakdown of common stock (in EUR)

Shares	Number of shares	Par value	Total
Ordinary shares	9,449,916	0.03	283,497.48
Shares with double voting rights	84	0.03	2.52
Total	9,450,000	0.03	283,500.00

The Extraordinary Shareholders' Meeting of June 14, 2005 voted to implement:

An increase in capital with effect from July 1, 2005

Capital was increased to EUR 283,500 by deducting EUR 31,500 from Other Reserves.

A one-for-three share split

Number of shares at June 30, 2005: 3,150,000.

Par value at June 30, 2005: EUR 0.08.

The Extraordinary Shareholders' Meeting approved a split in the par value of Audika shares, resulting in three new shares being issued for every existing share.

This resolution took effect on July 1, 2005.

Number of new shares at July 1, 2005: 9,450,000.

Par value of the new shares at July 1, 2005: EUR 0.03.

2 Statement of changes in shareholders' equity (in EUR thousands)

	Capital	Premiums	Reserves	Income	Dividends	Total
At December 31, 2004						
before allocation	252	913	3,608	1,727	-	6,500
Appropriation of 2004 earnings	-	-	278	(1,727)	1,449	0
Dividends paid	-	-	-	-	(1,449)	(1,449)
2005 earnings	-	-	-	2,130	-	2,130
Increase in capital	31	-	(31)	-	-	0
Application of regulation						
2004-06 of the CRC	-	-	(230)	-	-	(230)
Total	283	913	3,625	2,130	0	6,951

3 Provisions for risks and charges

Provisions for disputes

These included industrial tribunal disputes, the cost of which amounted to EUR 27,000 and a dispute with a supplier, at a cost of EUR 30,000.

Provisions for other charges

This refers to provisions on long-service benefits.

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' service for the Group (between one and three days per year).

These commitments were booked for the first time in 2004 in the amount of EUR 11,000. At December 31, 2005, this provision amounted to EUR 42,000.

(in EUR thousands)	31/12/04	Allocations	Reversals used	Reversals not used	31/12/05
Provisions for disputes	37	47	25	2	57
Provisions for charges	31	11	-	-	42
Total	68	58	25	2	99

4 Debt maturities (in EUR thousands)

Loans of up to one year include current bank loans and expenses to be paid within a year.

Debt schedule	Gross amount	Up to 1 yr. maximum	From 1-5 yrs.	Over 5 yrs
Banks loans and debt up to 1 year	673,652	673,652		
Bank loans and debt over 1 year	24,624,126	6,576,286	18,047,840	
Total borrowings	25,297,778	7,249,938	18,047,840	
Supplier and debts payable	1,017,813	1,017,813		
Personnel and related costs	277,656	277,656		
Social security and related debt	367,749	367,749		
Income tax				
Value added tax	198,840	198,840		
Other taxes and duties	33,521	33,521		
Total taxes and social security liabilities	877,766	877,766		
Debt on fixed assets	474,306	360,071	114,235	
Group and partners	5,148,896	5,148,896		
Other debt	662,943	662,943		
Unearned income				
Total	33,479,502	15,317,427	18,162,075	

5 Borrowings

On January 13, 2004, Audika took out a syndicated loan of EUR 32,000,000 with several banks in order to finance its acquisitions program and to refinance its outstanding bank debt. The Board of Directors authorized the loan on January 12, 2004.

Throughout 2005, Audika drew a credit line of EUR 9,000,000.

The loan is indexed on the 3-month Euribor at a +0.75% spread. It was hedged with a 3.10% cap in the amount of EUR 9,000 and will reach maturity on December 20, 2007.

This loan includes a clause whereby the terms may be changed if certain of the Group's consolidated financial ratios deteriorate. For 2005, the ratios are set at:

- NFD/RGOS < 1.4;
- FCF/DS > 1;
- FD/SE < 1.7.

Abbreviations stand for the following:

- NFD: Net financial debt;
- RGOS: Restated gross operating surplus;
- FCF: Free cash flow;
- DS: Debt servicing;
- FD: Financial debt;
- SE: Shareholders' equity.

As at December 31, 2005, the terms of each of the different covenants had been upheld, as indicated in the table below:

Ref	Covenant 1		Covenant 2		Covenant 3	
	Required ratio	Actual ratio	Required ratio	Actual ratio	Required ratio	Actual ratio
E11	N/A		N/A		N/A	
E21	DFN/EBER < 1.4	1.25	CFL/SDLD > 1	1.53	DF/FP < 1.7	1.15
E22	DFN/EBER < 1.4	1.25	CFL/SDLD > 1	1.53	DF/FP < 1.7	1.15
E23	DFN/EBER < 1.4	1.25	CFL/SDLD > 1	1.53	DF/FP < 1.7	1.15

Changes over the fiscal year and maturities on borrowings and current bank loans are summarized in the following table:

Lending establishment	Balance at 31/12/04	Subscription	Redemption	Balance at 31/12/05	less than 1 year	1 to 5 years
BNP (E22 and E23)	18,000,000	9,000,000	4,000,000	23,000,000	5,800,000	17,200,000
Crédit du Nord (E21)	1,600,000	-	400,000	1,200,000	400,000	800,000
BDPME (E11)	700,000	-	350,000	350,000	350,000	-
Bank borrowings	286,493	-	-	747,778	747,778	-
Total	20,586,493	9,000,000	4,750,000	25,297,778	7,297,778	18,000,000

6 Miscellaneous loans and debt (in EUR thousands)

	2005	2004	2003
Loans receivable	5,148	3,103	2,651

This consists of loans to subsidiaries.

7 Supplier debt and related accounts (in EUR thousands)

	2005	2004	2003
Group suppliers	183	166	127
Non-Group suppliers	307	634	712
Notes payable (maturing in 2006)	418	544	613
Invoices not yet received	110	75	122
Total	1,018	1,419	1,574

8 Payroll and taxes (in EUR thousands)

	2005	2004	2003
Provision for paid holidays	189	153	133
Personnel and accounts receivable	4	-	-
Employee profit-sharing	47	-	-
Expenses	37	37	44
Social security and other liabilities	368	301	236
French state, VAT payable	199	137	312
Business tax	-	19	60
Corporate income tax	-	709	-
Internal	20	17	12
Tax for the disabled	7	7	-
Tax on company cars	7	5	3
Total	878	1,385	798

9 Debt and fixed assets (in EUR thousands)

	2005	2004	2003
Debts on securities purchased	474	1,506	798
Fixed asset suppliers	-	11	9
Total	474	1,517	807

10 Other debts (in EUR thousands)

	2005	2004	2003
Credit notes to be drawn up	663	381	638

5.5.5 Notes on the income statement

1 Breakdown of sales (in EUR thousands)

Company sales are primarily generated from the provision of services, which are accounted as and when they are carried out.

Activity	2005	2004	2003
Advertising	8,446	7,577	5,831
Management	1,805	1,526	1,531
Accounting	752	682	615
Others	1,102	870	925
Total	12,105	10,655	8,901

2 Reversals on amortization, provisions and expense transfers (in EUR)

	2005	2004	2003
Benefits	36,795	18,234	8,416
Reversal of the provision linked to an industrial dispute	27,000	57,000	-
Reimbursement of ongoing professional training expenses	504	-	-
Expenses linked to the purchase of securities	-	129,194	310,360
Repayment of claims	2,144	19,294	4,418
Total	66 443	223 722	323 194

3 Financial items (in EUR thousands)

	2005	2004	2003
Interest income on Group loans	119	113	106
Dividends received	1,267	1,238	903
Transfert de charges	60	557	-
Total financial income	1,446	1,908	1,009
Provisions for deferred expenses	123	66	-
Interest on borrowings	702	1,167	405
Interest on Group loans	134	130	83
Interest on overdrafts	8	5	39
Interest on commercial debt	2	-	-
Total financial expenses	969	1,368	527
Net financial items	477	540	482

4 Exceptional items (in EUR thousands)

	2005	2004	2003
Income from the sale of fixed assets	-	4	2
Tax and social security contribution refunds	-	-	18
Total exceptional income	0	4	20
Additional tax and social security contributions	17	1	10
Industrial dispute expenses	57	-	-
NAV on disposal of fixed assets	-	-	13
Fines and penalties	2	1	2
Total exceptional expenses	76	2	25
Net exceptional items	(76)	2	(5)

5.5.6 Other information

1 Directors' and officers' compensation

	Compensation	Benefits
Alain Tonnard CEO	Gross annual income of EUR 275,619 including benefits	None
Jean-Claude Tonnard Vice-Chairman	Gross annual income of EUR 293,619, including benefits	None
Philippe Langzam Director	None	None

2 Tax consolidation - taxation on profits

The company is taxed at the standard rate of 33.33%, in addition to:

- an additional contribution of 1.5%;
- a social security contribution of 3.3% after a rebate of EUR 763,000.

Audika and its main subsidiaries subscribe to the corporate tax scheme. The companies which are not tax consolidated are those in which Audika has a stake of less than 95% and those which were acquired during 2005 (Laboratoire Renvoïret and Labelson Pays Basque), as well SCS Audika which is subject to Monegasque law.

The impact on corporate tax is as follows:

- The differences between the tax booked and the tax which would have been owed in the absence of any tax consolidation allowed for a tax saving of EUR 481,197 due to the deficits of some of Audika's subsidiaries.
- The tax owed by consolidated subsidiaries is EUR 2,542,211.
- Losses carried back: none; corresponding tax: none.
- Total deferred amortization expenses: none.

Income	Before tax	Income from tax consolidation	Corporate tax income on the previous year	Net income
Recurring	1,986	228	39	2,253
Exceptional	(76)			(76)
Employee profit-sharing	(47)			(47)
Total	1,863	228	39	2,130

As a result, the parent company's tax consolidation income for the fiscal year which ended on December 31, 2005 stood at EUR 228,000.

3 Parent company deferred taxes

(in EUR)	31/12/04	Decrease	Increase	31/12/05
Internal	16,811	16,811	19,771	19,771
Employee profit-sharing			47,237	47,237
Real tax rate	34.33%	34.33%	33.83%	33.83%
Deferred tax liabilities	5,771	5,771	22,669	22,669
Deferred expenses	230,333	230,333		
Real tax rate	34.33%	34.33%	33.83%	33.83%
Deferred tax assets	79,073	79,073	0	0

4 Items from several accounts concerning related companies (in EUR thousands)

Items	2005	2004	2003
LT investments			
Equity investments	25,773	24,975	16,471
Receivables			
Trade & other accounts receivable	673	403	892
Other receivables	6,183	3,910	3,071
Debt			
Supplier and debts payable	182	166	127
Group loans	3,173	3,103	2,651
Other debt	663	381	638
Financial income and expenses			
Income from equity investments	1,267	1,238	913
Other financial income	119	113	67
Financial expenses	134	130	83

5 Financial commitments

Commitments given:

- Sureties: EUR 208,000;
- Pledging of shares in SARFFA and Aide Auditive Bernard Azéma: EUR 23,000, as a guarantee on the syndicated loan of EUR 23 million;
- Retirement commitments EUR 324,000.

Retirement commitments are calculated based on the same assumptions as those used to assess long-term benefits;

- Earn-out clause: EUR 55,000, this clause concerns SAS Centre de l'Audition;
- Financial lease commitment: none.

Commitments received:

- Commitments received to cover assets and liabilities: EUR 1,204,000.

6 Personnel by category

Category	31/12/05		31/12/04		31/12/03	
	Open-ended contract	Fixed-term contract	Open-ended contract	Fixed-term contract	Open-ended contract	Open-ended contract
Executives	38	0	33	0	23	1
Non-executives	21	1	16	1	15	2
Total	59	1	49	1	38	3

7 Accrued income (in EUR thousands)

	2005	2004	2003
Receivables			
Due from customers, un-remitted invoices	322	340	418
Due from suppliers, credit notes due	160	100	743
Due from the state, income owed	0		
Total	482	440	1 161

8 Accrued expenses (in EUR thousands)

	2005	2004	2003
Accrued expenses			
Bank			
Interest owed	63	247	30
Suppliers			
Invoices not yet received	110	75	122
Customers			
Credit notes to prepare	663	381	638
Taxes and social security liabilities			
Personnel	236	153	133
Social security payments	89	69	58
French state	70	76	93
Total	1,231	1,001	1,074

9 Relations between the parent company and its subsidiaries

Audika is the parent company of a Group which publishes its consolidated financial statements.

Audika bills its subsidiaries for various services. Expenses mainly extend to communication, management and accounting expenses as well as expenses related to the management of the Group's fleet of vehicles and insurance costs.

Billing is carried out under standard terms based on the services provided for each subsidiary.

In 2005, Audika billed its subsidiaries a total EUR 8,274,000 for these services.

10 Cross-shareholdings

There were no cross-shareholdings to report at December 31, 2005.

11 Significant events after the closing date

Tax consolidation

EUURL Laboratoire Renvoïret was integrated into the tax consolidation scope on January 1, 2006.

5.6 Report of the statutory auditors on the annual financial statements

In compliance with the assignment entrusted to us by your shareholders' annual general meeting, we hereby report to you for the year ended December 31, 2005, on:

- the audit of the accompanying financial statements of Audika;
- the justification of assessments;
- the specific verifications and information 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 financial statements

We conducted our audit in accordance with auditing standards generally accepted in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above were drawn up in accordance with accounting rules and standards generally accepted in France, and present fairly, in all material respects, the results of the company's operations for the fiscal year as well as its financial position and the assets at year end.

Without compromising the opinion expressed above, and in accordance with the terms of Article L 232-6 of the French Commercial Code, we draw your attention to the change in accounting methods which took place during the fiscal year, as described in note B of the annex, relative to the first-time application of CRC regulation No. 2002-10 governing the amortization and depreciation of assets, and CRC regulation No. 2004-06 governing the definition, accounting and evaluation of assets.

II. Justification of our assessments

In accordance with the provisions of Article L 823-9 of the French Commercial Code relating to the justification of our comments, the following points should be noted:

The company evaluates the estimated value of its long-term investments and holdings each year according to the method outlined in note B on accounting regulations and methods for the statements. Our work consists of assessing the data and the assumptions on which these estimations are based, checking the calculations carried out by the company, comparing the accounting estimates of previous periods with the corresponding figures, and examining the process by which the directors approved said estimations.

These assessments were performed as part of our audit of the financial statements as a whole and therefore contribute to the expression of the opinion given in the first part of the report.

III. Verifications and specific information

We have also performed the specific verifications required by law, in accordance with the professional standards applied in France.

We have no comment as to the fair presentation of the financial statements and their conformity with the information given in the management report of the Board of Directors, or with the documents addressed to the shareholders with respect to the financial position and the financial statements.

In accordance with the law, we have verified that the management report contains the appropriate disclosures as to the acquisition of shares and controlling interests and as to the percentage interests and votes held by shareholders.

Paris and Neuilly-sur-Seine, April 10, 2006

Statutory Auditors

EXCOM
12 rue Poncelet
75017 Paris
Thierry Dubreuil

Deloitte & Associés
185, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex
Christophe Perrau

5.7 Report of the statutory auditors on special agreements

Year ended December 31, 2005

In our capacity as the Statutory Auditors of your company, we hereby present our report on the special agreements that have been brought to our attention. It is not our duty to verify the existence of such agreements.

We hereby confirm that we have not been advised of the existence of any such agreement, as governed by Article L.225-38 of the French Commercial Code.

Paris and Neuilly-sur-Seine, April 10, 2006

Statutory Auditors

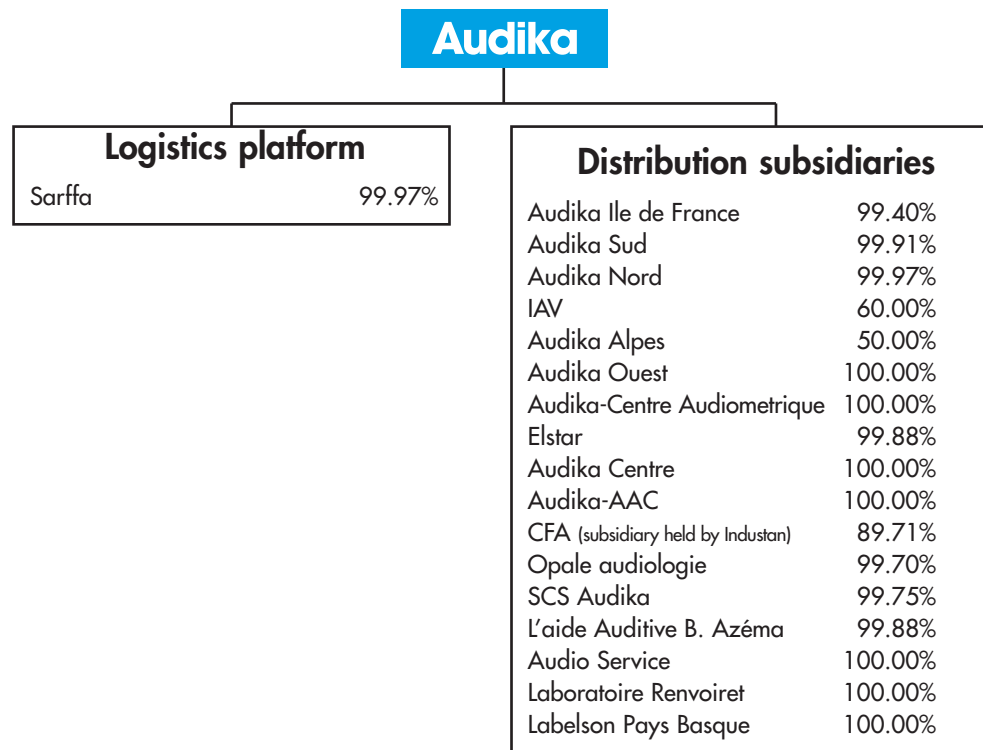
EXCOM
12 rue Poncelet
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Thierry Dubreuil

Deloitte & Associés
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92524 Neuilly-sur-Seine Cedex
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CHAPTER 6

LEGAL, SOCIAL AND FINANCIAL INFORMATION

6.1 Audika Group - Simplified Organizational Chart



6.2 Information on business risks

6.2.1 Financial risks

1 Market risks (interest rate, exchange rate, financial instrument and credit risks)

Exchange rate risk

Audika Group's exchange rate risk exposure is extremely low since all of its sales are realized in France and foreign currency purchases account for only 1% of all external purchases and expenses.

Consequently, the Group has no policy relating to exchange rate risks. In 2005, Audika Group recorded a net foreign exchange loss of EUR 6,000.

Interest rate risk

Audika Group's exposure to interest rate fluctuations stems essentially from its medium-term loans. Within Audika Group, almost 99% of loans are borne by the parent company. Loans borne by Audika subsidiaries amounted to EUR 150,000. Most of these loans (EUR 149,000) were taken out at a fixed interest rate (3.40% to 5.87%).

Loans taken out by Audika are subject to a variable rate (3-month Euribor +0.50% to 0.75%) and amounted to EUR 24,201,000 at end-2005. The syndicated loan has a hedge of EUR 9 million with a 3.10% cap.

The company is not exposed to counterparty risk on financial instruments.

2 Price, credit, liquidity and cash risk

Audika Group's core activities fall within the scope of a regulated sector. The principal constraints this implies are:

- hearing aid practitioners must be state-qualified;
- premises must be approved;
- all hearing aids sold must comply with EU standards;
- medical prescriptions are mandatory.

Hearing aids are reimbursed by the French social security system. However, the level of reimbursement is so low that the Group's activity is not affected by any positive or negative variations therein.

In terms of liquidity and cash risk, Audika Group's exposure is extremely low, as the majority of its clientele are individuals, which greatly dilutes any risk.

6.2.2 Legal risks

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

Like all other paramedical practitioners, hearing aid specialists are bound by secrecy. This is safeguarded by the configuration of the Group's IT systems.

Finally, the Group is insured against any damages incurred by a hearing aid practitioner during the fitting, and particularly the diagnosis, of the customer's hearing aid.

6.2.3 Environmental risks

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

Even though its sector of activity is deemed to produce a low level of pollution, Audika's commitment to preserving the environment is clear.

The company's consumption of water and energy remains low, limited as it is to the Group's commercial and administrative offices.

Under Decree 99-37 of May 12, 1990, which establishes a regulatory framework for recycling used batteries and storage cells, whether or not they are built into an appliance, any manufacturer, importer or distributor of batteries is required to collect used batteries according to specific directives.

Audika implemented this decree on January 1, 2002. Accordingly, in each center there is a receptacle for Audika customers to dispose of their used batteries. These batteries are then packed and dispatched to a company which specializes in waste collection and recycling (Screlec). Screlec is paid through a tax which has been levied by suppliers on all sales since January 1, 2002.

6.2.4 Commercial risks

Given that its activity extends to the sale and distribution of hearing aids to individuals, the Group is not subject to any major commercial risks.

Moreover, the Group's procurement policy advocates the use of diverse suppliers, the majority of which are major groups.

6.2.5 Insurance and level of cover for all risks

Audika Group is insured for all of the risks inherent to its activity by Axa Group.

Risk cover includes the entire head office (Paris), the logistics platform and all fitting centers.

The main insurance contracts concern:

	Head office and centers	Clichy site (logistics platform)
Legal liability	EUR 9,883,000/claim	EUR 9,883,000/claim
Business interruption	EUR 5,360,000/claim	EUR 5,360,000/claim
Company multi-risk	EUR 608,000/claim	EUR 2,300,000/claim

6.2.6 Social and tax risks

Audika Group is subject to regular tax and social audits by the competent bodies and government departments. Previous tax audits have had no material impact on the Group's results. In 2005, Audika underwent a tax audit for the years 2002 and 2003 which led to an accepted adjustment of EUR 12,000. Audika Centre also underwent a tax audit for the years 2002 and 2003, which led to an adjustment of EUR 9,000, which we are contesting. Lastly, three of the Group's companies (Sarffa, Audika Ile de France and Aide Auditive Bernard Azema) underwent French Social Security (URSSAF) audits which led to an overall refund of contributions of EUR 1,000. Since the end of the fiscal year, no tax audit has taken place.

6.2.7 Other specific risks

There are no other specific risks of note.

6.3 Information on the method used by the Group in incorporating social and environmental issues within its business

6.3.1

In application of Article L.2251021, paragraph 4 of the French Commercial Code and Article 1482 of the Decree of March 23, 1967, the methods used by the Group in incorporating the social consequences of its business over the past year are set out below:

A

a) Total headcount: 519 (501 on open-ended contracts and 18 on fixed-term contracts), including 233 executives (111 women and 122 men) and 286 employees (251 women and 35 men).

- Staff hired on open-ended contracts: the Group's development in recent years has created a number of jobs. The Group's total headcount has risen by over 11 % during the year, with 52 additional employees.

- Staff hired on fixed-term contracts: 43.

- Potential recruitment issues: no particular remarks.

- Lay-offs and causes: 13 ("real and serious" grounds), 3 (gross misconduct) and 1 (redundancy).

- Overtime: working overtime is exceptional and is compensated in line with current legislation.

- External labor: none.

- Plans for downsizing and maintenance of employment: not applicable.

- Reclassification: not applicable.

- Re-employment and support: not applicable.

B

Overall schedule: working hours.

- Working hours for full-time employees: 35 hours or a fixed number of working days for executives.

- Working hours for part-time employees: variable.

An agreement governing the reduction of the working week was signed in June 2001 and put into effect on August 1, 2001.

For non-executives, this reduction gives rise to:

- 6 days off per year corresponding to the periods during which the company is closed;
- one afternoon off every other Friday or, exceptionally, one Friday per month;
- a 15-minute reduction in daily working hours, at the beginning or end of the day between Mondays and Thursdays.

For executives, 215 working days per year entitles them on average to 6 days off corresponding to the periods during which the company is closed and 4 days to be taken at the employee's convenience, namely a total of 10 days' compensation time.

- Absenteeism and reasons: no particular remarks.

C

Compensation and changes in compensation: in 2005, personnel expenses (including social security payments) amounted to EUR 23,636,574.

- Payroll expenses: since 2005, Group employees have benefited from an employee profit-sharing scheme, which amounted to EUR 594,582 in 2005.
- Application of Article IV of Book IV of the French Labor Code: no particular remarks.

Professional equality between men and women: the company makes no distinction between men and women, either in terms of recruitment or remuneration, and the management structure is consistently applied to all staff.

D

Professional relationships and record of collective agreements: following the recognition of the French Social and Economic Union (UES), and at the company elections held in 2004, the Group's management took the initiative to negotiate a profit-sharing agreement with the Works Council. These negotiations resulted in the signature of an employee profit-sharing agreement and the implementation of a company savings plan in June 2005.

E

Health and Safety conditions: The Group's activities do not present any particular risk. Nevertheless, the management and health and safety committee remain attentive to health and safety for Group employees, notably via the implementation and follow-up of a health and safety policy.

F

Training: training remains a key part of the Group's social policy. The highly technical work of hearing aid practitioners requires ongoing training in fitting techniques and instruction in new products. Assistants at our centers also benefit from career-related training. Lastly, employees based at our head offices receive general training on software packages. Over 2005, more than 6,200 hours of training were given to some 400 employees.

G

Employment 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 devoted to the integration of the disabled within the workplace) where possible.

H

Charity work: Audika donates any refunds received on lost or canceled luncheon vouchers to the Works Council.

I

Sub-contracting: Audika occasionally calls on sub-contractors, primarily for services such as cleaning and IT, but also consulting services, etc.

J

Methods relating to the Group's management of its impact in terms of local and regional employment and development: none.

K

Relations maintained by the Group with job placement organizations, training establishments, environmental protection groups, consumer associations and local communities: none.

L

Importance of sub-contracting and methods used by the company to promote greater awareness and compliance amongst its subcontractors and subsidiaries of the basic terms of all relevant International Labor Organization agreements: not applicable.

M

Methods used by foreign subsidiaries in managing the impact of their activities on regional development and local communities: not applicable.

6.3.2

Pursuant to Article L. 2251021, paragraph 5 of the French Commercial Code and Article 1483 of the Decree of March 23, 1967, the environmental consequences of the Group's activity over the past financial year are as follows:

A

a) consumption of water, raw materials and energy, with the measures taken to improve energy efficiency and use renewable resources;

b) soil use conditions, discharges into the air, water and ground with a serious impact on the environment: none (the company does not operate any facilities that could cause soil pollution).

■ Sound or olfactory pollution: none.

■ Waste: none.

B

Measures taken to limit any damage to the ecological balance, natural ecosystems, protected animal and plant species: not applicable.

C

Steps taken to evaluate or certify companies according to environmental criteria: not applicable.

D

Measures taken, where applicable, to ensure the business's compliance with applicable environmental legislation: not applicable.

E

Spending to prevent the environmental consequences of the company's business: not applicable.

F

Existence of departments within the company devoted to environmental management, training and employee information, resources devoted to reducing environmental hazards and structures set up to deal with pollution accidents with consequences that extend beyond the company's establishments: none.

G

Provisions and guarantees set aside for environmental risks: none.

H

Fines paid during the fiscal year following a court decision pertaining to environmental matters and actions taken to repair any environmental damage: none.

I

Objectives that the company sets its foreign subsidiaries as regards points A to F above: not applicable.

6.4 Research and Development

The companies included in the consolidation scope do not carry out any research and development activities.

CHAPTER 7
CORPORATE
GOVERNANCE

7.1 The Board of Directors

7.1.1 Composition

The Board of Directors has 5 members. Two external board members joined the Group in 2004, following the capital investment made by Fonds Partenaire Gestion (Lazard Group). The external board members receive no compensation.

Audika's current directors are:

- Holton, represented by Jean-Claude Tonnard, appointed Director at the Shareholders' Meeting of June 15, 2004.

- Mr. Alain Tonnard, 54 years of age with a Masters in Management from Paris Dauphine.

Renewed on June 15, 2004 as Director for a mandate to expire at the close of the Shareholders' Meeting to approve the financial statements for the fiscal year ended December 31, 2009.

Renewed on June 14, 2002 as CEO for an indefinite term.

- Mr. Philippe Langzam, 52 years of age with a Masters in Management from Paris Dauphine and an MBA from Insead.

Renewed on June 15, 2004 as Director for a mandate to expire at the close of the Shareholders' Meeting to approve the financial statements for the fiscal year ended December 31, 2009.

- Mr. Oliver Lange, 31 years of age, graduate of HEC, appointed on June 15, 2004 as Director for a mandate to expire at the close of the Shareholders' Meeting to approve the financial statements for the fiscal year ended December 31, 2009.

- Fonds Partenaires Gestion, represented by Mr. Gilles Etrillard, appointed on June 15, 2004 as Director for a mandate to expire at the close of the Shareholders' Meeting to approve the financial statements for the fiscal year ended December 31, 2009.

For fiscal year 2005, compensation for the members of the Board of Directors totaled EUR 737,724.

Mr. Jean-Claude Tonnard also holds the post of Vice-Chairman of Audika for an indefinite term.

7.1.2 Preparation and structure of the work of the Board of Directors

The directors may be called to attend Board meetings by letter, telegram, fax or e-mail, with a notice period of at least five days.

Said meetings may also be convened verbally subject to the approval of all of the directors.

Where the Chairman is unable to attend, the Board of Directors shall appoint a member to chair the meeting from amongst those directors present.

The Board may appoint a secretary at each meeting who does not necessarily have to be a Board member.

Those directors taking part in Board meetings by videoconference in accordance with the relevant statutory conditions shall be deemed present for the purposes of quorum and majority. However, this provision may not apply to decisions governed by Articles L.232-1 (drawing up of the yearly financial statements) and L.233-16 (drawing up of the consolidated financial statements).

Said decisions are subject to the majority vote of those Board members present or represented. As an exception to this rule, decisions governed by Article 14.3 of the current by-laws require the majority vote of two-thirds of the total number of Board members.

Article 14.3. Bylaws:

The following decisions are subject to the prior approval of the Board of Directors:

- any operations liable to substantially affect the Group's (namely the company and the companies that it controls in accordance with Article L.233-16 of the French Commercial Code) strategy, its legal or financial structure or its scope of activity;

- the issue of any financial instruments or rights liable, in the near or long-term, to substantially alter the common stock of the company or any companies within the same Group (such as it is defined above);

- any changes to the policy governing the distribution of dividends.

In the event of a tie in the voting, the Chairman's vote shall take precedence.

Said conditions are stipulated in Article 15 of the company's by-laws.

7.1.3 Work of the Board of Directors over the past year

All of the directors were able to satisfactorily carry out their assignments and had access to all the necessary information to do so.

Over the past year, the Board of Directors met five times.

The main decisions taken were in the following areas:

- The approval of the financial statements for the fiscal year ended December 31, 2004. Preparation for and convening of the Ordinary Shareholders' Meeting;
- Drawing up of documents on future management and the report of the Board of Directors on the documents on future management;
- Payment of dividends voted by the Shareholders' Meeting;
- The acquisition of companies;
- Statement of the half-yearly accounts and drawing up of the interim report;
- Modification of the tax consolidation scope;
- Approval of various deposits and sureties.

7.1.4 General Management mandate

The Board of Directors Meeting of June 12, 2002 decided that the General Management of the company would be assumed by the Chairman of the Board of Directors.

7.1.5 Limitation of the powers of the General Management

The General Management of the company falls within the remit of either the Chairman of the Board of Directors or another individual appointed CEO by the Board of Directors.

The Board of Directors chooses between these two options governing the General Management of the company by majority vote as provided for in Article 15 of the current by-laws.

The CEO may not be more than 70 years old. Where the CEO exceeds this age, he shall be required to resign from office.

The General Manager is invested with the broadest of powers to act on behalf and in the name of the company. He exercises said powers within the limitations of the company's corporate purpose and subject to those powers expressly conferred on Shareholder Meetings and the Board of Directors in accordance with the regulatory provisions and by-laws, notably Article 14.3.

He represents the company with respect to third parties.

Said conditions are stipulated in Article 17 of the company's by-laws.

7.1.6 General Management of the Group

Alain Tonnard	CEO
Jean-Claude Tonnard	Vice-Chairman
Philippe Langzam	Head of Sales
Patrick Tonnard	Head of Marketing
Didier van den Berg	Head of Finance

Audika Group's management organizes a monthly Strategic Committee including Messrs. Alain Tonnard, Jean-Claude Tonnard and Philippe Langzam. These closed committees are the opportunity for committee members to review the Group's business strategy and past initiatives. Moreover, one of these committee meetings is also set aside to define the Group's payroll policy.

In addition, Audika Group’s management meets four times a year in the form of a Management Committee in which all department heads take part and whose purpose is to:

- keep participants informed of the decisions taken by the Strategic Committee;
- provide each department head with the opportunity to present any future projects as well as review those projects already underway;
- validate any decisions.

7.1.7 Compensation and benefits paid during the past year to each director and officer

Total compensation and benefits paid, including in the form of shares, as well as any commitments made during the fiscal year to the benefit of each of Audika’s corporate officers:

Alain Tonnard

Compensation and benefits paid during the fiscal year:

- Compensation and benefits: EUR 275,619. The increase on the figure for 2004 (EUR 270,000), namely EUR 5,619, corresponds to the reintegration of benefits following the breach of the ceiling set by France’s Social Security.
- Fixed compensation: EUR 275,619.
- Variable compensation and criteria on which it was calculated: none.
- Exceptional items and circumstances in which they arose: none.
- Share allocation: none.
- Any commitments linked to compensation, bonuses and benefits due, or liable to be due following the assumption, cessation or change in position as well as the criteria used to determine said commitments: none.

Jean-Claude Tonnard

Compensation and benefits paid during the fiscal year:

- Compensation and benefits: EUR 293,619. The increase on the figure for 2004 (EUR 288,000), namely EUR 5,619, corresponds to the reintegration of benefits following the breach of the ceiling set by France’s Social Security.
- Fixed compensation: EUR 293,619.
- Variable compensation and criteria on which it was calculated: none.
- Exceptional items and circumstances in which they arose: none.
- Share allocation: none.
- Any commitments linked to compensation, bonuses and benefits due, or liable to be due following the assumption, cessation or change in position as well as the criteria used to determine said commitments: none.

Other officers:

Officer	Compensation and benefits	Share allocation	Commitments
Philippe Langzam Director	None	None	None
Olivier Lange Director	None	None	None
Gilles Etrillard Permanent representative of Fonds Partenaires-Gestion Director	None	None	None

7.1.8 Total compensation and benefits paid to each company director and officer during the past year by the companies controlled by Audika

Total compensation and benefits paid, including in the form of shares, as well as any commitments made during the fiscal year to the benefit of each of Audika's corporate officers by the companies controlled by Audika:

Philippe Langzam

Compensation and benefits paid during the fiscal year:

- Compensation and benefits: Gross annual income of EUR 169,486.
- Fixed compensation: EUR 168,486.
- Variable compensation and criteria from which it was calculated: none.
- Exceptional items and circumstances in which they arose: none.
- Share allocation: none.
- Any commitments linked to compensation, bonuses and benefits due, or liable to be due following the assumption, cessation or change in position as well as the criteria used to determine said commitments: none.

Other officers:

Officer	Compensation and benefits	Share allocation	Commitments
Alain Tonnard Chairman and CEO	None	None	None
Jean-Claude Tonnard Vice-Chairman and Director	None	None	None
Olivier Lange Director	None	None	None
Gilles Etrillard Permanent representative of Fonds Partenaires-Gestion Director	None	None	None

7.1.9 Total compensation and benefits paid and shares allocated during the fiscal year to each corporate officer by the companies controlled by Audika

Total compensation and benefits paid, including in the form of shares, as well as any commitments made during the fiscal year to the benefit of each of Audika's corporate officers by the companies controlled by Audika:

Officer	Compensation and benefits	Share allocation	Commitments
Alain Tonnard Chairman and CEO	None	None	None
Jean-Claude Tonnard Vice-Chairman and Director	None	None	None
Philippe Langzam Director	None	None	None
Olivier Lange Director	None	None	None
Gilles Etrillard Permanent representative of Fonds Partenaires-Gestion Director	None	None	None

7.1.10 List of mandates and offices held in any company by each of the directors and officers during the past year

List of mandates and offices held in any company by each of the directors and officers during the past year:

Mr. Alain Tonnard

- Chairman of the Board of Directors and CEO of public limited company, Audika
 Head offices: 24, avenue de Friedland, 75008 Paris, France
 Registered under number 310,612,387, R.C.S. Paris.
- CEO of the simplified joint stock company, Audika AAC
 Head offices: Chamalières (63400) 40 avenue Joseph Claussat
 Registered under number 420,859,555, R.C.S. Clermont Ferrand
- Managing Director of the limited liability company, Audika Centre
 Head offices: 24, avenue de Friedland, 75008 Paris, France
 Registered under number 337,794,580, R.C.S. Paris
- Managing Director of the limited liability company, Audika Sud
 Head offices: Marseille (13001) 1 la Canebière
 Registered under number 388,470,593, R.C.S. Marseille
- Managing Director of the limited liability company, Audika Centre Audiométrique
 Head offices: 24, avenue de Friedland, 75008 Paris, France
 Registered under number 672,035,987, R.C.S. Paris
- Managing Director of the limited liability company, Compagnie Française d'Audiologie - C.F.A.
 Head offices: Paris (75008) 11 rue Jean Mermoz
 Registered under number 322,997,305, R.C.S. Paris
- Chairman of the Board of Directors of public limited company, Elstar
 Head offices: 24, avenue de Friedland, 75008 Paris, France
 Registered under number 403,732,704, R.C.S. Paris
- Managing Director of the limited liability company, Audika Ile de France
 Head offices: 24, avenue de Friedland, 75008 Paris, France
 Registered under number 308,895,770, R.C.S. Paris
- Director of the public limited company, Audika Nord
 Head offices: Saint-Denis (93200) 14 rue Gabriel Péri
 Registered under number 325,785,491, R.C.S. Bobigny
- CEO of the simplified joint stock company, Sarffa
 Head offices: 24, avenue de Friedland, 75008 Paris, France
 Registered under number 314,951,302, R.C.S. Paris
- Managing Director of the non-trading company, S.C.I. IMTON

- Head offices: 92200 Neuilly-sur-Seine, France
 30 boulevard du Château
 Registered under number 404 503 716, R.C.S. Nanterre
 - Managing Director of the limited partnership under Monegasque law, S.C.S. Audika
 Head offices: 20 avenue de Fontvieille 98000 Monaco
 Registered under number 03 S04 200, R.C.I. Monaco
 - Director of public limited company, Opale Audiologie
 Head offices: 17 rue du Temple 62100 Calais
 Registered under number 402,085,120, R.C.S. Calais
 - Chairman of the simplified joint stock company, Holton
 Head offices: 12 rue Arsène Houssaye 75008 Paris
 Registered under number 453,018,277, R.C.S. Paris.
 - Chairman of the Board of Directors and CEO of public limited company, L'Aide Auditive Bernard Azéma
 Head offices: 230 rue du Faubourg Saint Honoré 75008 Paris,
 Registered under number 317,144,004, R.C.S. Paris.
 - CEO of the simplified joint stock company, Audio Service
 Head offices: 24, avenue de Friedland, 75008 Paris, France
 Registered under number 343 498 762, R.C.S. Paris.
 - Managing Director of the limited liability company, Laboratoire Renvoïret
 Head offices: 37, avenue du Général de Gaulle 79200 Parthenay
 Registered under number 451 557 094, R.C.S. Bressuire.
 - Managing Director of the limited liability company, Labelson Pays Basque
 Head offices: rue de Gramont, Place des Basques 64100 Bayonne
 Registered under number 389,960,683, R.C.S. Bayonne.
 - Managing Director of the non-trading company, S.C.I. Tendance
 Head offices: 16 boulevard Maillot 92200 Neuilly-sur-Seine
 Registered under number 478,807,308, R.C.S. Nanterre.
 - Managing Director of the non-trading company, S.C.I. Jura
 Registered under number 410,884,522, R.C.S. Nanterre.
- Mr. Jean-Claude Tonnard**
- Vice-Chairman of Audika and permanent representative of Holton on Audika's Board of Directors.
 Head offices: 24, avenue de Friedland, 75008 Paris, France
 Registered under number 310,612,387, R.C.S. Paris.

- Director of the public limited company, Elstar
 Head offices: 24, avenue de Friedland, 75008 Paris, France

Registered under number 403,732,704, R.C.S. Paris

- Director of the public limited company, Audika Nord
 Head offices: Saint-Denis (93200) 14 rue Gabriel Péri
 Registered under number 325,785,491, R.C.S. Bobigny.

- Chairman of the Board of Directors and CEO of Opale Audiologie

Head offices: 17 rue du Temple 62100 Calais
 Registered under number 402,085,120, R.C.S. Calais.

- CEO of the simplified joint stock company, Holton
 Head offices: 12 rue Arsène Houssaye 75008 Paris
 Registered under number 453,018,277, R.C.S. Paris.

- Director of public limited company, L'Aide Auditive Bernard Azéma

Head offices: 230 rue du Faubourg Saint Honoré 75008 Paris

Registered under number 317,144,004, R.C.S. Paris.

- Managing Director of the non-trading company, S.C.l. Le Penny Cortambert

Head offices: 48 rue Cortambert 75016 Paris
 Registered under number 479,696,312, R.C.S. Paris.

- Managing Director of the non-trading company, Henri-Passy Plaza

Head offices: 3 square du Ranelagh 75016 Paris
 Registered under number 484,799,630, R.C.S. Paris.

- Managing Director of the non-trading company, Petrarque - Lauriston

Head Offices: 3 square du Ranelagh 75016 Paris
 Registered under number 484,799,697, R.C.S. Paris.

Mr. Philippe Langzam

- Director of the public limited company, Audika
 Head offices: 24, avenue de Friedland, 75008 Paris, France

Registered under number 310,612,387, R.C.S. Paris.

- Director and CEO of the public limited company, Elstar

Head offices: 24, avenue de Friedland, 75008 Paris, France

Registered under number 403,732,704, R.C.S. Paris

- Chairman of the Board of Directors and CEO of public limited company, Audika Nord:

Head offices: Saint-Denis (93200) 14 rue Gabriel Péri
 Registered under number 325 785 491, R.C.S. Bobigny

- Director of public limited company, L'Aide Auditive Bernard Azéma

Head offices: 230 rue du Faubourg Saint Honoré 75008 Paris

Registered under number 317,144,004, R.C.S. Paris.

- Director of public limited company, Opale Audiologie
 Head offices: 17 rue du Temple 62100 Calais,
 Registered under number 402,085,120, R.C.S. Calais.

Mr. Olivier Lange

- Member of the Supervisory Board of simplified joint stock company, Finaper 1 SAS

Head offices: 10 avenue Percier - 75008 Paris

- Member of the Supervisory Board of simplified joint stock company, Euroinvest SAS

Head offices: 10 avenue Percier - 75008 Paris

- Member of the Supervisory Board of simplified joint stock company, SGNH SAS

Head offices: 10 avenue Percier - 75008 Paris

- Director of public limited company, Audika
 Head offices: 24, Avenue de Friedland - 75008 Paris, France.

Mr. Gilles Etrillard

- CEO of public limited company, Fonds Partenaires Gestion SA

Head offices: 121 bld Haussmann - 75008 Paris

- Partner Managing Director of simplified joint stock company, Lazard Frères

Head offices: 121, bld Haussmann - 75008 Paris

- Partner Managing Director of simplified joint stock company, Maisons Lazard

Head offices: 121, boulevard Haussman - 75008 Paris

- Auditor of Lazard Frères Banque
 Head offices: 121, bld Haussmann - 75008 Paris

- Member and Managing Director of Lazard LLC (Delaware - USA)

- Partner Managing Director of limited partnership, Partena

Head offices: 12, avenue Percier – 75008 Paris

- CEO of simplified joint stock company, Topazholding
 Head offices: 12, avenue Percier - 75008 Paris

- Deputy Chairman of Credit Agricole Lazard Financial Products Bank

Head Offices: 11 Moorfields Highwalk - London EC2Y 9DY

- Deputy Chairman of Credit Agricole Lazard Financial Products Limited

- Director of Lazard Asia

- Member of the Supervisory Board of simplified joint stock company, SGNH

Head offices: 10 avenue Percier - 75008 Paris

- Member of the Management Committee of Tracis
 Head offices: 10, avenue Percier - 75008 Paris

- Director of public limited company, Laboratoire des Granions

Head offices: 7, rue de l'Industrie - Monaco

- LFPI representative for simplified joint stock company, Président Paninvest
 Head offices: 10, rue Treilhard - 75008 Paris
- CEO of simplified joint stock company, La Foncière LFPI
 Head offices: 128 bld Haussmann - 75008 Paris
- CEO of simplified joint stock company, La Financière Patrimoniale d'Investissement LFPI
 Head offices: 128, bld Haussmann - 75008 Paris
- Managing Director of SC Capinvest
 Head offices: 9 avenue Frédéric Le Play - 75007 Paris
 Representative of Capinvest, appointed member of the Supervisory Board of simplified joint stock company, ORCA
 Head offices: 10 avenue Percier - 75008 Paris
- CEO and Member of the Supervisory Board of simplified joint stock company, Euroinvest
 Head offices: 10 avenue Percier - 75008 Paris
- Member of the Board of Directors of simplified joint stock company, Joliette Parkings
 Head offices: 55, boulevard Péreire - 75017 Paris
- Member of the Board of Directors of simplified joint stock company, Joliette Batiments
 Head offices: 55, boulevard Péreire - 75017 Paris
- Member of the Management Committee of simplified joint stock company, Lumhotel
 Head offices: 10, avenue Percier - 75008 Paris
 CEO of LFPI itself CEO of LFPI Services itself

- Managing Director of Holinvest2
 Head offices: 10, rue Treilhard - 75008 Paris
- Permanent representative of Fonds Partenaires-Gestion on Audika's Board of Directors
 Head offices: 24, Avenue de Friedland - 75008 Paris, France
 - Member of the Supervisory Board of simplified joint stock company, IMMAT1
 Head offices: 10 avenue Percier - 75008 Paris
 - Member of the Management Committee of simplified joint stock company, Titaninvest
 Head offices: rue de l'Industrie - 21270 Pontailler sur Saône
 - Member of the Supervisory Board of simplified joint stock company, FINEXPLO
 Head offices: rue de l'Industrie - 21270 Pontailler sur Saône

7.1.11 Directors' attendance fees

No proposal to award directors' fees to the Board of Directors was put before the Ordinary Shareholders' Meeting.

7.1.12 Approval of provisional members by the Board of Directors Renewal of mandates

No new board members have been opted since the last Shareholders' Meeting.
 No mandate has expired.

7.2 Statutory Auditors

7.2.1 Named auditors

EXCOM, the current Statutory Auditors, informed the Board of Directors of their intention to step down once a successor had been appointed. It is therefore proposed that, until the Shareholders' Meeting convened to approve the financial statements for the fiscal year ending December 31, 2007, the following company be named as Audika's Statutory Auditors:

Pierre-Henri Scacchi et Associés
 A French public limited company with a capital of EUR 200,000
 Head offices: 23 rue d'Anjou - 75008 Paris
 Registered under number 408,272,375, R.C.S. Paris

Deloitte et Associés were named co-auditors on June 15, 2004 for a mandate expiring at the close of the Shareholders' Meeting to approve the financial statements for the fiscal year ending December 31, 2009.

7.2.2 Substitute statutory auditors

Mr. Jean Prévost, the substitute statutory auditor, informed the Board of Directors of his intention to step down once a successor had been appointed. At the Shareholders' Meeting, it is therefore proposed that, until the Shareholders' Meeting convened to approve the financial statements for the fiscal year ending on December 31, 2007, the following person should be named as Audika's substitute statutory auditor:

Mr Philippe Agnellet
 23 rue d'Anjou - 75008 Paris.

BEAS was named co-substitute statutory auditor on June 15, 2004 for a mandate expiring at the close of the Shareholders' Meeting to approve the financial statements for the fiscal year ending December 31, 2009.

7.2.3 Statutory Auditors' fees

Financial year 2005	Deloitte et Associés Fees excl. tax	Excom % Fees excl. tax	%
Audit, Statutory audit, certification and examination of parent company and consolidated financial statements	EUR 90,000	EUR 90,000	
Other assignments			
Total	EUR 90,000	50% EUR 90,000	50%

7.3 Certification of the overall amount of compensation paid to the highest earners

Year ended December 31, 2005

On the basis of our audit of the financial statements for the fiscal year ending on December 31, 2005, we certify that the overall compensation paid to the highest earners of Audika Group as indicated in the attached document and amounting to EUR 882,564, is exact and matches the amounts booked.

Paris and Neuilly-sur-Seine - April 10, 2006

Statutory Auditors

EXCOM
 12 rue Poncelet
 75017 Paris
 Thierry Dubreuil

Deloitte & Associés
 185, avenue Charles-de-Gaulle
 92524 Neuilly-sur-Seine Cedex
 Christophe Perrau

7.4 Report of the Chairman of the Board of Directors on internal control procedures

This report pertaining to the financial year ending December 31, 2005, 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 procedures implemented to date by Audika.

7.4.1 Internal control

1 Definition of internal control

Audika defines the notion of internal controls as a process implemented by the company's Board of Directors, management bodies and staff with a view to ensuring the rigorous and effective management of the company.

This definition implies:

- compliance with the policies and procedures defined by management as well as with the relevant laws and regulations in force;
- the preservation of assets;
- the prevention of fraud and errors;
- the sincerity and exhaustive nature of financial information.

One of the objectives of the internal control procedures is to prevent and 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, they can never constitute an absolute guarantee against these risks.

2 Key players in internal control procedures

Audika Group is organized in the following way:

- Product and service logistics platforms that are managed by Audika and Sarffa.
- Distribution centers which are managed by the regional distribution companies: (Audika Ile de France, Audika Sud, Audika Ouest, Institut de l'Audition du Var, Audika Alpes, Audika Centre Audiométrique, Elstar, Audikacentre, CFA, Audika AAC, Audika Nord, Opale Audiologie, SCS Audika, Audio-Service, Laboratoire Renvoïret, Labelson Pays Basque and l'Aide Auditive Bernard Azéma).

The distribution centers have no management autonomy or any responsibility within the decision-making process. Internal controls are dependent on the regional directors in charge of implementing the Group's commercial policy as approved by the Strategic Committee on the one hand, and on the distribution center staff in charge of the daily application of said policy on the other.

The key players in terms of internal control are as follows:

- The Board of Directors.
- The General Management (which defines the objectives of the different departments along with the methods and procedures for monitoring said 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 monitoring compliance with the targets set and keeping the General Management adequately informed thereof.

3 Organization of internal controls

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

Moreover, the procedures implemented in the different departments cited hereinafter were defined in a bit to achieve the core aim inherent to any internal control system (namely, to give reasonable assurance as to the prevention of any major risks which the Group may encounter).

Finance Department

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

The Finance Director is assisted by the Head of Accounting who oversees the general accounts and accounting teams. The accounts are booked in the AS400 system used by all Group companies. The chart of accounts applies group wide. Internal controls are based on a centralized approach to flows via a single IT system.

The consolidation of the accounts is centralized within the Finance and Administrative Department of Audika which is assisted in this respect by a specialist outside firm. The consolidation software used is called Reflex (AS Group).

The Finance Department has issued accounting procedures to be applied by each staff member in the Group's centers. Regional Directors are chiefly responsible for ensuring that these financial procedures are applied correctly. In addition, Regional Directors must ensure that the centers are well managed through a system of regular spot checks.

At each accounting closure (half-yearly or yearly), the accounts are analyzed and justified in a structured statement.

Moreover, a number of different follow-up tables have been set in place, notably with respect to:

- acquisitions (follow-up tables for shares and the various impacts of acquisitions on the consolidated accounts);
- debt (follow-up tables for covenants);
- off-balance sheet commitments;
- the book value of fixed assets;
- the margins of centers and the logistics platform;
- monthly consolidated reporting.

The other procedures, albeit unwritten, cover the main internal control processes.

In most of these areas, standard documents have been developed with a view to reinforcing internal controls.

Furthermore, Audika's General Management has also implemented the follow-up of yearly investment budgets by department. The regular follow-up of capital expenditure (by the General Management and Finance Department) helps ensure the rigorous and effective management of the company.

Management Control

The Management Controller is responsible for developing the resources necessary for the permanent follow-up of results (indicator tables, procedures for the collection and transfer of information, information processing program in collaboration with the IT department).

He produces monthly activity indicators for each of the Group's departments, notably:

- sales indicators;
- business volume indicators;
- management indicators;
- commercial indicators;
- marketing indicators;

Financial communications

Based on the financial data provided by the Finance Department or the Management Controller, the General Management issues various types of financial communication in accordance with the regulatory provisions of the AMF.

In order of priority, financial communication is intended for shareholders, analysts and investors.

Financial communications take the form of financial press releases, annual reports, slide shows, shareholders' letters and the Group's website.

Sales Department

The Sales Department applies a number of procedures across the network (Operational Guidelines for Regional Directors, sales conditions, accounting procedures, etc.) which allow for the preservation of

assets, and the prevention of fraud and errors within each center. All center staff members (assistants) are thus given a document which outlines the different sales conditions to be applied across the network and which allows for the optimal management of each center. In addition to this documentation, staff members receive regular training (from regional training supervisors) to ensure that sales conditions are properly understood and applied.

In addition to the Network Department at head office, Audika Group has also appointed several Regional Directors. Regional Directors are chiefly responsible for supervising the sales activity of each center (with regard to the targets set at the start of each year) and ensuring it is managed well.

External audit by the statutory auditors

Audika's two statutory auditors are designated for a term of six years by the Shareholders' Meeting. Said statutory auditors carry out a general inspection of the half-yearly accounts and audit the financial statements as at December 31.

They also visit the centers throughout the year in order to ensure that procedures are correctly implemented. Any recommendations put forward by the statutory auditors within the framework of their assignment are examined by Audika's management bodies and, where applicable, integrated within an action plan.

Other measures in the company's internal control procedures

Audika Group occasionally calls upon the services of specialist external consultants (insurance, IT, legal, etc.).

7.4.2 Initiatives undertaken in 2005 and action plan for 2006

Work carried out in 2005

In accordance with the aims set out in the previous report of the Chairman on internal control procedures, a certain number of initiatives were taken in 2005 in order to ensure the continuous improvement of internal controls within Audika Group, namely:

- the setting up of the Internal Control Committee;
- monthly follow-up meetings;
- the deployment of a new, centralized IT management software (Audikanet/Progekanet);
- the development of new activity indicators;
- the recruitment of a Quality Manager for logistics.

The report drawn up in accordance with Article L225.37 of the French Commercial Code was reviewed. Said review, alongside the work undertaken in 2005, did not reveal any major discrepancies or serious shortcomings as regards the company's internal control methods and procedures.

1 Setting up of the Internal Control Committee

Mission

Set up in 2004, the aim of the Internal Control Committee, headed up by the Management Controller and under the responsibility of the Chairman, is to enable the company's different departments to evaluate their internal control measures and determine how to improve and/or enhance them. The Internal Control Committee must ensure that the necessary measures are taken to control risks that are likely to affect the company's targets. Controls are carried out on all hierarchical and functional levels and include various measures such as the approval and validation, monitoring and reconciling and assessment of operating performances, the preservation of assets and the separation of functions.

Structure

The Internal Control Committee has 4 members who represent the Group's Management Control, Communications, IT and Human Resources functions.

Methodology

The Internal Control Committee's first assignment was carried out in two stages: first, an evaluation of the Group's working environment, followed by a review of its internal control procedures. These two stages enabled the Committee to assess risk cover within the Group, and gradually implement the requisite tools to allow for the permanent monitoring of the efficiency of internal controls.

Work

Over the past year, the Internal Control Committee met 6 times. The main decisions taken concerned the following:

- centralization of the different procedures currently in place;
- distribution of self-assessment questionnaires to each department head in order to check that current procedures are appropriate, up to date, and correctly understood by all employees (procedures, risk areas, responsibilities and investments);
- analysis of current procedures and "risk areas";
- definition of new procedures to implement or amendments to be made to current procedures;
- review of the Regional Director's role in internal control.

2 Deployment of the new centralized IT management software (Audikanet/Progekanet).

Developed in 2004, this system was gradually deployed throughout Audika's network of centers in 2005, with all center staff receiving training on how to use it. All network centers are now equipped (apart from the most recent acquisitions for which installation has been scheduled).

This IT management software should mean faster feedback (sales, marketing and finance), thereby enhancing the effectiveness and adaptability of internal control.

3 Monthly follow-up meetings

Assignment

The monthly activity follow-up meetings implemented in 2003 and headed up by the CEO and Vice-Chairman, are aimed at carrying out a complete assessment of activity within the different departments, (sales, marketing, logistics, development) during the past month, as well as checking the different management indicators and reviewing projects underway.

Structure

All the department heads concerned are represented during these meetings: General Management, Management Control, Sales and Network Department, Marketing Department and the Development Department.

Work

Over the past year, the Internal Control Committee met 11 times. The General Management essentially draws upon the activity reports produced by the Management Control Department, which centralizes all of the different activity indicators.

4 Developing new activity indicators

In addition to the deployment of the new centralized IT management software (Audikanet/Progekanet), a certain number of activity indicators have been developed in order to further refine data analysis (sales, management indicators).

With this in mind, the IT Department and different department heads met on several occasions in order to determine their needs and develop indicators in line with their individual requirements. These indicators also extend to accounting (cash, inventories, client balance), sales (sales analysis, coordination tables) and management (management indicators).

These activity indicators are central to internal control within the Group.

5 Recruitment of a Quality Control Manager for the Logistics Department

In August 2005, the Logistics Division recruited a Quality Control Manager to review and improve on its quality processes, and, more specifically, to formalize internal procedures at Audika Logistique and operational procedures between Audika Logistique and the other departments, as well as implement quality indicators.

2006 Action plan

Over the course of 2006, the Internal Control Committee is to continue enhancing existing procedures in order to best meet all internal control requirements. In particular, it shall continue to focus on the harmonization, documentation and follow-up of changes made to each procedure.

Alain Tonnard

Chairman of the Board of Directors

7.5 Report of the Statutory Auditors on the report furnished by Audika's Chairman of the Board of Directors

Report of the Statutory Auditors drawn up in accordance with the Article L225-235 of the French Commercial Code on the report furnished by Audika's Chairman of the Board of Directors on internal control procedures governing the drafting and processing of financial and accounting information.

Year ended December 31, 2005

To the shareholders,

In our capacity as statutory auditors for Audika and in application of the provisions of Article L.225-235 of the French Commercial Code, we hereby present our report on the report drawn up by the Chairman of your company in accordance with the provisions of Article L.225-37 of the aforementioned Code for the financial year ended December 31, 2005.

In his report, the Chairman is responsible for outlining the way in which the work of the Board of Directors is prepared and structured as well as the different internal control procedures implemented within the company.

Our task here is to relay any comments we may have as regards the information given in the Chairman's report on internal control procedures governing the way in which accounting and financial information is drawn up and processed.

We conducted our audit in accordance with auditing standards generally accepted in France. Said standards require that we perform due diligence aimed at verifying the accuracy of the information given in the Chairman's report on the internal controls governing the way in which accounting and financial information is drawn up and processed.

Said due diligence notably consists in:

- reviewing the aims and general organization of internal controls, as well as those internal controls governing the way in which the accounting and financial information presented in the Chairman's report is drawn up and processed,
- reviewing the work underpinning the information presented in the report.

Based on our audit, we have no comments to make as to the information on the company's internal control procedures governing the compilation and processing of the accounting and financial information given in the report of the Chairman of the Board of Directors drawn up in accordance with the provisions of the last paragraph of Article L.225-37 of the French Commercial Code.

Paris and Neuilly-sur-Seine - April 10, 2006

Statutory Auditors

EXCOM
12 rue Poncelet
75017 Paris
Thierry Dubreuil

Deloitte & Associés
185, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex
Christophe Perrau

CHAPTER 8
**SHAREHOLDER
INFORMATION**

8.1 General Information on the issuer and common stock

8.1.1 Information concerning the issuer

- 1 Company name**
Audika.
- 2 Registry date**
July 7, 1977.
- 3 Head offices**
24, Avenue de Friedland - 75008 Paris.
- 4 Term**
Until August 4, 2076 unless extended or dissolved in advance by vote of the Extraordinary Shareholders' Meeting.
- 5 Legal form**
French société anonyme (public limited company) with a Board of Directors, governed by Articles L.210-1 to L.247-9 of the French Commercial Code and the Decree of March 23, 1967.
- 6 Fiscal year**
The fiscal year begins on January 1 and ends on December 31 of each year.
- 7 Corporate purpose (Article 2 of the by-laws)**
The company's purpose is:

The acquisition by any means, management and eventual sale of equity investments in French or foreign companies whose business is to buy, sell, promote, import, export, distribute, manufacture or repair hearing aids as well as any accessory products and franchising therein.

To provide all services that fall within the framework of the management of those companies in which it has a stake.

To provide all services in terms of sales, finance, administration or any other services as well as the execution of all financial, real estate or commercial transactions for the benefit of or aimed at both the companies in which it holds a stake or third parties.

To promote, create and develop commercial and industrial companies.

To buy, sell, build, rent and operate offices, shops, workshops and factories that fall within the framework of this activity or any related activities. The company may, in addition, act as a sales agent.

To take out, acquire, operate, sell or grant licenses or patents or brand names and other industrial or intellectual property rights falling within the company's purpose.

To act as an advertising agency.

The disposal or contribution 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 by any other means, in any businesses or companies directly or indirectly related to the corporate purpose and generally in any businesses or companies which may add to its clientele or favor the businesses in which it might have interests; and this by any means notably by forming new companies, capital contributions, mergers, partnerships, joint ventures, or economic interest groupings.

To carry out any industrial, commercial or financial operations, including any capital equipment or real estate transactions, which may pertain directly or indirectly to the corporate purpose as well as to any similar or related purposes.
- 8 Trade and Companies' Register**
SIREN 310 612 387, RCS Paris
- 9 NAF Code**
523C

8.1.2 Main legal and statutory regulations

1 Appropriation and distribution of earnings (Article 23 of the by-laws)

On the profit to be distributed, the Shareholders' Meeting shall withhold all sums to be appropriated to retained earnings or to create any ordinary, extraordinary or contingency reserve funds. Where applicable, the balance shall be divided between all shares proportional to the amount paid up and non-amortized.

The Shareholders' Meeting may decide to distribute sums deducted from the reserves at its disposal. Where it does, its decision must expressly indicate on which reserves the deductions have been made.

However, any dividends shall be primarily deducted from the distributable profit for the year.

2 Shareholders' Meetings (Articles 19 to 22 of the by-laws)

Shareholders' Meetings are called and held under the conditions stipulated by French law.

The meetings are held either at the head offices of the company in question or at another location specified in the meeting's notice.

Any shareholder is entitled to attend the Shareholders' Meetings and to take part in the deliberations, in person or through a proxy, no matter how many shares he owns, simply by proving his identity and ownership of his shares.

The Shareholders' Meetings are chaired by the Chairman of the Board of Directors or, in his absence, by a director specially appointed for this purpose by the Board. Failing this, the Shareholders' Meeting shall elect its own Chairman.

The minutes of the Shareholders' Meeting are taken and their copies are certified and distributed in accordance with the law.

3 Stock repurchase program (Article 25 of the by-laws)

1) The Ordinary Shareholders' Meeting of June 14, 2005 authorized the Board of Directors to repurchase treasury stock (for an 18-month period), with a view to:

- purchasing and selling the stock depending on market conditions;
- using the stock for investments or in the financing of acquisitions (where stock is tendered either as payment, in exchange or in the form of a capital contribution) or in the issue of marketable securities resulting in the allocation of company shares (as payment, in exchange or in any other form);
- stabilizing share prices by systematically countering market trends;
- allocating stock options to Group employees, directors and officers;
- allocating shares to employees in recognition of their contribution to the company's results, under a company savings plan or under any other employee savings scheme.

These purchases may involve a number of shares such that the total number of shares held by the company following said purchases does not exceed 10% of the shares comprising its capital.

The company may acquire, sell or transfer these shares by any means according to the following conditions:

- the company may pay no more than EUR 110 (excl. expenses) per share in repurchasing its own stock,
- the maximum amount of purchases authorized is thus set at EUR 34,650,000.

2) Pursuant to Article L.225-211 of the French Commercial Code, we report that your company neither bought nor sold its own stock during 2005.

The company held no treasury stock at the beginning of the 2005 financial year and none at its close on December 31, 2005.

4 Breaching thresholds (Article 11.3 of the by-laws)

Where the shares are listed on a regulated market, any individual or legal entity, acting alone or in concert, that comes into possession of over one twentieth, one tenth, one fifth, one third, one half or two thirds of the capital or voting rights, must report his equity stake (total number of shares and voting rights held directly or indirectly or in concert) to the company within 15 days of the breach in threshold.

The company must also be duly informed within the same deadlines where the equity stake of an individual or legal entity falls back below the thresholds specified above.

The person required to provide the information above must specify the number of shares they own as well all attached voting rights.

Should the aforementioned reporting requirement be violated, the provisions of the first two paragraphs of Article L.233-14 of the French Commercial Code shall only apply at the request, specified in the minutes of the Shareholders' Meeting, of one or several shareholders holding a percentage of the capital or voting rights of the issuing company that is at least equal to the smallest fraction of capital held that must be declared. Said percentage may not, however, exceed 5%.

Any breach of the threshold of one tenth or one fifth of the capital or voting rights must also result in the reporting of the information stipulated in Article L.233-7 of the French Commercial Code.

5 Voting rights (Article 11.2 of the by-laws)

Each share entitles its holder to a proportional share of the company's capital. Shares that have been fully paid-up and registered for at least four years carry double voting rights.

6 Extraordinary circumstances and lawsuits

To the best of the company's knowledge, there are, at present, no exceptional circumstances or disputes which could or, in the recent past, have had a material effect on the activity, results, financial situation or assets of Audika and its subsidiaries.

7 Consultation of company, accounting and legal documents

The by-laws, minutes and other corporate documents may be consulted at the company's head offices located at 24, Avenue de Friedland - 75008 Paris, France.

8.1.3 Information on the capital

1 Capital (Article 7 of the by-laws)

The capital stands at EUR 283,500 and is divided into 9,450,000 shares which are fully paid up and all of the same class. The par value of shares is EUR 0.03.

2 Breakdown of capital and voting rights

Breakdown of capital

The table below lists those shareholders who, at December 31, 2005, held over:

one twentieth, one tenth, one fifth, one third, one half or two thirds of the capital or voting rights at Shareholders' Meetings, as well as any changes which occurred during 2005.

Shareholder	Capital held	Voting rights held	Thresholds breached in terms of capital	Thresholds breached in terms of voting rights
Holton	Over 1/2	Over 1/2	None	None

To the company's knowledge, no other shareholder directly, indirectly or jointly holds more than 5% of Audika's capital or voting rights.

Treasury stock

There is no company holding Audika shares which is controlled by Audika.

Major equity investments by the company and controlling interests in other companies

Pursuant to Article L.233-6 of the French Commercial Code, equity investments in 2005, amounting to over 5%, 10%, 20%, 33.33% or 50% of capital or voting rights, or controlling interests in other companies with their head offices in France, were as follows:

Date	Corporate name of target company	Capital	Thresholds breached Voting rights
01/01/05	Laboratoire Renvoiret (SIREN 451 557 094)	50%	50%
03/11/05	Labelson Pays Basque (SIREN 389 960 683)	50%	50%

Employee share ownership at December 31, 2005

■ Shares owned by employees which are managed in a fund and which the owners cannot access freely:

Employees	Number of shares	% of capital
None	0	0
Total	0	0

■ Shares owned by employees which are managed in a fund and which the owners cannot access freely:

Legal framework	Number of shares	% of capital
None	0	0
Total	0	0

Share buybacks to be allocated to employees and management

In accordance with Article L.225-211 of the French Commercial Code, the company did not acquire any of its own shares in 2005 with a view, pursuant to Article L.225-208 of the aforementioned Code, to:

- allocating shares to employees in recognition of their contribution to the company's results;
- allocating free shares to employees or management in accordance with provisions laid out in Articles L.225-197-1 to L.225-197-3 of the French Commercial Code;
- allocating stock options to employees and management in accordance with the provisions laid out in Articles L.225-177 et seq. of the French Commercial Code.

3 Potential capital

No security exists that could result in a direct or indirect claim on the company's stock.

4 Authorized and unissued capital stock

The company's Board of Directors was authorized by the Extraordinary Shareholders' Meeting of June 14, 2005 for a maximum period of 26 months to increase the capital to EUR 50,000 in one or several stages either in cash shares, with or without pre-emptive rights or through the incorporation of reserves and the free allocation of shares.

Pursuant to Article L.225-100, the table below summarizes those powers which are still valid granted to the Board of Directors with regard to capital increases:

Date of the meeting	Term of validity	Amount authorized autorisé	Use of powers in previous years	Use of powers in 2005
June 14, 2005	26 months	EUR 50,000	Not applicable	Not applicable

This authorization will be replaced by the power submitted to the Meeting if approved.

5 Shareholders' agreement

None.

6 Pledging of shares

None.

7 Alienation of shares in order to regularize cross-shareholdings

None.

8 Capital increase reserved for employees

None.

9 Operations carried out by directors and officers of the Group

Acquisitions, disposals, subscriptions, exchanges and transactions on Audika shares through forward financial instruments, carried out during 2005 by directors and officers of the Group and those closely related to them: none.

10 Change in Audika's Capital (FRF = French Francs, EUR = Euros)

Date	Type of operations	Increase in capital	Issue of share premium	Number of shares	Par value	Capital stock after operation
07/07/1977	Company formed	FRF 100,000	-	1,000	FRF 100	FRF 100,000
26/11/1984	Capital increase	FRF 150,000	-	2,500	FRF 100	FRF 250,000
31/12/1997	Merger absorption with Européenne de l'audition	FRF 110,000	FRF 1,649,102	3,600	FRF 100	FRF 360,000
31/12/1997	10-for-1 stock split	-	-	36,000	FRF 10	FRF 360,000
23/01/1998	Capital increase through the incorporation of reserves	FRF 1,140,000	-	150,000	FRF 10	FRF 1,500,000
27/04/1998	5-for-1 stock split	-	-	750,000	FRF 2	FRF 1,500,000
26/05/1998	Capital increase concomitant with IPO	FRF 75,000	FRF 7,387,500	787,500	FRF 2	FRF 1,575,000
30/05/2001	Capital increase through the incorporation of reserves and the conversion of capital into euros	FRF 5,856.37	-	787,500		FRF 1,580,856.37 (EUR 241,000)
01/07/2002	Capital increase through the incorporation of reserves	EUR 11,000	-	787,500	EUR 0.32	EUR 252,000
01/07/2002	Stock split	-	-	3,150,000	EUR 0.08	EUR 252,000
01/07/2005	Stock split	EUR 31,500	-	9,450,000	EUR 0.03	EUR 283,500

11 Breakdown of capital and voting rights

Shareholders	31/12/05				31/12/04			
	Shares		Voting rights		Shares		Voting rights	
Holton	5,097,600	53.94%	5,097,600	53.94%	1,699,200	53.94%	1,699,200	53.94%
Alain Tonnard	3	ns	3	ns	1	ns	1	ns
Philippe Langzam	3	ns	3	ns	1	ns	1	ns
Public	4,352,394	46.06%	4,352,562	46.06%	1,450,798	46.06%	1,450,854	46.06%
Total	9,450,000	100.00%	9,450,168	100.00%	3,150,000	100.00%	3,150,056	100.00%

Holton (majority shareholder) issued convertible bonds with Holton share warrants, which can be converted freely at any moment as from March 20, 2007.

To the best of the company's knowledge, one public shareholder dropped below the 5% threshold in 2005.

8.1.4 Dividends

In accordance with Article 243a of the French General Tax Code, the total dividends paid over the three years prior to the financial year ended December 31, 2005 were as follows:

Fiscal year	Total dividends	Dividend per share	Amount of income distributed eligible for rebate	Amount of income distributed not eligible for rebate
2002	EUR 882,000.00 paid out of the year's "Net Income"	EUR 0.28		
2003	EUR 1,197,000.00 paid out of the year's "Net Income"	EUR 0.38		
2004	EUR 1,449,000.00 paid out of the year's "Net Income"	EUR 0.46	shares held by individuals and companies which are taxed on behalf of their individual partners	

Since its listing on the Second Marché in 1998, Audika Group has developed a steadfast policy of dividend distribution. The amount of dividends distributed corresponds to approximately 25% of consolidated net income.

The Board of Directors proposed the payment of a dividend of EUR 0.17 per share at the Shareholders' Meeting, for a total dividend payment of EUR 1,607,000, representing around 25% of net consolidated income.

8.1.5 Stock market information

Audika (Euroclear Code 6375) has been listed on the Second Marché of Euronext Paris since May 26, 1998. The company's stock has also been traded on the MidCac index since July 20, 1999 and on the Second Marché index since April 3, 2001.

On January 1, 2002, the stock was listed on the Nextprime market segment and its corresponding index. Since July 1, 2005 and following the 3-for-1 stock split, Audika Group's capital is made up of 9,450,000 shares.

	Highest	Lowest	Average price	Average daily
2004				
January	13.49	12.67	13.10	9,664
February	13.73	12.45	13.14	21,568
March	14.83	14.17	14.51	14,124
April	15.50	15.08	15.34	6,644
May	16.60	14.33	15.44	11,586
June	17.65	16.38	16.91	15,174
July	19.08	17.72	18.47	9,951
August	18.67	17.40	17.79	6,909
September	18.37	16.97	17.86	7,927
October	21.70	17.10	19.08	22,108
November	23.00	20.67	21.80	9,621
December	26.62	23.15	25.26	12,635

2005				
January	26.70	24.07	25.33	16,052
February	25.33	20.95	22.79	56,541
March	22.80	20.87	21.86	21,726
April	23.10	21.55	22.33	18,118
May	22.83	21.98	22.41	8,343
June	22.87	21.02	22.00	11,659
July	21.49	18.33	19.89	28,984
August	18.84	18.10	18.62	11,097
September	21.22	18.25	19.91	29,342
October	19.78	18.35	19.22	23,763
November	19.94	16.15	17.55	26,911
December	17.73	16.83	17.17	9,596
2006				
January	19.18	17.30	18.62	16,293
February	19.80	18.52	18.90	8,259
March	20.58	19.10	19.59	8,891

8.2 Shareholder relations

8.2.1 Financial communication

In order to maintain regular, transparent and exhaustive communication with its shareholders, Audika has devised a financial communication policy which includes:

- a full annual report, registered 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 a number of press releases most often circulated and distributed by stock market websites for the general public;
- a shareholders' letter published in the third quarter of each fiscal year presenting the year's highlights and the company's outlook;
- regular meetings with analysts, fund managers and journalists;
- a complete, regularly updated website in French and English (www.audika.com).

8.2.2 Information requests

Any requests for information may be addressed to the company.

All documents relating to the company may be consulted at its head offices:
 24, avenue de Friedland, 75008 Paris, France

Head of Financial Information: Alain Tonnard
 Co-Chairman and CEO

Tel. +33 (0)1 55 37 30 30 - Fax: +33 (0)1 55.37.30.36

8.2.3 Communication calendar

January 24, 2006: Sales for the fourth quarter of 2005

March 28, 2006: Annual SFAF meeting

April 23, 2006: Sales for the first quarter of 2006

June 14, 2006: Shareholders' Meeting

July 18, 2006: Sales for the second quarter of 2006

September 26, 2006: Half-yearly SFAF meeting

October 17, 2006: Sales for the third quarter of 2006

8.3 Brokerage firms carrying out financial research on Audika

A number of brokerage firms, banks or financial organizations regularly monitor and/or publish research on Audika for their clients. They include:

- Cazenove, Cheuvreux, Euroland Finance, Ixis Market, Fortis Securities, Gilbert Dupont, ING Financial Markets, Merrill Lynch, Oddo Midcaps and Portzamparc.

CHAPTER 9

**ANNUAL ORDINARY
AND EXTRAORDINARY
SHAREHOLDERS' MEETINGS
OF JUNE 14, 2006**

9.1 Report of the Board of Directors to the Annual Ordinary and Extraordinary Shareholder Meetings of June 14, 2006

To the shareholders,

In accordance with the relevant legal and statutory regulations, we have convened:

- an Ordinary Shareholders' Meeting in order to report on the company's results for the fiscal year ended December 31, 2005, to appropriate the year's earnings, to approve the renewal of the stock repurchase program and to deliberate on the other items contained in the agenda of the Ordinary Shareholders' Meeting called to approve the year's financial statements;
- an Extraordinary General meeting in order to grant the Board of Directors the necessary powers to decide on the issue of shares or securities giving access to capital stock, to approve a capital increase reserved for employees and to update the company's by-laws in line with current legislation.

9.1.1 Appropriation of earnings

The Board of Directors submits the payment of a dividend of EUR 0.17 per share to the Shareholders' Meeting, i.e. an increase of over 10% on 2004. The Board of Directors reminds the meeting that the number of company shares has tripled from 3,150,000 to 9,450,000 (3 new shares for 1 old share) in accordance with the resolutions of the Joint Shareholders' Meeting held on June 14, 2005.

Consequently, we propose to appropriate the net income for the year ended December 31, 2005 of EUR 2,130,061.49 as follows:

- EUR 3,150.00 to 'Legal Reserves' (supplement further to the capital increase of June 14, 2005);
- EUR 520,411.49 to "Other Reserves";
- the payment of an overall dividend of EUR 1,606,500 (or EUR 0.17 per share) to be deducted entirely from the net income for 2005.

In accordance with Article 158 3 2° of the French General Tax Code, we hereby inform you that dividends paid on those shares held by individuals and companies which are taxed on behalf of their individual partners are eligible for a rebate of 40%; it being specified that this rebate does not apply to the calculation of CSG (supplementary social security contribution) and other social security deductions.

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 reserve	28,350.00
Other reserves	4,119,830.70
Total	5,344,813.19

9.1.2 Dividends paid over the three previous fiscal years

In accordance with Article 243 a of the French General Tax Code, the total dividends paid over the three years prior to the fiscal year ended December 31, 2005 were as follows:

Fiscal year	Total dividends	Dividend per share	Amount of income distributed eligible for rebate	Amount of income distributed not eligible for rebate
2002	EUR 882,000.00 paid out of the year's "Net Income"	EUR 0.28		
2003	EUR 1,197,000.00 paid out of the year's "Net Income"	EUR 0.38		
2004	EUR 1,449,000.00 paid out of the year's "Net Income"	EUR 0.46	shares held by individuals and companies which are taxed on behalf of their individual partners	

9.1.3 Approval of certain non-deductible expenses

In accordance with Article 39-4 of the French General Tax Code, EUR 13,449 in excess depreciation was added back to taxable income for 2005, with the tax owed as a result of this excess depreciation amounting to EUR 4,550.

9.1.4 Special agreements

The regulated agreements governed by Article L.225-38 of the French Commercial Code are listed in the statutory auditors' special report which is presented pursuant to Article L.225-40 and, where applicable, L.225-42 of the French Commercial Code. These agreements are subject to your approval.

9.1.5 Directors' attendance fees

No proposal to award directors' fees to the Board of Directors is put before the Ordinary Shareholders' Meeting.

9.1.6 Approval of temporary members by the Board of Directors

Renewal of mandates

Appointment of new board members

Expiry of the Statutory Auditors' mandate

Appointment of new statutory auditors

No new board members have been co-opted since the last Shareholders' Meeting.

No mandate has expired.

Excom, the current Statutory Auditor, and Mr. Jean Prévost, Substitute Statutory Auditor, informed the Board of Directors of their intention to step down once their respective successors had been appointed. The Shareholders' Meeting is therefore asked to approve the following replacements to take up post until the Shareholders' Meeting convened to approve the financial statements for the fiscal year ending December 31, 2007:

Statutory Auditor

Pierre-Henri Scacchi et Associés

A French *société anonyme* (public limited company) with a capital of EUR 200,000

Head offices: 23 rue d'Anjou - 75008 Paris

SIREN 408,272,375 - R.C.S. Paris

Substitute Statutory Auditor

Mr. Philippe Agnellet

23 rue d'Anjou - 75008 Paris

**A) Special Report by the Board of Directors
on stock option plans approved by the company**

None.

B) Renewal of the stock repurchase program

1 Report on company transactions on treasury stock during 2005

In application of paragraph 2 of Articles L.225-209 and L.225-211 of the French Commercial Code, the Ordinary General Meeting of June 14, 2005:

■ authorized the Board of Directors to repurchase treasury stock (within the limit of 10% of capital and for an 18-month period), with a view to, in order of priority:

- hedging against any potential dilution linked to stock option plans or other programs allocating shares to employees, directors and officers of the Group;
- allocating shares to employees in recognition of their contribution to the company's results, under a company savings plan or under any other employee savings scheme;
- using stock for financing acquisitions, where it is tendered either as payment, in exchange or in the form of a capital contribution;
- using stock when exercising rights linked to marketable securities affording access to the company of company's capital, as payment, in exchange or in any other form;
- hedging against any potential dilution linked to the exercise of convertible debt securities;
- signing liquidity contracts with an investment services provider in accordance with a compliance charter recognized by the French Financial Markets Authority (AMF);

■ decided that the company may acquire, sell or transfer these shares by any means and that the company may pay no more than EUR 110 per share (excluding expenses) when repurchasing its own stock.

Over the past year, the company neither bought nor sold its own stock.

The company held none of its own shares at the beginning of the 2005 financial year and none at its close on December 31, 2005.

**2 New authorization granted to the Board of Directors to replace
the previous authorization governing the stock repurchase program**

In replacement of the previous authorization granted at the Ordinary Shareholders' Meeting of June 14, 2005, we propose, in accordance with Article L.225-209 of the French Commercial Code, that the Board of Directors be given a new authorization to repurchase the company's treasury stock.

This repurchase program aims to:

■ hedge against any potential dilution linked to:

- stock option plans or other programs allocating shares to employees, directors and officers of the Group;
- the allocation of shares to employees in recognition of their contribution to the company's results, under a company savings plan or under any other employee savings scheme;
- the use of stock when exercising rights linked marketable securities affording access to the company's capital, as payment, in exchange or in any other form;
- the obligations linked to debt securities affording access to the Group's capital;

■ sign liquidity contracts with an investment services provider in accordance with a compliance charter recognized by the French Financial Markets Authority (AMF);

■ use stock for financing acquisitions, where stock is tendered either as payment, in exchange or in the form of a capital contribution.

There are no foreseeable requests to cancel treasury stock.

Purchases may involve a number of shares such that the total number of shares that the company holds following these purchases does not exceed 10% of the shares comprising its capital. However, the number of shares acquired by the company with a view to keeping them or using them as payment or in exchange to finance a future merger, split or a capital contribution, may not exceed 5% of its capital. This percentage of the capital shall apply to any changes in capital made following the completion of operations approved by the Shareholders' Meeting.

The company may pay no more than EUR 35.00 (excl. expenses) per share, i.e. a par value of EUR 0.03, in repurchasing its own stock.

The maximum amount of share purchases authorized would thus be set at EUR 33,075,000.

Purchases, sales or transfers may be made by any means and at any time, including during a public offering, as the Board of Directors elects. They may be made on or off the market insofar as current regulations allow for an exception to the principal of centralizing transactions on securities that are traded on a regulated market. This includes block trades and transactions involving stock options. The maximum share of capital acquired or transferred in the form of blocks of securities may equate to the overall authorized ceiling for the stock repurchase program.

Should the shares' par value change, there be an increase in capital through the incorporation of reserves, the free allocation of shares, a reverse split, the distribution of reserves, capital amortization or any other operation affecting the company's treasury stock, the Shareholders' Meeting is asked to authorize the Board of Directors to adjust the purchase price in question in order to factor in the effect of these transactions on the stock price.

The authorization granted by the Shareholders' Meeting would remain valid for 18 months.

Full powers would be conferred on the Board of Directors to decide whether or not to implement the authorization and, if necessary, clarify the terms of this authorization, with the option of delegating the powers of execution therein to its Chairman.

C) Report of the Board of Directors to the Extraordinary Shareholders' Meeting

1 Authorization granted to the Board of Directors to decide on a capital increase

■ Full authorization granted to the Board of Directors to issue all capital shares and marketable securities which afford access to the Group's capital, within a limit of EUR 50,000.

In accordance with Article L.225-129-2 of the French Commercial Code, you are requested to grant the Board of Directors the authorization to increase the Group's capital up to a limit of EUR 50,000.

This authorization would replace the authorization previously granted at the Shareholders' Meeting of June 14, 2005.

The authorization is valid for a period of 26 months as of the date of the present meeting.

If the Board of Directors uses this authorization, the capital increase must take place within five years of the date of the authorization.

This will enable the Board to autonomously proceed with the issue of capital shares or any other marketable securities giving access to the Group's capital.

This system is designed to allow the Group to react as quickly as possible to its financial needs, by enabling it to decide to issue, where necessary and both in France and abroad, the most suitable type of marketable securities within the aforementioned EUR 50,000 limit. This limit does not include the nominal amount of additional shares which would be issued to preserve the rights of holders of securities that may be converted into shares.

The wide range of financial products and the rapid change in capital markets requires great flexibility, in order to choose the best method of issuing shares for the company and to carry out issuances as opportunities arise.

This authorization will be given for any capital increase realized in cash or through the incorporation of reserves, earnings or premiums, or, within the limit of 10% of the Group's capital, paid through benefits in kind consisting of capital stock or marketable securities which afford access to the Group's capital, where the regulations set out by Article L.225-148 relative to public exchange offers are not applicable, or where Article L.225-148 of the French Commercial Code does apply, or paid through shares which have been publicly offered for exchange with shares in a company whose shares are traded on the regulated markets of the European Economic Area or an OECD member state.

The Board may use this authorization in full or in part and in one or several stages as it deems appropriate.

The Board may choose the type of securities to issue and the terms of the issue.

The Board of Directors is granted full powers to implement the authorization which would be granted, set the dates, terms and conditions of any issue, book the resulting capital increase and modify the by-laws accordingly.

The Board of Directors has been granted full powers to define the investment terms with the investment services provider responsible for investing the securities and set the price of the securities based on the financial analysis carried out by said establishment (subject to, in the event of a public share offer, compliance with the rules governing issue prices as defined in Article L.225-136 of the French Commercial Code).

■ Additional capital increases

Lastly, it will be proposed at the Extraordinary Shareholders' Meeting to authorize the Board of Directors, in accordance with Article L.225-135-1 of the French Commercial Code and where the issue is successful, to increase the amount within the limit of a fraction of the initial issue, subject to the relevant legal and regulatory terms and at the same price as the initial issue.

■ Revoking of pre-emptive subscription rights

As company shares are traded on the Eurolist segment of Euronext Paris SA, the Board of Directors must be granted full powers to take effective decisions within the allotted time, particularly so as to take account of market conditions, allow for the subscription of new shareholders and facilitate the sale of stock to individual, institutional and foreign investors.

As such, we propose, in accordance with Article L.225-135 paragraph 1 of the French Commercial Code, to grant the Board of Directors, in a separate resolution, the option to revoke pre-emptive subscription rights for the entire authorized amount of the capital increase described above, i.e. the limit of EUR 50,000.

In application of Article L.225-135 paragraph 2, the Shareholders' Meeting would grant the Board of Directors the option to determine a time limit on pre-emptive subscription rights for shareholders and set this limit in accordance with regulations.

2 Capital increase reserved for employees under the terms of Article L.225-129-6 of the French Commercial Code

In accordance with Article L.225-129-6 of the French Commercial Code, the Board of Directors submitted a draft resolution at the Extraordinary Shareholders' Meeting with the aim of carrying out a capital increase reserved for employees under the terms of Article L.443-5 of the French Labor Code.

The Extraordinary Shareholders' Meeting is asked to grant the Board of Directors full powers to issue a maximum of EUR 10,000 in cash shares, in one or several stages, within a period of 5 years starting as of the date of this meeting. Subscription to these shares shall be reserved for those employees who have signed up for the employee savings plan and shall be carried out pursuant to Article L.443-5 of the French Labor Code.

In accordance with Articles L.225-129-1 and L.225-138-1 of the French Commercial Code, the Board of Directors shall have full powers to set the terms and price of the issue in accordance with Article L.443-5 of the French Labor Code.

This authorization implies that shareholders refute their pre-emptive subscription rights.

While the present resolution meets 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 propose that you vote against this resolution.

9.2 Draft resolutions submitted by the Board of Directors before the Annual Ordinary and Extraordinary Shareholder Meetings of June 14, 2006

9.2.1 Resolutions put before the Ordinary Shareholders' Meeting

First resolution

The Shareholders' Meeting, having acknowledged the Board of Directors' management report and the statutory auditors' general report for the fiscal year ended December 31, 2005, approves the management report and the annual financial statements for the fiscal year ended December 31, 2005 such as they were presented. It also approves the operations disclosed in these statements or summarized

in the management report.

Pursuant to Article 223 quarter of the French General Tax Code, the Shareholders' Meeting approves the amount of expenses, as defined in Article 39-4 of the French General Tax Code, i.e. EUR 13,449, which corresponds to excess depreciation and was added back to taxable income for 2005. As a result, the tax owed following this excess depreciation was EUR 4,550.

Second resolution

The Shareholders' Meeting, having acknowledged the Board of Directors' management report and the statutory auditors' general report for the fiscal year ended December 31, 2005, approves the management report and the annual financial statements for the fiscal year ended December 31, 2005, such as they were presented, disclosing a consolidated net income (Group share) of EUR 6,285,916. It also approves the operations disclosed in these statements or summarized in the Group's management report.

Third resolution

The Shareholders' Meeting votes to appropriate the reported net profit of EUR 2,130,061.49 for the year ended December 31, 2005 as follows:

- EUR 3,150.00 to "Legal Reserves";
- EUR 520,411.49 to "Other Reserves";
- the payment of an overall dividend of EUR 1,606,500 (or EUR 0.17 per share) to be deducted entirely from the net income for 2005.

In accordance with Article 158 3 2° of the French General Tax Code, the Shareholders' Meeting notes that the dividends paid on shares held by individuals and companies which are taxed on behalf of their individual partners are eligible for a rebate of 40%; it being specified that this rebate does not apply when calculating CSG (supplementary social security contributions) and other social security deductions.

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 reserve	28,350.00
Other reserves	4,119,830.70
Total	5,344,813.19

The Shareholders' Meeting notes that, in accordance with Article 243a of the French General Tax Code, dividends paid over the three years prior to the fiscal year ended December 31, 2003 were as follows:

Fiscal year	Total dividends	Dividend per share	Amount of income distributed eligible for rebate	Amount of income distributed not eligible for rebate
2002	EUR 882,000.00 paid out of the year's "Net Income"	EUR 0.28		
2003	EUR 1,197,000.00 paid out of the year's "Net Income"	EUR 0.38		
2004	EUR 1,449,000.00 paid out of the year's "Net Income"	EUR 0.46	shares held by individuals and companies which are taxed on behalf of their individual partners	

Fourth resolution

The Shareholders' Meeting, having heard the statutory auditors' special report on the agreements governed by Articles L.225-38 and L.225-42 of the French Commercial Code, approves this report and each of the agreements described therein.

Fifth resolution

The Shareholders' Meeting authorizes the Board of Directors, in accordance with Article L.225-209 of the French Commercial Code, to repurchase the company's stock, with a view to:

- hedging against any potential dilution linked to:
 - stock option plans or other programs allocating shares to employees, directors and officers of the Group;
 - the allocation of shares to employees in recognition of their contribution to the company's results, under a company savings plan or under any other employee savings scheme;
 - the use of stock when exercising rights linked to marketable securities affording access to the allocation of the company's capital, as payment, in exchange or in any other form;
 - the obligations linked to debt securities affording access to the Group's capital;
- signing liquidity contracts with an investment services provider in accordance with a compliance charter recognized by the French Financial Markets Authority (AMF);
- using stock for financing acquisitions, where stock is tendered either as payment, in exchange or in the form of a capital contribution.

The purchases may involve a number of shares such that the total number of shares that the company holds following these purchases does not exceed 10% of the shares comprising its capital. However, the number of shares acquired by the company with a view to keeping them or using them as payment or in exchange to finance a future merger, split or a capital contribution, may not exceed 5% of its capital. This percentage of the capital applies to any changes in capital following the completion of operations approved by the Shareholders' Meeting.

The company may pay no more than EUR 35.00 (excl. expenses) per share, i.e. a par value of EUR 0.03, in repurchasing its own stock.

The maximum amount of share purchases authorized is thus set at EUR 33,075,000.

Said purchases, sales or transfers may be made by any means and at any time, including during a public offering, as the Board of Directors elects. They may be made on or off the market insofar as current regulations allow for an exception to the principal of centralizing transactions on securities that are traded on a regulated market. This includes block trades and transactions involving stock options. The maximum share of capital acquired or transferred in the form of blocks of securities may equate to the overall authorized ceiling for the stock repurchase program.

Should the shares' par value be changed, there be an increase in capital through the incorporation of reserves, the free allocation of shares, a reverse split, the distribution of reserves, capital amortization or any other operation 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 these transactions on the stock price.

The authorization granted by the Shareholders' Meeting shall remain valid for 18 months.

Full powers are conferred on the Board of Directors to decide whether or not to implement the authorization and, if necessary, clarify the terms of this authorization, with the option of delegating the powers of execution therein to its Chairman.

This authorization replaces that given by the Ordinary Shareholders' Meeting of June 14, 2005.

Sixth resolution

The Shareholders' Meeting acknowledges the resignation of EXCOM as Statutory Auditors and Mr. Jean Prévost as Substitute Statutory Auditor, and appoints, for a term to expire on the date of the Shareholders' Meeting convened to approve the financial statements for the fiscal year ending December 31, 2007:

Statutory Auditor

Pierre-Henri Scacchi et Associés

A French société anonyme (public limited company) with a capital of EUR 200,000

Head offices: 23 rue d'Anjou - 75008 Paris

SIREN 408,272,375 - R.C.S. Paris

Substitute Statutory Auditor

Mr. Philippe Agnellet

23 rue d'Anjou - 75008 Paris

Seventh resolution

The Shareholder's Meeting gives full powers to the bearer of an original, a copy or an excerpt of these minutes to carry out any legal notice formalities or other formalities required in accordance with the law.

9.2.2 Resolutions put before the Extraordinary Shareholders' Meeting

Eighth resolution

The Extraordinary Shareholders' Meeting, in accordance with the provisions of Articles L.225-129 and L.225-129-2 of the French Commercial Code, grants the Board of Directors full powers to issue any capital shares or any other marketable securities which afford access to Group capital, as part of a capital increase, within the restrictions indicated hereafter.

This authorization on capital increases is capped at a nominal amount 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 holders of securities shall be added to this nominal amount.

This authorization is given for any capital increase realized:

- in cash;
- through the incorporation of reserves, earnings or premiums;
- through benefits in kind:

- either, within the limit of 10% of the Group's capital, paid through benefits in kind consisting of capital shares or marketable securities which afford access to the Group's capital, where the provisions set out in Article 225-148 governing public exchange offers do not apply;

- or, where Article L.225-148 of the French Commercial Code does apply, paid through shares which have been publicly offered for exchange with shares in a company whose shares are traded on the regulated markets of the European Economic Area or of an OECD member state.

The authorization is valid for a period of 26 months starting as of the date of this meeting.

Ninth resolution

In accordance with the provisions of Article L.225-135-1 of the French Commercial Code and Article 155-4 of the Decree of March 23, 1967, the Extraordinary Shareholders' Meeting rules that, in the event of a capital increase in cash, the number of shares may be increased to a maximum of 15% of the initial issue, and this within thirty days of the closing of the subscription and at the same price as the initial issue.

Tenth resolution

In the event of a capital increase in cash, the Extraordinary Shareholders' Meeting rules that, in accordance with the provisions of Article L.225-135-1 of the French Commercial Code, the ceiling for capital increases resulting from any securities issues that may be carried out by virtue of the authorization outlined in resolution seven above shall be fixed at EUR 50,000 (to which, where necessary and in accordance with the law, the nominal amount of additional shares issued in order to preserve the rights of holders of securities may be added). The capital increase may, as the Board deems fit, be carried in full or in part by revoking any pre-emptive subscription rights.

Where pre-emptive subscription rights are revoked, the Board may, in accordance with Article L.225-135 paragraph 2 of the French Commercial Code, grant shareholders a pre-emptive subscription right on all or part of the issue, for a period of no less than three trading days.

Eleventh resolution

The Extraordinary Shareholders' Meeting, having heard the statutory auditors' special report, votes, pursuant to Article L.225-129-6 of the French Commercial Code, to reserve a capital increase in cash for company employees by the issue of capital shares or securities which afford access to a percentage of the capital under the terms of Article L.443-5 of the French Labor Code, within a maximum limit of EUR 10,000.

This authorization implies that shareholders refute their pre-emptive subscription rights.

For a maximum period of 5 years, the Board of Directors will have full powers to:

- set up an employee savings plan under the terms of Article L.443-1 of the French Labor Code;
- set the issue price of shares whose subscription is reserved for those employees who have signed up for the said employee savings plan and which shall be carried out pursuant to Article L.443-5 of the French Labor Code;
- set, in accordance with Article L.225-129-1 of the French Commercial Code, the terms and conditions of any issue, book the resulting capital increase and modify the by-laws accordingly.

Twelfth resolution

The Extraordinary Shareholders' Meeting votes to bring the company's by-laws in line with the current French legislation, and subsequently to amend Articles 11.3 and 15 of the by-laws, which now read as follows:

11.3. Breaching of the equity stake thresholds:

Where the company's shares are traded on regulated markets, or on a financial instruments market on which shares registered with an accredited intermediary in accordance with the terms of Article L.211-4 of the French Monetary and Financial Code may be traded, any individual or legal entity, acting alone or in concert, that comes into possession of a number of shares exceeding the thresholds stipulated in Article L.233-7-I. of the French Commercial Code, must inform the company, within the period required by current French legislation, of the total number of shares or voting rights in their possession or deemed to be in their possession under the terms of Article L.233-9 of the French Commercial Code.

The company must also be duly informed within the same deadline where the equity stake of an individual or legal entity falls back below the thresholds specified above.

Persons required to provide the information above must specify the number of shares they own as well all attached voting rights.

Any breach of the threshold of one tenth or one fifth of the capital or voting rights must also be disclosed as stipulated in Article L.233-7 of the French Commercial Code.

Article 15 – Meetings and deliberations of the Board of Directors

The directors may be called to attend Board meetings by letter, telegram, fax or e-mail, with a notice period of at least five days. Said meetings may also be convened verbally subject to the approval of all of the directors.

Where the Chairman is unable to attend, the Board of Directors shall appoint a member to chair the meeting from amongst those directors present.

The Board may appoint a secretary at each meeting who does not necessarily have to be a Board member.

Those directors taking part in Board meetings by videoconference in accordance with the relevant statutory conditions shall be deemed present for the purposes of quorum and majority. However, this provision may not apply to decisions governed by Articles L.232-1 (drawing up of the yearly financial statements) and L.233-16 (drawing up of the consolidated financial statements).

Said decisions are subject to the majority vote of those Board members present or represented. As an exception to this rule, decisions governed by Article 14.3 of the current by-laws require the majority vote of two-thirds of the total number of Board members.

In the event of a tie in the voting, the Chairman's vote shall take precedence.

9.3 Report of the Statutory Auditors on the issue of shares or marketable securities giving access to Group capital, with the maintaining and/or revocation of pre-emptive subscription rights

Joint Shareholders' Meeting of June 14, 2006

To the shareholders,

In our capacity as the statutory auditors for your company and as part of our assignment in application of the provisions of Articles L. 225-135 and L. 228-92 of the French Commercial Code, we hereby present our report on the planned issue of shares and marketable securities affording access to the Group's capital, on which you are invited to vote.

Your Board of Directors proposes that you grant it the authorization to decide on the issue of ordinary shares and securities affording access to the Group's capital (eighth resolution). This issue may be carried out to compensate benefits in kind given to the company and made up of capital shares or marketable securities affording access to the Group's capital, or to compensate shares contributed to a public exchange offer for exchange initiated by the company.

The overall nominal amount of capital increases likely to be carried out immediately or in the long term may not exceed EUR 50,000. The number of shares may be increased up to a maximum of 15% of the initial issue and in accordance with Article L. 225-135-1 of the French Commercial Code (ninth resolution).

Your Board of Directors also proposes to revoke pre-emptive subscription rights for the authorized amount (tenth resolution), with the Board of Directors retaining the option of granting rights to shareholders.

Finally, your Board of Directors proposes that, based on its report, you delegate to it, for a 26-month period and subject to the provisions of Article L. 225-129-2 of the French Commercial Code, the power to decide on these operations and set the conditions of the issue, and proposes, in the tenth resolution, to revoke your pre-emptive subscription rights.

We conducted our audit in accordance with those professional standards generally accepted in France. These standards require that we perform due diligence aimed at verifying the terms under which the issue price is determined.

We have the following observation to make on the report of the Board of Directors: the terms under which the issue price for capital shares is determined within the framework of the tenth resolution are not specified.

As the terms under which the issue price and the amount of share capital to be issued are determined are not set, we have no opinion as to the definitive terms under which the issues will be carried out, nor as to the proposal to revoke your pre-emptive subscription rights in the tenth resolution.

In accordance with Article 155-2 of the Decree of March 23, 1967, we will draw up an additional report when the capital increase is carried out by the Board of Directors.

Paris and Neuilly-sur-Seine - April 10, 2006

Statutory Auditors

EXCOM
12 rue Poncelet
75017 Paris
Thierry Dubreuil

Deloitte & Associés
185, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex
Christophe Perrau

9.4 Report of the Statutory Auditors on the capital increase with revocation of pre-emptive subscription rights

Joint Shareholders' Meeting of June 14, 2006

To the shareholders,

As the statutory auditors for your company and as part of our assignment in application of the provisions of Article L.225-135 of the French Commercial Code, we hereby present our report on the capital increase reserved for employees who have signed up for the employee savings plan, within a limit of EUR 10,000, on which you have been invited to vote (eleventh resolution).

This capital increase is submitted for your approval in accordance with the provisions of L.225-129 of the French Commercial Code and Article L.443-5 of the French Labor Code.

Your Board of Directors proposes that, based on its report, you grant it the authorization to set the terms of this operation for a 5-year period, as provided for in Article L.225-129-6 of the French Commercial Code.

We conducted our audit in accordance with those professional standards generally accepted in France. These standards require that we perform due diligence aimed at verifying the terms under which the issue price is determined.

Subject to a subsequent revision of the terms of the proposed capital increase, we have no opinion as to the methods used to determine the issue price as outlined in the report of the Board of Directors.

As the issue price is not set, we have no opinion as to the definitive terms under which the capital increase will be carried out nor as to the proposal to revoke your pre-emptive subscription rights, even if the nature of this proposal is consistent with the operation submitted for your approval.

In accordance with Article 155-2 of the Decree of March 23, 1967, we will draw up an additional report when the capital increase is carried out by the Board of Directors.

Paris and Neuilly-sur-Seine - April 10, 2006

Statutory Auditors

EXCOM
12 rue Poncelet
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CHAPTER 10

PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

Certification of the person responsible for the reference document

I hereby certify that, to the best of my knowledge and having taken all measures to this effect, the information set out in this reference document is true and that there are no omissions that could impair its meaning.

I have obtained the Statutory Auditors' certification that they have verified all of the information on the company's financial position as well as the financial statements disclosed in this reference document which they confirm they have read in its entirety.

The historical financial data set out in this reference document has also been certified by the Group's statutory auditors.

Paris, May 16, 2006

Alain Tonnard

Chairman of the Board of Directors

Cross-reference table

In accordance with Annex I of EU regulation 809/2004.

In order to make it easier to read the annual report that is filed as a reference document, the table below refers to the corresponding pages in the annual report.

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The present document was submitted to the AMF on May 17, 2006 in accordance with Articles 211-1 to 211-42 of the latter's General Principles and filed under number D.06-0418. It may be used to back a financial transaction if it is accompanied by a prospectus signed by the AMF.

This document includes as reference:

- The reference document submitted to the French Financial Markets Authority (AMF) on April 28, 2005, under the number D.05-0573 pursuant to the consolidated financial statements and the parent company financial statements for the fiscal year 2004.
- The reference document submitted to the French Financial Markets Authority (AMF) on May 3, 2004, under the number D.04-0637 pursuant to the consolidated financial statements and the parent company financial statements for the fiscal year 2003.



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A French société anonyme
(public limited company)

with capital of EUR 252,000