FRENCH LEADER IN
HEARING CORRECTION

Audika

Annual Report
Financial year 2003

Contents
Annual Report

Chairmens' message

Audika

Dear Shareholders,

2003 was a strategic year for Audika with its ambitious growth targets, its new advertising campaign featuring French celebrity Robert Hossein as the brand's "Ambassador" and an impressive acquisitions program. Today, we are proud to be able to confirm that the performance realized in 2003 once again vindicates the Group's development model, with Audika now ranking as a benchmark player on an ever-evolving market.

Indeed, for 2003 as a whole, the Group generated sales of EUR 52.8 million (up 26%), thus exceeding our initial target of EUR 51 million. At the same time, the Group has continued to adhere to its guiding principle that growth must never be allowed to compromise profitability. Accordingly, operating income for Audika increased 31% to stand at EUR 8.5 million, affording the Group an operating profitability of 16.1%. This excellent performance once again validates the Group's development strategy, drawing on the dynamic development of our network.

Over 2003, Audika acquired 39 new centers, integrated 12 franchise centers and set up two new centers. One of the main operations in 2003 was the acquisition of a leading independent French chain ("L'Aide Auditive"). Thanks to this acquisition, the Audika network boasts a further 23 centers across 9 regional departments in France.

Despite the sharp growth in activity over the past few years (sales have tripled in just 5 years), Audika's remarkable adventure has only just begun! Although it is starting to flourish, our market still remains relatively underdeveloped (85% of senior citizens with hearing difficulties are not equipped with a hearing aid). Moreover, Audika is perfectly positioned to take full advantage of this extraordinary market potential.

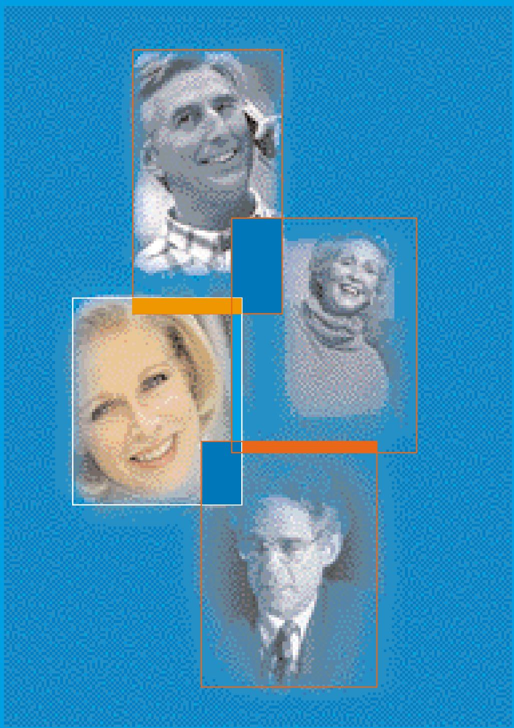
Given its unique positioning in France and over 25 years of expertise in the field, Audika is confident in the sustained growth of its activities and results in the years ahead. For 2004, our growth targets remain ambitious: minimum growth of 30% in sales (excluding new acquisitions) and a further improvement in operating profitability.

In order to best exploit this outstanding market potential, Audika now also benefits from the backing of a major financial partner following the integration of Fonds Partenaires-Gestion (capital investment arm of the Lazard Group in France) as an institutional investor in Audika. This strategic backing for Audika will not only serve to underpin the Group's aims in terms of long-term buoyant growth but, in the medium-term, will also afford Audika the expertise it needs in analyzing its eventual overseas development.

A key concern since the company was listed on the Paris Bourse in 1998, it is important that all Group shareholders benefit from this strong growth. As such, a net dividend payment of EUR 0.38, up 36% on financial year 2002, is to be submitted before the next Shareholders' Meeting.

Alain and Jean-Claude Tonnard
Co-Chairmen of Audika Group

The Market: Growth and Visibility



Given my profession, my hearing impairment was a real problem. Today, I can hear as well as I did at the age of 20. Conversations and the radio and television no longer pose a problem. I can once again communicate normally, on both a personal and professional level.

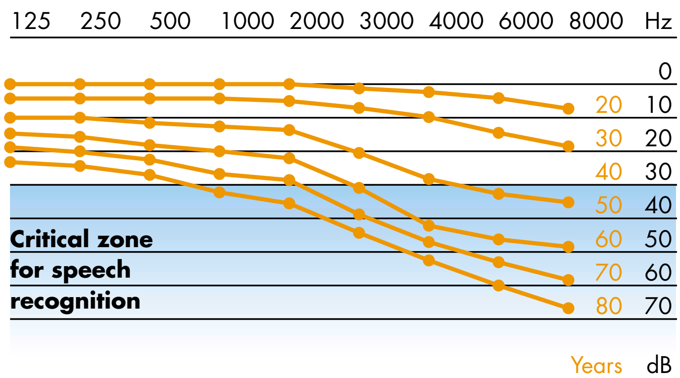
Geneviève P.,
Metz (57)

A phenomenon that affects all of us

Audika

Presbycusis: natural loss of hearing

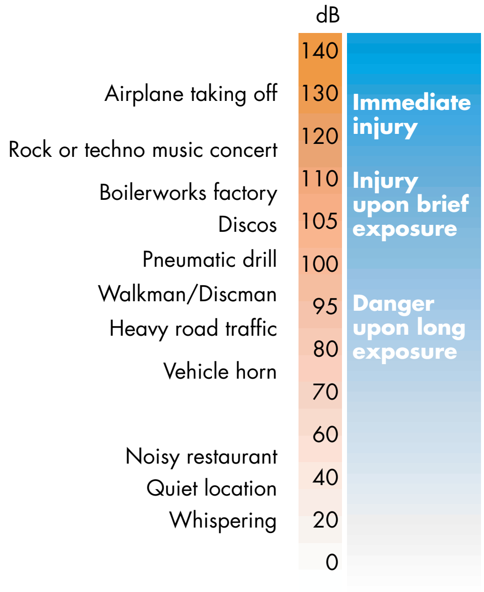
Presbycusis is the natural loss of hearing. It is the result of an inevitable phenomenon much like its better-known counterpart, presbyopia (long-sightedness). This natural wearing out of the hearing system begins at age twenty-five and gradually becomes "awkward" as of age fifty or above. It takes the form of a very gradual cellular degeneration which affects each of us sooner or later depending on how noisy our surroundings are.



Loss of hearing with age

Loss of hearing aggravated by sound pollution

Today, the natural decline in one's hearing is aggravated by sound pollution. Indeed, whatever our surroundings, we are increasingly exposed to varying degrees of sound pollution such as road traffic and road works or walkmen/discmen amongst the younger generations, etc. Without being a direct cause, these factors can aggravate hearing difficulties.



Inevitable growth

The hearing correction market essentially targets senior citizens, with one senior citizen in three suffering from hearing problems (Source: SOFRES). There are currently over **5.5 million senior citizens with hearing problems** in France.

What is more, visibility on this market is excellent thanks to two unavoidable parameters:

- the very favorable demographic trends of senior citizen age brackets,
- new sociological attitudes whereby seniors want to carry on living a genuinely active lifestyle as they get older. Communication needs are therefore of increasing importance, hence the need to resolve hearing difficulties.

Audika's market is therefore destined to grow over the long-term particularly as, given current "sound pollution" levels, more and more individuals will need hearing aids as of an increasingly young age.

A specialist market

Hearing aids are a basic necessity: hearing difficulties impair an individual's capacity to communicate thus impacting on the quality of life and sociability of those affected.

And yet, out of the 5.5 million hard of hearing in France today, 85% do not use a hearing aid. Whilst wearing glasses to correct sight problems is deemed quite normal, the use of hearing aids still seems to pose a problem.

Patients are still therefore unhappy about wearing hearing aids. And it is this "psychological barrier" that constitutes the main obstacle to market development.

Tackling the hearing correction market therefore requires significant expertise. The market is a genuine "specialist" market in which a recognized brand, a nationwide network and proven marketing know-how and expertise are the keys to success.

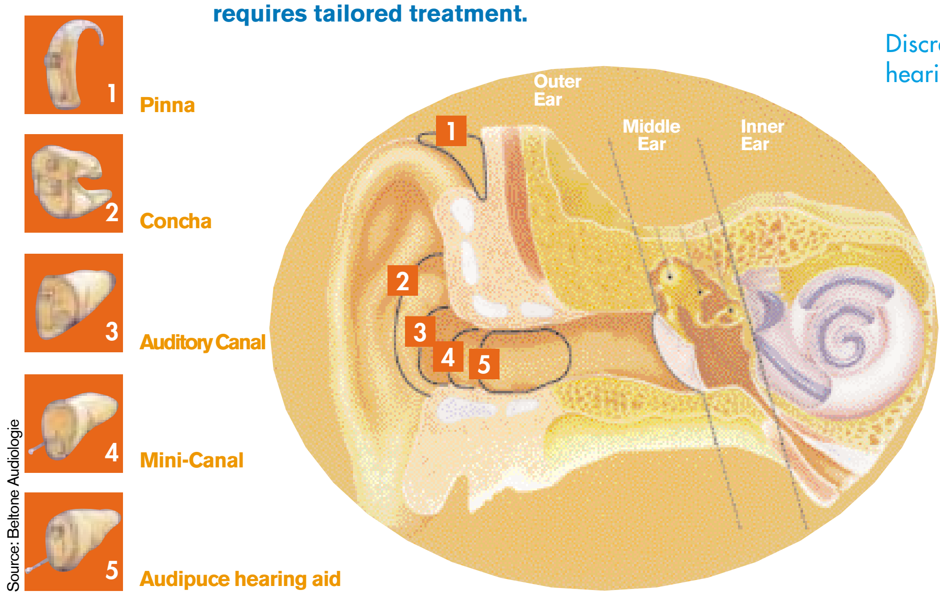
A single solution: hearing aids

Audika

Today, there is no medical solution currently suited to the treatment of presbycusis.

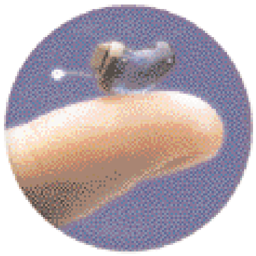
Hearing aids are therefore **"the" solution.**

Each individual hearing problem requires tailored treatment.



Discrete products that make hearing aids even easier to use

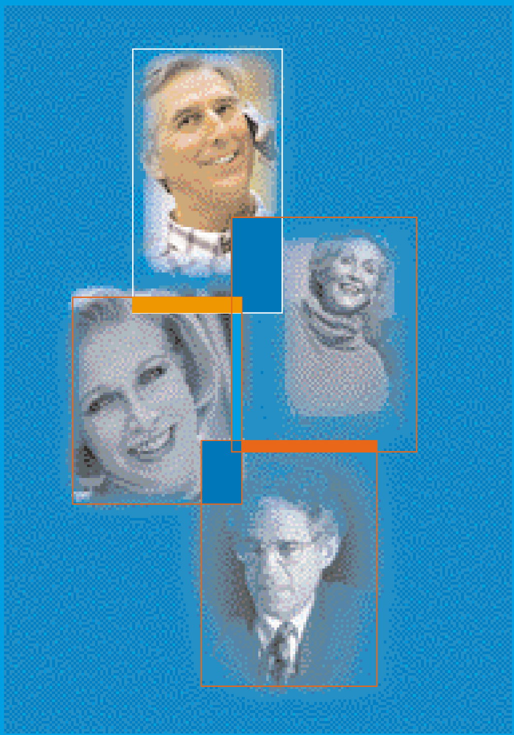
Moreover, ongoing technological developments improve product effectiveness year-on-year, making them ever more miniaturized and thus gradually breaking down the psychological barriers to using a hearing aid. Hearing aids that use digital technology have and will continue to evolve considerably to resemble 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, noisy street, restaurant, etc.).



Digital "Audipuce" hearing aid

Mini digital BTE hearing aid

A unique positioning



I was not deaf, far from it. That said, individual words were difficult to make out, and I constantly found myself having to ask people to repeat what they had said. In a group, I could never understand what was going on if two people were talking at the same time. It was becoming unbearable.
Since I've had my hearing aid, I can once again enjoy conversations. It's so comfortable that I forget it's there. I only wish I had gotten this little gem earlier.

Pierre J.,
St-Martin-de-Ré (17)

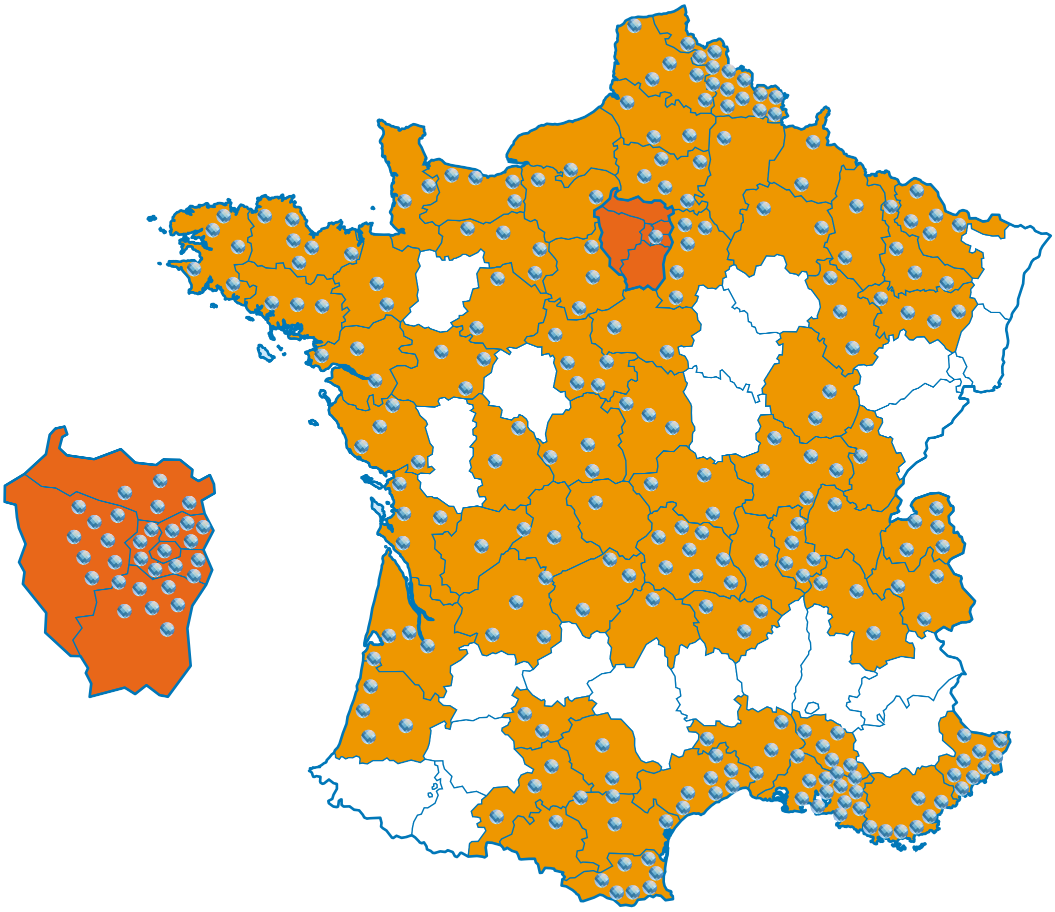
Company profile

Audika

■ The leading nationwide network of hearing correction centers in France:
13% market share

■ Over **270 centers** across **73 regional departments**

■ **EUR 52.8 million** in sales in 2003 (+26% on 2002)



A benchmark player

For over 25 years now, Audika has built its reputation and image on the **quality of its products and services**. As a Group, Audika's aim is clear: to federate the French hearing correction market.

This strategy draws on the **strength of its brand's reputation** amongst consumers. Indeed, thanks to a **dynamic and intensive communication strategy** upheld each year, Audika is the **best known hearing correction brand** in France.

Over 60 years	2002	2004	Change	2nd brand
Spontaneous recognition	**11%**	18%	**+7 points**	**4%**
Total recognition	**27%**	36%	**+9 points**	**17%**
Spontaneous recognition amongst the over 60s with hearing difficulties	**18%**	32%	**+14 points**	**10%**

Source: IFOP survey, January 2002 and February 2004

The IFOP survey carried out in February 2004 more than validates the Group's communication strategy. Indeed, not only is Audika the unchallenged leading brand in terms of spontaneous recognition, but the company also enjoys total recognition of 36% (+9 points in two years).

At the same time, the Group's new advertising campaign featuring French celebrity Robert Hossein as the brand's "Ambassador" triggered a fourteen point increase in spontaneous recognition amongst the over 60s with hearing difficulties! An out-and-out success given that this bracket was the main target for the campaign.

Robert Hossein: Emblematic personality for senior citizens in France, seen as a man of passion and conviction, and very well perceived amongst ENT specialists.

A nationwide network

Audika

Audika Group draws on a nationwide network of hearing correction centers under the Audika brand name. Today, this constantly growing network boasts 270 “showcase” stores across 73 regional departments.

With a market share of almost 13%, today, Audika is the number one network offering hearing correction consulting and solutions in France.

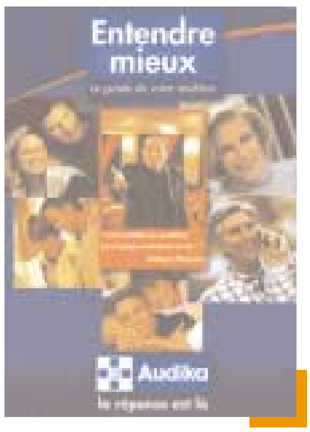
Thanks to the effective management of its regional structures, ongoing technical and commercial training for its hearing aid practitioners (notably as regards new products) and the implementation of group wide standards within every center, Audika boasts an exemplary and coherent network.

Marketing to generate and retain customer loyalty

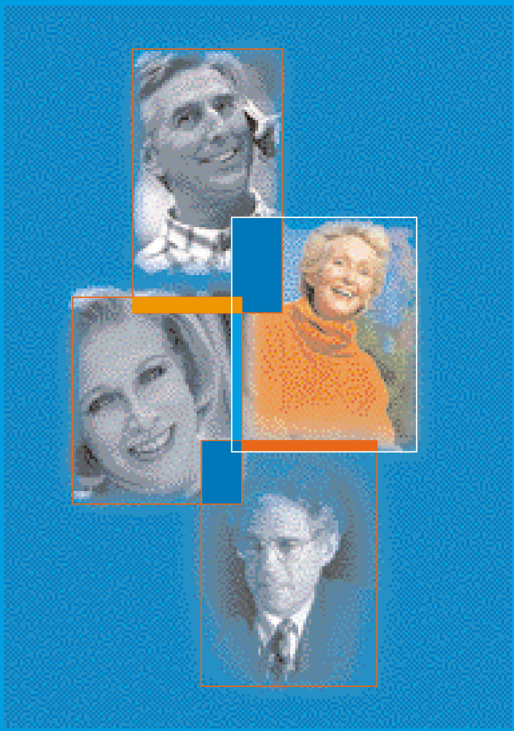
By combining its specialist market position with an aggressive strategy and an ongoing nationwide marketing plan (TV, the press and mail shots), Audika has succeeded in establishing a national brand with a strong recognition.

In 2003, the Group devoted EUR 3.2 million to its communications strategy (+30% on 2002) – a strategy intended to progressively break down current psychological barriers which continue to represent the main obstacles to market development.

Moreover, Audika is also able to draw upon a major asset: a database of 200,000 clients and 500,000 potential clients (50,000 new potential clients generated each year). Its expertise in exploiting these files enables Audika to both heighten existing customer loyalty and regularly win over new clients.



A proven strategy



I had been reticent about taking part in conversations for fear of not understanding what was being said for some time. Ever since I decided to use a hearing aid, I have regained my self-confidence and joie de vivre as well as the pleasure in communicating with those around me.
And the best part is that no one can see it!

Martine D.,
Grenoble (38)

Hearing aid practitioners, a core part of Audika's strategy

Audika

Hearing aid practitioners form the backbone of the Audika model. The fitting of hearing aids for the hard of hearing constitutes a genuine career in patient follow-up and services, with the success of a good fitting lying more in its adjustment than in the type of device.

Fitting a patient with a hearing aid: five steps to success

- 1st step: **Listening:** Understanding a patient's needs to find a truly customized solution.
- 2nd step: **Giving advice:** Advising patients on the most appropriate solution.
- 3rd step: **Adapting the product:** Adapting the hearing aid chosen (casting the inner ear, personalized settings, checking for comfort).
- 4th step: **Follow-up:** Learning to use the hearing aid in different environments, adjustment sessions to optimize hearing comfort.
- 5th step: **Monitoring:** Ensuring the same comfort over time.

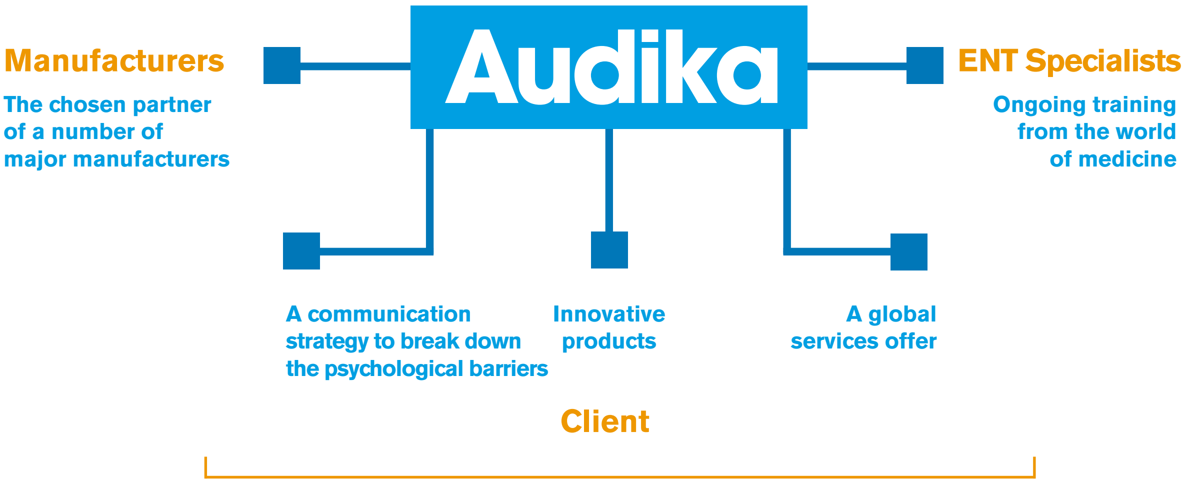
With over 25 years' experience in the field, Audika is a recognized expert in the recruitment and management of hearing aid practitioners - a fundamental asset given how few specialists there actually are. The Group also offers ongoing technical and sales training and, thanks to its growing number of centers, extremely motivating career prospects.

A partner for all

Audika Group's development model has enabled it to become a key player on the hearing correction market.

The chosen partner of a number of major manufacturers, whom it advises on their product development, Audika has also implemented an active and ongoing information program aimed at the medical field (training in medical communications for hearing aid practitioners and the setting up of a number of medical conferences).

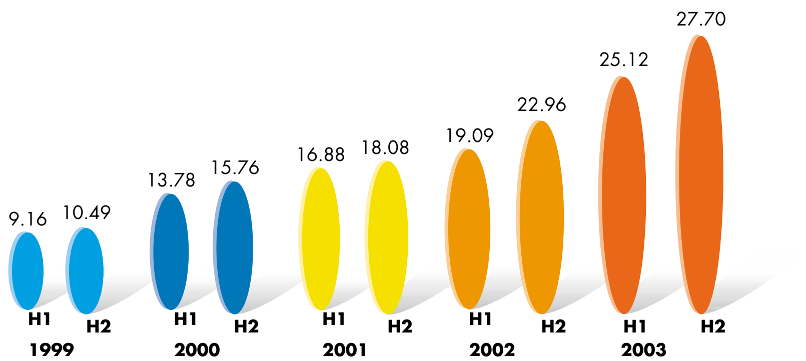
A partner for all market players



Audika

Ongoing increase in sales

Boasting both organic and external growth, Audika enjoyed an ongoing increase in sales in 2003.



Evolution in sales by semester (in EUR millions)

Organic growth above market levels

Audika has enjoyed organic growth above market levels from the outset. This performance is essentially due to a combination of two key factors: the ongoing development of our network (development of first-rate locations, transfer and regrouping of centers, setting up of strategic entities) and an ongoing nationwide advertising campaign.

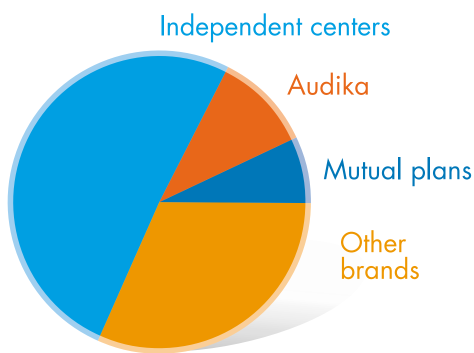
Accordingly, the company's growth regularly exceeds market levels, thus reinforcing its market share year after year.

Solid experience in terms of acquisitions

Audika regularly targets centers that are well-reputed in their region. A strategy that provides it with an immediate return 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 application of new standards 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.

Between 1998 and March 2004, Audika Group acquired one new center every 15 days on average, taking the total number of centers acquired to 124 and the number of franchise centers integrated to 21.

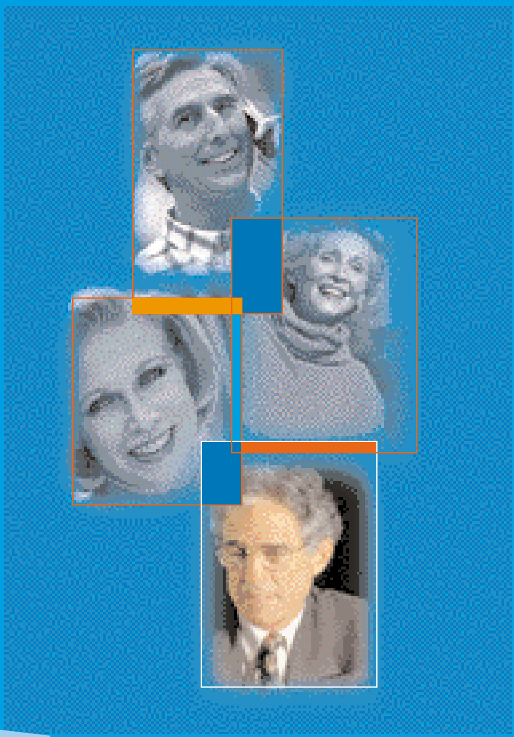


Market structure in France
2003

Major potential in terms of acquisitions

Over 2,000 centers in France, almost 50% of which are independent

A network in full boom



Keeping up with the conversation around a dinner table used to be a real problem for me. With my new hearing aid, the problem has vanished – you could say it has changed my life.
Today, I can once again enjoy meeting with my friends and family. Moreover, no one around me has actually noticed that I wear a hearing aid, which just shows how discreet they are!

Pierre D.,
Grenoble (38)

Audika

The requisite groundwork has been covered and foundations laid to enable Audika to profit fully from future market growth

2003 sales that exceeded forecasts

For 2003 as a whole, Audika generated sales of EUR 52.8 million, an increase of over 26% on the previous year. Organic growth for the period came out at 12.5%. Accordingly, overall activity for the Group exceeded the forecast figure of EUR 51 million. This performance reflects the Group's sound growth strategy, confirming its capacity to rank as a benchmark player on a market whose potential remains relatively unexploited.

39 centers acquired in 2003

Alongside its dynamic organic growth strategy, Audika continued to develop its network in 2003 with the acquisition of 39 new centers, the integration of 12 franchise centers and the creation of 2 new centers. In financial year 2003, Audika made a major acquisition, integrating one of the largest independent French chains (L'Aide Auditive). L'Aide Auditive boasts a network of 23 centers across 9 regional departments and expects to generate sales of over EUR 7 million in 2004. This acquisition, consolidated as of January 2, 2004, will be accretive as of 2004.

Operating margin of 16.1% in 2003

All told, operating income for 2003 grew 31% to stand at EUR 8.5 million, resulting in an operating profitability of 16.1% of sales. Net income before goodwill also enjoyed sharp growth (+30%), totaling EUR 5.0 million over the period.

Acquisition of 6 new centers since the start of 2004

In line with the Group's aim to actively develop its network across France, Audika has already acquired 6 centers and integrated 2 franchise centers since the start of 2004. Over the year, these operations are expected to generate EUR 1.8 million in additional sales for the Group. As such, the Group now has 276 centers in 73 regional departments.

2004 growth targets revised upwards

Although relatively underdeveloped at present (85% of people with hearing difficulties do not wear a hearing aid), the hearing correction market in France is nonetheless beginning to flourish (demographic changes, hearing aids that are more and more discreet, etc.) and Audika is ideally placed to profit fully from its future growth. Given its unique positioning in France and over 25 years of expertise in the field, Audika is confident in the sustained growth of its activities and results in the years ahead. For 2004, Audika has revised its growth targets upwards and, like-for-like, forecasts growth of over 30% in sales along with a further improvement in operating profitability. In particular, the Group will continue to reap the benefits of its ongoing advertising campaign featuring French celebrity, Robert Hossein. In line with the Group's proven strategy over the past few years, organic growth will be complemented with several acquisitions. Given the number of targets identified, Audika enjoys excellent visibility as to its future acquisitions.

Strategic backing in the name of long-term development

Audika Group has signed an agreement in principle governing the integration of Fonds Partenaires-Gestion (capital investment arm of the Lazard Group in France) as an institutional investor in Audika. This strategic backing for Audika will underpin the Group's aims in terms of long-term buoyant growth. Indeed, following the operation, Audika will benefit from the support of a major financial partner in best exploiting its growth potential in France. In the medium-term, the partnership will also afford Audika the expertise it needs in analyzing its eventual overseas development.

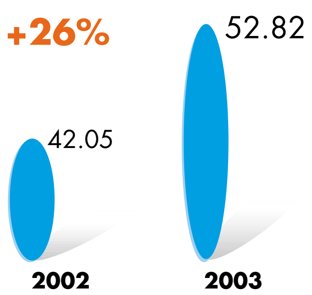
The Audika model

French leader in hearing correction

- A **nationwide** network
- **Strong** brand **awareness**
- A proven **marketing strategy**
- **Strong** sector **expertise**
- A **complete** product range and service **offer**
- A **tailored operating** structure

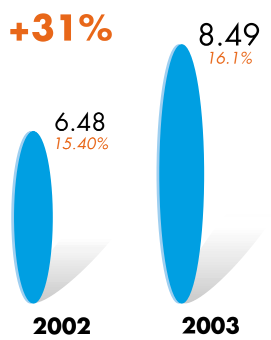
Key figures

Sales



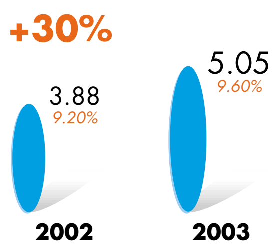
Sales (in EUR millions)

Operating income



Operating income (in EUR millions)
Operating margin
(as a % of sales)

Net income



Group net income before goodwill
(in EUR millions)
Group net margin before goodwill
(as a % of sales)

Simplified consolidated income statement

In millions of euros as at December 31	2002	H1 2003	H2 2003	2003	Change 03/02
Sales	42.05	25.12	27.70	52.82	+25.6%
Operating income	6.48	3.72	4.77	8.49	+31.0%
Operating margin	15.4%	14.8%	17.2%	16.1%	+32.2%
Recurrent income before tax	6.08	3.50	4.53	8.03	+30.2%
Net income (1)	3.88	2.17	2.88	5.05	+32.1%
Net margin (1)	9.2%	8.6%	10.4%	9.6%	
Amortization of goodwill	0.30	0.15	0.17	0.32	
Group net income	3.58	2.02	2.70	4.72	+32.1%
Group net margin	8.5%	8.0%	9.7%	8.9%	
Earnings per share (1)	EUR 1.23	EUR 0.69	EUR 0.91	EUR 1.60	+ 30.2%

(1) Group share before amortization of goodwill

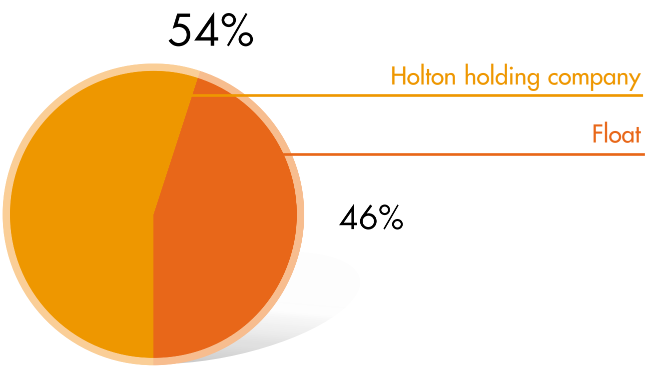
Consolidated balance sheet items

In millions of euros	31/12/2002	30/06/2003	31/12/2003
Net fixed assets	21.4	25.0	26.7
Shareholders' equity	10.9	12.1	14.9
Net debt	(7.6)	(13.7)	(11.0)
o/w financial debt	(10.8)	(13.8)	(14.4)
o/w sellers loans	(0.9)	(0.9)	(0.8)
o/w cash and cash equivalents	+4.1	+1.0	+4.2
Gearing	70%	113%	74%
Cash flow	5.3	3.1	7.1

Audika is listed on the MidCAC
and Second Marché indices.

Stock market information

Breakdown of capital

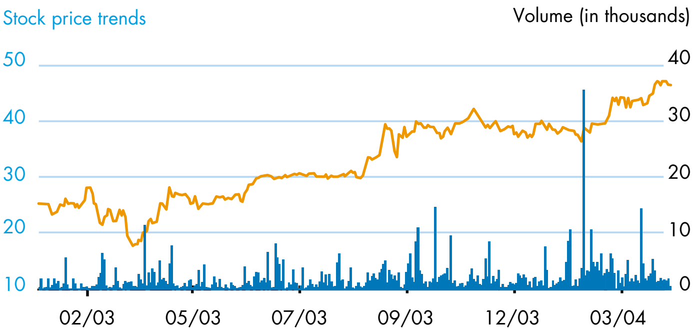


2003
After backing by the Lazard Group

Audika stock

Audika stock is traded on the Second Marché of Euronext

Number of shares	3,150,000
Dividend per share (excluding tax credit)	EUR 0.38
Stock market capitalization (at April 27, 2004)	EUR 145 million



If you would like to receive financial information on Audika by e-mail,
go to: www.equityinfos.com or www.audika.com

Financial statements
Table of contents

Audika

1

Management Report of the Chairman of the Board of Directors on the financial statements for the year ended December 31, 2003 to the Ordinary Shareholders' Meeting

Dear 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, 2003, to appropriate the year's earnings, to approve the renewal of the stock repurchase program and to deliberate on the other items contained on the agenda of the Ordinary Shareholders' Meeting called to approve the year's financial statements.

1 Report on the company's management during the past year

1.1 Analysis of the results for financial year 2003

1.1.1 Company's financial position and business over the past year

An examination of the income statement for the year ended December 31, 2003 highlights the following elements:

	2003 in euros	2002 in euros	Change as a %
Sales	8,901,164	7,448,985	+19.49
Operating income	1,247,122	1,411,636	-8.83
Financial income	482,362	295,340	+63.32
Recurrent income before tax	1,729,484	1,706,976	+1.32
Exceptional income	(4,756)	4,577	ns
Profit & loss from the entry period	1,444,528	1,303,424	+10.8
Profit & loss from the entry period	**1,444,528**	**1,303,424**	**+10.8**

1.1.2 Changes to the presentation of the financial statements or to valuation methods in relation to previous years

There has been no change to the presentation of the financial statements or to valuation methods in relation to previous years.

1.1.3 Research and Development

The company currently has no research and development activities underway.

1.1.4 Financial results – Progress made – Difficulties encountered

For 2003 as a whole, sales for Audika stood at EUR 8,901,000, an increase of over 19% on 2002 and one which proved balanced between the company's various businesses.

Operating expenses totaled EUR 8,023,000, up by more than 28% on the previous year. The main changes include:

- payroll expenses that rose by over 15% following the reinforcement of the human resources, accounting and finance and IT teams as well as the creation of the position of Regional Director and the various general pay rises awarded to employees;
- certain overheads that also increased significantly compared with the previous year for the above-mentioned reason;
- a tax expense that amounted to EUR 147,000, up nearly 29%, notably due to the increase in the company's business tax expense as a result of it exceeding the minimal subscription threshold on value-added, and due to other taxes directly linked to the company's payroll;
- amortization and provision expenses that rose by over 15%, following the investments made in both software and hardware as well as those linked to the relocation of three of the Group's departments (Finance, HR and IT) to 11, avenue de Friedland, but also following the increase in expenses to be amortized and in provisions for industrial disputes.

Financial income stood at EUR 482,000 versus EUR 295,000 in 2002, an increase which stems from the increase in debt taken on by the company in order to implement its acquisitions strategy. Dividends received stood at EUR 913,000 for the year as against a total figure of EUR 613,000 in financial year 2002.

Net income after taxes totaled EUR 1,445,000, up nearly 11% on 2002. The effective tax rate increased to just over 16%, down by more than 10 points on the normal rate following the positive impact of deductions and changes in the tax consolidation scope and, more particularly, as a result of the payment of dividends, 95% of which are not subject to corporate income tax.

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

- January 1, 2003 - acquisition of a 100% stake in the company Saint Patern Audition;
- January 1, 2003 - acquisition of a 100% stake in the company Lamy au Rousseau Caroline;
- January 1, 2003 - acquisition of a 100% stake in the company Institut de l'Audition du Val de Loire;
- February 1, 2003 - acquisition of a 100% stake in the company Audition Bourguet;
- April 1, 2003 - acquisition of a 100% stake in the company Centre de l'Audition;
- July 1, 2003 – setting up of SCS Audika in which Audika holds a 100% stake;
- September 1, 2003 - acquisition of a 50% stake in the company Opale Audiologie.

1.2 Appropriation of earnings

We propose to appropriate the net income of EUR 1,444,527.76 for the year ended December 31, 2003 as follows:

- EUR 247,527.76 under "Other Reserves";
- the payment of an overall dividend of EUR 1,197,000 tax credit excluded (or EUR 0.38 per share) to be taken entirely on the net income for 2003.

Dividend tax credit - Individuals: EUR 0.19 (50% of the net dividend),
Dividend tax credit - Legal entities (1): EUR 0.038 (10% of the net dividend).

(1) Not subject to the tax regime for parent companies and subsidiaries.

After this appropriation, the shareholders' equity accounts will stand as follows:

Shareholders' equity	(in euros)
Capital	252,000.00
Additional paid-in capital	913,132.49
Legal reserve	25,200.00
Other reserves	3,582,804.28
Total shareholders' equity	**4,773,136.77**

1.3 Approval of certain non-deductible expenses

In accordance with Article 39-4 of the French General Tax Code, EUR 14,486 in excess depreciation was added back to taxable income for 2003, with the tax owed as a result of this excess depreciation amounting to EUR 4,973.00.

1.4 Regulated 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 Commercial Code. These agreements will be subject to approval.

1.5 Key developments between the fiscal year end and the date this report was written

■ Acquisition on January 14, 2004, of the company L'Aide Auditive Bernard Azema (23 centers) whose sales over a full year equate to approximately EUR 7,000,000.

■ Acquisition on March 5, 2004, of the company Audio Service (2 centers) whose sales over a full year equate to approximately EUR 500,000.

■ Signing of a syndicated loan with BNP PARIBAS in the amount of EUR 32,000,000.

On January 13, 2004, Audika took out a loan for EUR 32,000,000 with BNP PARIBAS destined to finance its acquisitions program in 2004 and 2005 and to refinance its existing bank debt. Your Board of Directors authorized the loan on January 12, 2004.

■ Authorizations to grant pledges
On January 12, 2004, Audika's Board of Directors authorized the company to pledge 2,405 shares held in the company L'Aide Auditive-Bernard Azema against a loan taken out with BNP PARIBAS.

On January 12, 2004, Audika's Board of Directors authorized the company to pledge 7,489 shares held in the company Sarffa against a loan taken out with BNP PARIBAS.

■ Acquisition by Holton of a stake in Audika
Following ruling No. 204C0438 of the French financial markets authority (AMF) on March 23, the agreements signed on March 13, 2004 and governed by this ruling, took effect on April 14, 2004.

Messrs. Alain and Jean-Claude Tonnard as well as Mr. Philippe Langzam accordingly transferred 1,699,200 Audika shares (namely 53.94% of its capital) to Holton, a French simplified joint stock company (société par actions simplifiée, "SAS"). These transfers were made in the form of both capital contributions (50%) and capital disposals (50%).

Mr. Alain Tonnard has been appointed Chairman of Holton and Mr. Jean-Claude Tonnard has been appointed CEO. Messrs. Alain and Jean–Claude Tonnard respectively hold 46.85% of Holton's capital, with Mr. Philippe Langzam holding a 6.30% stake and the venture capital fund FCPR Partenaires Midcap - duly represented by its management company - Fonds Partenaires Gestion SA, also holding one share. Following these transfers, Holton and its associates will collectively own 53.94% of the capital and voting rights in Audika.

The acquisition by Holton of the shares in Audika sold by Messrs. Alain and Jean-Claude Tonnard as well as by Mr. Philippe Langzam was financed via the issue of convertible bonds with a share warrant by Holton which were subscribed to by the venture capital funds FCPR Partenaires Midcap and LFPI 1 duly represented by their management company, Fonds Partenaires Gestion SA; by the SAS La Financière Patrimoniale d'Investissement and by the non-trading companies Holinvest1 and Holinvest2. The characteristics of these convertible bonds are set out in the AMF ruling No. 204C0438 cited above.

This partnership will enable Audika to draw upon the expertise and resources of the Lazard Group in underpinning its dynamic acquisitions strategy.

Moreover, the chosen method of financing has the advantage of not diluting Audika's capital, thus preserving the interests of all minority shareholders.

2 Report on the Group's management and on the consolidated financial statements for the year ended December 31, 2003

The consolidated financial statements for the fiscal year ended December 31, 2003 are submitted for your approval

2.1 Key consolidated data (in thousands of euros)

	2003	2002	Change as a %
Sales	52,819	42,053	+25.6
Operating income	8,487	6,480	+30.9
Financial income	(455)	(402)	-13.2
Recurrent income before tax	8,032	6,078	+32
Exceptional income	(74)	(59)	-25.4
Consolidated net income	4,786	3,611	+32.2
Profit & loss from the entry period	4,724	3,576	+31.8

Sales grew by over 25% on 2002 to stand at EUR 52,819,000. Organic growth stood at 12.57% versus 8.24% in 2002.

Operating expenses totaled EUR 45,256,000, up by nearly 26.6% on 2002. The main changes include:

- an increase in the Group's gross margin which rose from 71.82% to 72.72%;
- an increase in the Group's payroll expenses of over 26% mainly due to its ongoing acquisitions policy. The ratio of payroll/sales remained stable on 2002, increasing slightly from 31.14% to 31.24% of sales;
- an increase in the Group's depreciation, amortization and provisions of nearly 39% to EUR 2,107,000.

Operating income stood at EUR 8,487,000, up nearly 31% on 2002, for a margin that grew by 66 basis points to 16.07% versus 15.41% in 2002.

Financial income stood at EUR -455,000 compared with a figure of EUR -402,000 in 2002, following the increase in debt taken on by the Group in order to finance its acquisitions. Net debt nevertheless remained under control, coming out at 74% as against 70% in 2002.

Recurrent income before taxes totaled EUR 8,032,000 compared with EUR 6,078,000 in 2002, up by over 32%.

Exceptional income remained relatively unchanged at EUR -74,000, compared with a total of EUR -58,000 in 2002.

The Group's tax expense stood at EUR 2,847,000 versus EUR 2,106,000 in 2002. At 35.78%, the effective tax rate is very much in line with the theoretical tax rate (34.33%).

Consolidated net income totaled EUR 4,786,000, up by over 32% on 2002, coming out at 9.06% of sales compared with 8.6% in 2002.

2.2 Financing - Analysis

Audika Group's cash flow for 2002 amounted to EUR 7,086,000, up by over 32% on 2002.

Working capital requirements stood at EUR 1,562,000.

Investments generated a negative cash flow of EUR 7,236,000, including net cash from acquisitions.

Financing transactions generated a positive flow of EUR 1,777,000.

As such, total cash flow increased by EUR 65,000.

2.3 2003 highlights

2003 was marked by the launch of a new TV advertising campaign featuring an emblematic celebrity amongst senior citizens in France, namely Robert Hossein, new "Ambassador" for the Audika brand.

In fact, the Group's stepped-up advertising strategy essentially took the form of its heightened presence on TV: some 300 daytime TV commercials were deployed across France's main television channels in 2003.

This naturally resulted in an increase in the Group's marketing budget for 2003 which grew +30% on 2002.

Ongoing reinforcement of the Group network and strengthening of the Group's presence:

In 2003, the Group pursued its aggressive growth strategy. Indeed, over the period, Audika acquired 39 new centers, integrated 12 franchise centers and set up two new centers, thus actively extending its national coverage and taking the total number of centers managed by the Group to 270.

The Group's new entities are spread throughout France.

■ Acquisition during the year of:

- 5 centers in the Provence, Alps and Côte d'Azur region
- 4 centers in Aquitaine
- 2 centers in Brittany
- 1 center in Limousin
- 1 center in Roche sur Yon
- 1 center in Dijon
- 1 center in Calais
- 1 center in Monaco

■ Acquisition, at the end of the year, of the 23 centers of the L' Aide Auditive chain (including 14 centers located in the Paris region). These centers will be integrated within Audika Group in 2004.

■ Setting up of 2 centers in Brive and Moulins.

3 Information on business risks

3.1 Business risks of Audika

3.1.1 Market risks

There is nothing to report on changes in the industry.

The company is not exposed to any country risk as the Audika network is only present in France.

3.1.2 Legal risks

The company is not involved in any disputes which could have a material impact on its financial situation.

3.1.3 Industrial risks

The company is not exposed to any industrial risk.

3.1.4 Currency and interest rate risks

■ Currency risks:
Due to the nature of its activity, Audika is not exposed to any foreign currency risk.

■ Interest rate risks:
Audika's exposure to interest rate fluctuations stems from its medium-term loans which are variable rate loans. However, promissory notes may be drawn on these loans, and the agreements provide for an early

redemption clause without penalty or limited to the commission amount (0.25% to 0.30%). All loans outstanding on December 31, 2003 were repaid early, with no penalty, with the exception of 2 loans taken out with BDPME and Crédit du Nord. The syndicated loan set up in January of 2004 contains a rate hedge clause for up to 50% of the sums used. As at February 29, 2004, Audika had hedged these loans in the amount of EUR 9 million with a 3.10% cap.

3.1.5 Environmental risks

The company is not concerned by any material risks with regard to the environment.

3.1.6 Commercial risks

The company is not concerned by any material commercial risks.

3.1.7 Insurance and the level of coverage for all risks

The company is insured for all of the risks inherent to its activity by Axa Group. Risk coverage includes the entire head office (Paris), the logistics platform (purchasing center in Clichy) and all retail centers.

The main insurance contracts concern:

	Head office and centers	Clichy site (purchasing center)
Legal liability	EUR 9,395,000/claim	EUR 9,395,000/claim
Business interruption	EUR 4,600,000/claim	EUR 4,600,000/claim
Company multi-risk	EUR 530,000/claim	EUR 690,000/claim

3.2 Audika Group risks

3.2.1 Market risks

There is nothing to report on changes in the industry. The Group is not exposed to any country risk as the Audika network is only present in France.

3.2.2 Legal risks

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

Regulations for hearing aid practitioners stipulate that the manager of each center must be a certified hearing aid practitioner holding a state diploma.

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

3.2.3 Industrial risks

As a distributor of hearing aids, the Group is not concerned by any material industrial risks.

3.2.4 Currency and interest rate risks

■ Currency risks:
Audika Group's foreign currency risk exposure is extremely low since all of its sales are realized in France and foreign currency purchases account for only 3.42% of all external purchases and expenses.

Consequently, the Group has no policy for foreign currency risks.

In 2003, foreign exchange losses were offset by foreign exchange gains.

■ Interest rate risks:
Audika Group's exposure to interest rate fluctuations stems essentially from its medium-term loans. Within Audika Group, almost 96.5% of loans are borne by Audika (see note 3.1.4). Loans borne by Audika subsidiaries amounted to EUR 481,000. Most of these loans (EUR 445,000) were taken out at a fixed interest rate (5.20% to 6.45%).

3.2.5 Environmental risks for Audika Group

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 reclaiming 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 batteries according to specific directives.

Audika implemented this decree on January 1, 2002. In each center there is a little box for customers to dispose of their used batteries. These batteries are then packed for shipment by 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.

3.2.6 Commercial risks

As a retail distributor of hearing aids, the Group is not concerned by any material commercial risks.

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

4 Analysis of the competition

Audika operates on a highly fragmented market in which it enjoys strong growth potential. France has around 2,000 hearing correction centers, half of which are independent and which provide the Group with a wide range of potential acquisition targets. On the French market, Audika's main competitor is CCA Group ("Centre de Correction Auditive") which was created in 1980 and which operates over 200 centers across France.

5 Information on the method used by the company in incorporating social and environmental issues within its business

In application of Article L.225-102-1 paragraph 4 of the French Commercial Code and Article 148-2 of the Decree of March 23, 1967, the methods used by the company in incorporating the social consequences of its business over the past year are set out below:

5.1 Headcount

At December 31, 2003, the company's total headcount was 41 (38 employees on open-ended contracts and 3 on fixed-term contracts) and included 24 executives (14 women and 10 men) and 17 employees (14 women and 3 men).

5.2 Trends

The company's development in recent years has created a number of jobs.

In fact, the company's total payroll increased by more than 8% over financial year 2003 following the integration of 9 additional employees.

5.3 Employee representation and social relations

A single staff delegation was set up on July 5, 2002, and a CHSCT (health and safety and working conditions) committee was formed on September 26, 2003.

5.4 Agreements on the reduction of the working week

An agreement concerning the implementation of the 35-hour working week was signed in June 2001 and took 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;
- 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 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.

The implementation of the reduction of the working week has not given rise to any salary cuts.

5.5 Compensation

In 2003, payroll expenses (including payroll taxes) totaled EUR 2,621,884, in line with the principle of equal rights for men and women in terms of hiring, compensation and all working conditions.

5.6 Training

Audika is developing a number of contacts with professional schools for hearing aid practitioners. It trains its employees based on the requirements defined during yearly employee appraisals.

Audika also hires trainee accounting and human resources students.

5.7 Sub-contracting

The company occasionally calls on sub-contractors primarily for cleaning, IT and consulting services, etc.

6 Changeover to IFRS

On September 11, 2002, the European Union ruled that all companies listed on a regulated market are to apply IFRS (International Financial Reporting Standards). For said companies, IFRS shall apply to all accounting years opened after January 1, 2005.

In application of the European regulations governing international standards and IFRS 1 (first-time adoption of the International Financial Reporting Standards), the consolidated financial statements of Audika Group (which is listed on Euronext's Nextprime segment) for the financial year ending December 31, 2005, shall be drawn up in accordance with the relevant international accounting standards. Moreover, an opening balance as at January 1, 2004 shall also be drawn up in accordance with IFRS 1 governing the first-time adoption of the International Financial Reporting Standards as an accounting reference.

Accordingly, Audika Group implemented a project for the changeover to IAS/IFRS accounting standards during the first half of 2003.

In line with the recommendations of the CESR (Committee of European Securities Regulators), the AMF (French financial markets authority) and Euronext, we are committed to keeping investors informed of the progress made to date as regards the changeover to IFRS at Audika.

Given the stakes involved, Audika set up a project team whose first task has been to audit the Group's existing methods and systems. This audit, which began at the start of the second half of 2003 and is scheduled for completion by the end of March 2004, extends to all Group subsidiaries and essentially consists in:

- identifying any discrepancies between the Group's current accounting methods and the IFRS;
- ascertaining the potential impact of the application of IFRS on the Group's information systems and organizational structures;
- analyzing the different options proposed by the standards.

This first step will be followed by two further stages. The first, which should be complete by the end of June 2004, will aim to:

- define the accounting options to be implemented;
- update the Group's accounting standards manual;
- review the configuration of the Group's information systems.

The last phase, which is scheduled to end on December 31, 2004, will focus on the rolling out and implementation of these new standards across all of the Group's entities.

Note that the analyses currently underway as regards business combinations (IAS 22, ED 3), financial instruments (IAS 32 and 39) and share-based payments (IFRS 2, published in February 2004), will be amended following the approval of the final texts therein by the European Union.

At this stage of the project, Audika has not identified any major discrepancies between the accounting, evaluation and presentation principles and methods defined under IFRS and those currently applied by the Group.

The Group draws the reader's attention to the fact that this information is published to the best of the Group's knowledge, which is conditioned both by the progress made by the project team cited above, and by the information it holds to date regarding the standards to be effectively applied in 2005.

Indeed, certain major accounting standards, due for implementation in 2005, have not yet been approved by the European Commission (standards governing business combinations and the depreciation of assets, IAS 32 and IAS 39 governing the accounting of financial instruments and IFRS 2 governing share-based payments).

In accordance with Euronext/Nextprime regulations, and failing any amendments therein, Audika Group shall - along with the half-yearly accounts for the financial year that began on January 1, 2004 and drawn up in accordance with French accounting standards – outline the predicted impact of the changeover to IFRS (used as of financial year 2005) on its opening and closing balances as well as on performance for the period in question; this naturally being subject to the Group being able to ascertain at that time which standards shall effectively apply in 2005 (i.e. subject to all of the standards finalized by the IASB being approved by the European Commission).

In accordance with the Euronext/Nextprime regulations in force on January 1, 2004, Audika Group has decided not to publish its accounts for the quarter ended March 31, 2004.

7 Five year financial summary

Financial results of the company over the last five financial years (Articles 133, 135, and 148 of the Decree governing commercial companies) (in thousands of euros unless otherwise specified)

	31/12/1999	31/12/2000	31/12/2001	31/12/2002	31/12/2003
Capital at year-end					
Common stock (in euros)	240,107	240,107	241,000	252,000	252,000
Number of shares	787,500	787,500	787,500	3,150,000	3,150,000
Operations and results for the year (in thousands of euros)					
Sales before tax	4,315	5,353	6,441	7,449	8,901
Earnings before tax, profit sharing, depreciation, amortization and provisions	1,219	1,499	2 165	2,101	2,171
Corporate income tax	231	425	487	408	280
Employee profit sharing	-	-	-	-	-
Earnings after tax, profit sharing, depreciation, amortization and provisions	894	874	1,422	1,303	1,445
Dividends paid	331	606	709	882	1,197
Earnings per share (in euros)					
Earnings after tax and profit sharing but before depreciation, amortization and provisions	1.25	1.36	2.13	0.54 (1)	0.60 (1)
Earnings after tax, profit sharing, depreciation, amortization and provisions	1.14	1.11	1.81	0.41 (1)	0.46 (1)
Dividends per share	0.42	0.77	0.90	0.28 (1)	0.38 (1)
Personnel expenses (in thousands of euros)					
Average head count during the year	16	17	22	32	35
Total payroll for the year	947	1,026	1,178	1,578	1,813
Employee benefits paid	304	332	376	518	566

(1) A 4-for-1 stock split was approved at the Extraordinary Shareholders' Meeting of June 12, 2002.

8 Forecasts and prospects for 2004

In financial year 2003, Audika made a major acquisition, integrating one of the largest independent French chains (L'Aide Auditive). L'Aide Auditive boasts a network of 23 centers across 9 regional departments and expects to generate sales of over EUR 7 million in 2004. This acquisition was consolidated as of January 2, 2004.

In line with the Group's aim to actively develop its network across France, Audika has already acquired 6 centers and integrated 2 franchise centers since the start of 2004.

Audika is continuing with its advertising strategy featuring its "Ambassador", French celebrity Robert Hossein. Its marketing budget remains stable at approximately EUR 3.2 million, with the Group aiming to further heighten brand awareness and rank as the leader in hearing correction.

Like-for-like, Audika forecasts an increase of over 30% in sales in 2004, along with a further improvement in operating profitability. In line with the Group's proven strategy over the past few years, organic growth will be complemented by several acquisitions. Indeed, given the number of targets identified, Audika continues to enjoy excellent visibility as to its future acquisitions.

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

This report pertaining to the financial year ended December 31, 2003, 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.

1 Internal control

1.1 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 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 exhaustiveness 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.

1.2 Key players in internal control procedures

Audika Group is organized in the following way:

- Product and service purchasing centers 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, CFA, Audika AAC, Audika Nord, Opale Audiologie and SCS Audika).

The distribution centers have no management autonomy nor 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 passing on commercial data on the other.

The key players in terms of internal controls 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, as well as 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.

1.3 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.

Furthermore, the procedures set out below have been defined with a view to ensuring that the objectives linked to an internal control system are met.

1.3.1 Accounting and finance internal control procedures

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 an accounting manager 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.

To date, none of the Group's existing procedures have been documented.

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

Moreover, a number of different tables have been set in place, notably as regards:

- the follow-up of acquisitions (follow-up tables for shares and the various impacts of acquisitions on the consolidated accounts);
- the follow-up of debt (follow-up tables for covenants);
- the follow-up of off-balance sheet commitments.

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.

In addition, particular attention is paid to the separation of functions assigned to company employees.

1.3.2 Reporting

Audika has implemented weekly and monthly reporting tables to enable it to measure the Group's activities and commercial profitability (table of margins by entity and by product family). The Sales Department organizes quarterly meetings with the regional directors in order to assess whether the centers' performance is in line with the targets set.

This information is intended as a tool to assist the General Management in running the company as effectively as possible.

Any shortcomings noted with respect to the objectives set shall, where applicable, result in corrective measures (sales and/or marketing drives to help the distribution centers meet their targets).

Furthermore, Audika's General Management has also implemented the follow-up of yearly investment budgets.

1.3.3 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 inspect the company’s procedures.

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.

1.3.4 Other measures in the company’s internal control procedures

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

2 Initiatives undertaken in 2003 and action plan for 2004

Within the framework of this first report on Audika’s internal audit methods and procedures, the Finance and Administrative Department, under the supervision of the Chairman, took the following initiatives:

- definition of the overall framework,
- listing of all existing internal control procedures.

The work undertaken in 2003 did not reveal any major discrepancies or serious shortcomings as regards the company's internal control methods and procedures.

In 2004, Audika is to implement an action plan intended to:

- document all existing procedures, and
- complete said procedures as and when necessary.

This work should also trigger the compilation of a procedures manual.

3 Report of the Statutory Auditors drawn up in accordance with the last paragraph of Article L.225-235 of the French Commercial Code on the Report furnished by the Chairman of the Board of Directors on internal control procedures governing the drafting and processing of financial and accounting information for the year ended December 31, 2003

In our capacity as statutory auditors for Audika and in application of the provisions of the last paragraph 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 same Code for the financial year ended December 31, 2003.

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. Moreover, 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 in his report.

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 identifying 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.

Based on our investigation, we have no comments to make as to the description of 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, April 29, 2004

Statutory Auditors

EXCOM
Thierry Dubreuil

Calan Ramolino & Associés
Alain Penanguer

4 Shareholder information

1 Information concerning the issuer

Company name

Audika

Registry date

July 7, 1977

Head offices

24, Avenue de Friedland - 75008 Paris.

Term

Until August 4, 2076 unless extended or dissolved in advance by vote of the Extraordinary Shareholders' Meeting.

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.

Fiscal year

The fiscal year begins on January 1 and ends on December 31 of each year.

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.

Trade and Companies' Register

SIREN 310 612 387, RCS Paris

NAF Code

523C

2 Main legal and statutory regulations

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.

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 share ownership.

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.

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

The Ordinary Shareholders' Meeting of June 11, 2003 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 making up its capital stock.

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 70 (excl. expenses) per share in repurchasing its own stock,
- the company may not sell its own stock for under EUR 20 per shares (excl. expenses).

The maximum amount of purchases authorized is thus set at EUR 22,050,000.

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 2003.

The company held none of its own shares at the beginning of the 2003 financial year and none at its close on December 31, 2003.

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 2 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.

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.

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.

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.

3 Information on the capital

Capital (Article 7 of the by-laws)

The capital stands at EUR 252,000 and is divided into 3,150,000 shares which are fully paid up and all of the same class. The par value of shares is EUR 0.08.

Breakdown of capital and voting rights

Breakdown of capital

The table below lists those shareholders who held over one twentieth, one tenth, one fifth, one third, one half or two thirds of capital or voting rights at shareholder meetings as at December 31, 2003, as well as any changes thereto which occurred during 2003.

Shareholder	Capital held	Voting rights held	Threshold(s) breached in terms of capital	Threshold(s) breached in terms of voting rights
Alain Tonnard	over 1/5	over 1/5	none	none
Jean-Claude Tonnard	over 1/5	over 1/5	none	none
société Amvescap Pic	less than 1/20	less than 1/20	17/10/03: dropped below the threshold of 1/20	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.

Employee share ownership at December 31, 2003

- Employees holding registered shares in the company at December 31, 2003 were as follows:

Employees	Number of shares	% of capital
None	-	-
Total	**-**	**-**

- 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	-	-
Total	**-**	**-**

Acquisition of shares to be allocated to employees under an employee shareholding plan

In financial year 2003, the company did not acquire any of its own shares to allot to employees under an employee shareholding plan pursuant to Article 225-208 of the French Commercial Code.

Potential capital

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

Authorized and unissued capital stock

The company's Board of Directors was authorized by the Extraordinary Shareholders' Meeting of June 11, 2003 for a maximum period of 26 months to increase the capital to EUR 50,000 in one or several times either in cash shares, with or without pre-emptive rights or through the incorporation of reserves and the free allocation of shares.

Shareholders' agreement

None

Pledging of shares

None

Changes in Audika's shareholder equity since its creation

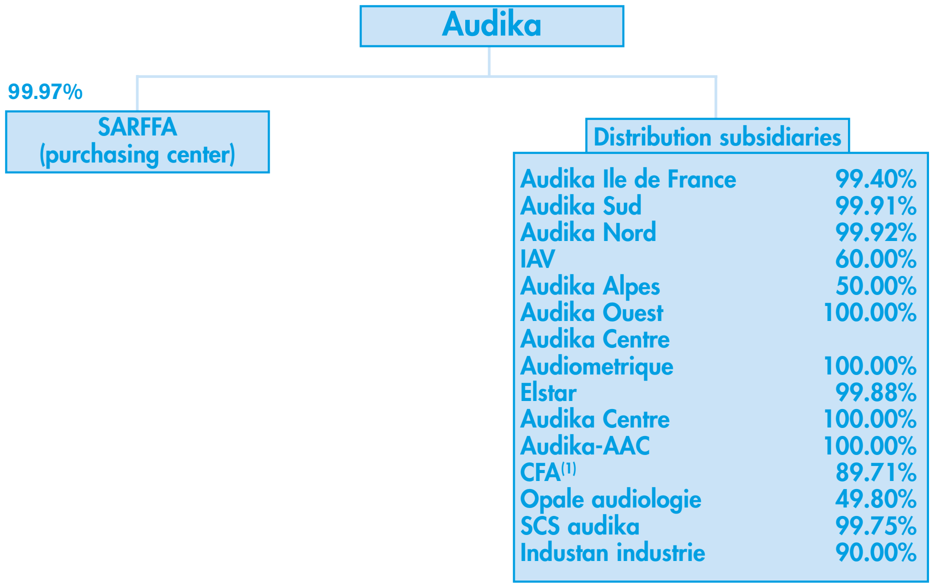
Date	Type of operation	Increase in capital	Issue or share premium	Number of shares	Par value	Capital stock after operation
07/07/77	Company formed	FRF 100,000	-	1,000	FRF 100	FRF 100,000
26/11/84	Capital increase	FRF 150,000	-	2,500	FRF 100	FRF 250,000
31/12/97	Merger absorption with l'Européenne de l'audition	FRF 110,000	1,649,102	3,600	FRF 100	FRF 360,000
31/12/97	10-for-1 stock split	-	-	36,000	FRF 10	FRF 360,000
23/01/98	Capital increase through the incorporation of reserves	FRF 1,140,000	-	150,000	FRF 10	FRF 1,500,000
27/04/98	5-for-1 stock split	FRF 1,140,000	-	150,000	FRF 10	FRF 1,500,000
26/05/98	Capital increase concomitant with IPO	FRF 75,000	7,387,500	787,500	FRF 2	FRF 1,575,000
30/05/01	Capital increase through the incorporation of reserves and conversion of capital into euros	FRF 4,856,37	-	787,500		FRF 1,579,856.37 or EUR 241,000
01/07/02	Capital increase through the incorporation of reserves	EUR 11,000	-	787,500	EUR 0.32	252,000
01/07/02	Stock split	-	-	3,150,000	EUR 0.08	252,000

Breakdown of capital and voting rights

	31/12/2002				31/12/2003			
Shareholders	Shares		Voting rights		Shares		Voting rights	
Jean-Claude Tonnard	808,416	25.66%	1,594,532	33.02%	797,000	25.30%	1,583,116	32.78%
Alain Tonnard	808,416	25.66%	1,594,532	33.02%	797,000	25.30%	1,583,116	32.78%
Philippe Langzam	110,301	3.50%	217,501	4.50%	107,200	3.40%	214,400	4.44%
Float	1,422,867	45.18%	1,422,867	29.46%	1,448,800	46.0%	1,448,856	30.00%
Total	**3,150,000**	**100.00%**	**4,829,432**	**100.00%**	**3,150,000**	**100.00%**	**4,829,488**	**100.00%**

To the best of the company's knowledge, one public shareholder dropped below the 5% threshold in 2003.

Audika Group – Simplified Organizational Chart



(1) Subsidiary owned by INDUSTAN

4 Waiver of the obligation to file a public offer on the company's shares - Articles 5-5-7 (paragraph f) and 5-5-8 of the General Regulations of the French market authority (Conseil des marchés financiers) Examination of the consequences of concerted action - Articles 5-5-5 and 5-5-8 of the General Regulations of the French market authority (Conseil des marchés financiers)

Ruling and memorandum No. 204C0438 – March 23, 2004

Clauses of an agreement governed by Article L. 233-11 of the French Commercial Code

1 In its session of February 3, 2004, the French financial markets authority (Autorité des marchés financiers, the "AMF") was informed of the plan of Messrs. Alain and Jean-Claude Tonnard, founders and co-chairmen of Audika who each hold 25.26% of its capital, thereby representing 32.55% of its voting rights, to transfer their stake to a simplified joint stock company under French law ("société par actions simplifiée" hereinafter referred to as the "SAS"). At the same, Mr. Philippe Langzam is also to transfer his 3.40% stake in Audika which represents 4.43% of the company's voting rights to the SAS.

These operations, which are scheduled for the beginning of April, will be carried out in the form of both capital contributions (50%) and capital disposals (50%) [1].

As, once the operation is complete, the SAS, which is wholly-owned by Messrs. A. and J-C. Tonnard and Mr. P. Langzam [2], will exceed the threshold of one third of the capital and voting rights in Audika (its stake equating to 53.93% of the capital), thus triggering the mandatory filing of a public offer in application of Article 5-5-2 of the General Regulations of the French Market Authority (Conseil des marchés financiers), a waiver has been requested from the same authority in accordance with paragraph f) of Article 5-5-7 and 5-5-8 of the aforementioned General Regulations.

The AMF has noted that Messrs. A. and J-C. Tonnard deem themselves to be shareholders acting in concert with respect to Audika, at least since the company was listed on the Second Marché. It noted that this regularly took the form of the joint definition, by the parties, of the company's strategy by virtue of their positions as co-Chairmen and by their identical votes during shareholder meetings as the respective minutes show.

As Messrs. A. and J-C. Tonnard together hold the majority of Audika's voting rights and, after the operation, will cumutively hold 93.70% of the shares of the SAS, the AMF has granted the waiver requested based on the regulatory provisions put forward.

2 Furthermore, in application of paragraph a) of Article 5-5-5 of the General Regulations [3], as it is presumed that all of the shareholder partners of the future SAS will act in concert with respect to Audika which the SAS will control [4], the AMF also deems that the company is not obliged to file a public offer on Audika's shares given the presence of other shareholders alongside Messrs. A. and J-C. Tonnard (essentially Mr. P. Langzam) and insofar as Messrs. A. and J-C. Tonnard already cumulatively hold the majority of Audika's capital and voting rights and will occupy a predominant position within the shareholder structure.

3 In a letter dated March 16, and in application of Article L. 233-11 of the French Commercial Code, the AMF was sent a copy of the agreements signed on March 13, 2004 and which will take effect no later than April 7, 2004 between Messrs. A. and J-C. Tonnard and Mr. P. Langzam (hereinafter referred to as the "Directors") and those investing in the bonds (hereinafter referred to as the "Investors").

The acquisition, by the SAS, of the shares in Audika ceded by Messrs. A. and J-C. Tonnard as well as by Mr. P. Langzam, shall be financed via the issue of convertible bonds with share warrants by the SAS with an annual interest rate of 5% and maturing at the end of 2019.

Said bonds, which may be converted at any time after the third or fifth anniversary of the issue on the basis of a one-on-one parity (although this parity may be adjusted in line with an accretion clause set out in the issue contract), will be subscribed to by the FCPR Partenaires Midcap and LFPI venture capital funds represented by their respective management companies, Fonds Partenaires Gestion SA and SAS Financière Patrimoniale d'Investissement.

These agreements, which are signed for a term of fifteen years, contain the following provisions:

- the first Chairman and the first CEO of the SAS are Mr. A. Tonnard and Mr. J-C. Tonnard respectively as set out in the company's by-laws;

- shares in the SAS may not be transferred where the bonds have not been converted;

Once the shares become transferable, the Investors may request that the other shareholders join with them in selling 100% of the capital of the SAS;

- the Directors afford the Investors preferential rights over their shares in the SAS as well as any shares they may hold in Audika in the future;

- the Directors and Investors afford each other the reciprocal right to sell their shares in the SAS as well as any shares they may hold in Audika in the future;

- where the Investors convert all of the bonds they hold, they undertake to acquire or have a third party acquire 100% of the shares in the SAS held by each director. Where this conversion triggers the obligation to file a public exchange offer on Audika's shares, the price paid will be calculated by factoring in the price stipulated within the framework of the offer. In the event of the concomitant sale of shares in the SAS, however, this obligation shall not apply if the director concerned has not exercised his pre-emptive right to sell as provided for the in by-laws of the SAS.

[1] At a discounted unitary share price in relation to the price stipulated in the transfer agreement.

[2] The shares in the SAS will be held by Messrs. A. and J-C. Tonnard (46.85%) and Mr. P. Langzam (6.30%). One share will be held by the management company, Fonds Partenaires Gestion (see paragraph 3).

[3] Article 5-5-5 provides that:

The Council may waiver the obligation to file a public exchange offer:

a) when the thresholds set out in Articles 5-5-2 and 5-5-4 are exceeded by one or several persons who have declared themselves to be in concert with one or several shareholders who, either in their own right or in concert, already have a majority stake in the capital or voting rights of the company (…) on the condition that they occupy a predominant position. (...)

[4] Article L. 233-10 of the French Commercial Code provides that: any persons who have signed an agreement with a view to acquiring or transferring voting rights or with a view to exercising voting rights, so as to implement a common policy with respect to the company shall be deemed to be acting in concert. Such an agreement is deemed to exist (…) 4° between the shareholders of a simplified joint stock company (SAS) with respect to the different companies that the latter controls.

5 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, 2003 were as follows:

Fiscal year	Total dividends	Net dividend per share	Tax credit per share	Gross dividend per share
2000	EUR 606,271	EUR 0.77	IND: EUR 0.39 LE: EUR 0.31	IND: EUR 1.16 LE: EUR 1.08
2001	EUR 708,750	EUR 0.90	IND: EUR 0.45 LE: EUR 0.36	IND: EUR 1.35 LE : EUR 1.26
2002	EUR 882,000	EUR 0.28 (1)	IND: EUR 0.14 LE: EUR 0.028	IND: EUR 0.42 LE: EUR 0.308

(1) 4-for-1 stock split (Shareholders' Meeting of June 27, 2002)
IND: Individuals – LE: Legal entities

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.

6 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 June 27, 2002 and following the 4-for-1 stock split, Audika Group's capital is made up of 3,150,000 shares.

	Lowest	Highest	Average price	Average daily volume
July 02	28.00	32.30	30.22	3,863
August 02	28.15	30.48	29.64	611
September 02	22.85	29.10	26.72	1,501
October 02	22.70	31.15	26.92	3,163
November 02	30.50	33.00	31.73	2,029
December 02	27.56	32.50	29.50	2,161
January 03	26.35	28.70	27.63	1,308
February 03	24.85	30.30	27.28	1,991
March 03	21.60	28.00	24.23	2,913
April 03	27.10	30.50	28.64	2,272
May 03	27.50	29.31	28.60	1,211
June 03	28.30	32.18	31.22	3,409
July 03	31.80	32.50	32.20	1,875
August 03	31.80	32.98	32.26	2,183
September 03	33.85	39.95	36.83	3,342
October 03	37.80	40.28	39.14	5,511
November 03	39.25	42.30	40.51	2,866
December 03	38.00	40.40	39.12	2,084
January 04	38.00	40.48	39.31	2,698
February 04	37.35	41.20	39.41	7,189

7 Shareholder relations

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 French financial markets authority (Autorité des marchés financiers, the "AMF") 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, managers and journalists;
- a complete, regularly updated website in French and English.

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

Communication Calendar

- February 10, 2004: Sales for the fourth quarter of 2003
- March 23, 2004: Annual results 2003
- May 11, 2004: Sales for the first quarter of 2004
- June 15, 2004: Shareholders' Meeting
- August 3, 2004: Sales for the second quarter of 2004
- October 19, 2004: Half-yearly results for 2004
- November 9, 2004: Sales for the third quarter of 2004

8 Stock market firms carrying out financial studies on Audika

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

- CDC Ixis;
- Crédit Lyonnais Small Caps;
- Fortis Securities;
- Gilbert Dupont/Groupe Crédit du Nord;
- ING Ferri (liquidities);
- Portzamparc.

5 Consolidated financial statements for the year ended December 31, 2003

1 Consolidated balance sheet – Assets at December 31

Assets (in thousands of euros)	Notes	Gross	31/12/03 Amort and Prov.	Net	31/12/02 Net	31/12/02 Pro-forma	31/12/01 Net
Intangible fixed assets	**3.1**						
R&D expenses		-	-	-	-	-	-
Concessions, patents licenses		1,222	910	312	507	542	519
Business		16,100	-	16,100	12,731	14,332	8,882
Prepayments		-	-	-	-	-	-
Other		27	8	19	19	19	19
Total		**17,349**	**918**	**16,431**	**13,257**	**14,893**	**9,420**
Goodwill	**3.2**	**6,493**	**1,933**	**4,560**	**3,781**	**4,745**	**3,209**
Tangible fixed assets	**3.3**						
Land		-	-	-	-	-	-
Buildings		3,227	1,423	1,804	1,390	1,440	750
Machinery and equipment		1,953	1,547	406	414	442	309
Other tangible assets		7,539	4,394	3,145	2,292	2,403	2,034
Property under development		-	-	-	-	-	-
Prepayments		-	-	-	-	-	-
Total		**12,719**	**7,364**	**5,355**	**4,096**	**4,285**	**3,093**
LT investments	**3.5**						
Other equity investments		3	1	2	2	3	4
Advances to non-consolidated companies		-	-	-	-	-	-
Other LT investments		-	-	-	-	2	-
Loans		-	-	-	-	-	-
Other		390	33	357	305	321	252
Total		**393**	**34**	**359**	**307**	**326**	**256**
Investments in companies accounted for by the equity method		**-**	**-**	**-**	**-**	**-**	**-**
TOTAL		**36,954**	**10,249**	**26,705**	**21,441**	**24,249**	**15,978**
Inventories		2,064	3	2,061	1,884	1,966	1,359
Trade & other accounts receivable	3.6	9,003	135	8,868	5,401	5,500	4,503
Other receivables	3.6	3,960	126	3,834	2,550	2,663	2,230
Marketable securities	3.7	10	-	10	288	425	206
Cash and cash equivalents		4,221	-	4,221	3,877	4,187	4,006
Prepayments		876	-	876	831	852	495
TOTAL		**20,134**	**264**	**19,870**	**14,791**	**15,593**	**12,799**
Deferred charges	3.8	597	-	597	226	226	272
Unrealized exchange losses		-	-	-	-	-	2
OVERALL TOTAL		**57,685**	**10,513**	**47,172**	**36,458**	**40,068**	**29,051**

2 Consolidated balance sheet – Liabilities at December 31

Liabilities (in thousands of euros)	Notes	31/12/03	31/12/02 Pro-forma	31/12/02	31/12/01
Shareholders' equity					
Additional paid-in capital		913	913	913	913
Legal reserve		25	24	24	24
Other reserves		3,336	2,915	2,915	2,213
Consolidated reserves		5,299	2,949	2,949	2,027
Group net income		4,724	3,576	3,857	2,787
Group shareholders' equity	**3.9**	**14,549**	**10,629**	**10,910**	**8,205**
Minority interests (reserves)		309	213	133	253
Minority interests (earnings)		62	35	89	28
Minority interests	**3.10**	**371**	**248**	**222**	**281**
Provisions for risks and charges	3.11	1,354	1,043	1,050	586
Negative goodwill		-	-	-	24
Financial debt	**3.12**				
Bank loans and debt		14,321	10,686	13,567	6,553
Miscellaneous loans and debt		102	137	160	185
Total		**14,423**	**10,823**	**13,727**	**6,738**
Other debt	**3.12**				
Trade & other accounts payable		10,100	8,177	8,409	6,685
Taxes and social security liabilities		4,992	4,098	4,266	3,823
Other debt		1,261	1,349	1,393	2,702
Unearned income		111	63	63	7
Unrealized exchange profit		11	28	28	-
Total		**16,475**	**13,715**	**14,159**	**13,217**
OVERALL TOTAL		**47,172**	**36,458**	**40,068**	**29,051**

3 Consolidated income statement at December 31

(in thousands of euros)	Notes	31/12/03	31/12/02	31/12/02 Pro-forma	31/12/01
Operating income					
Sales of products and services		52,819	42,053	46,287	34,955
Net sales	**4.1**	**52,819**	**42,053**	**46,287**	**34,955**
Capitalized production		-	-	-	-
Inventories		(131)	(161)	(161)	(62)
Operating subsidies		12	4	4	7
Write-back on depreciation, provisions and expense transfers		81	64	66	163
Other income		235	66	118	78
Transfer of operating expenses		728	211	211	254
Total operating income		**53,744**	**42,237**	**46,525**	**35,395**
Operating expenses					
Cost of merchandise		14,637	12,264	13,243	11,127
Change in inventory levels		(228)	(413)	(351)	(494)
Cost of goods sold		-	-	-	-
Taxes and similar		1,002	730	792	592
Salaries and wages	4.3	11,500	9,117	10,112	7,584
Payroll taxes	4.3	5,001	3,979	4,358	3,263
Depreciation and provisions		2,107	1,517	1,619	1,210
Other expenses		72	22	30	29
Total operating expenses		**45,257**	**35,757**	**39,538**	**30,404**
Operating income		**8,487**	**6,480**	**6,987**	**4,991**
Financial income		**67**	**30**	**42**	**33**
Financial expenses		**522**	**432**	**444**	**30**
Financial items	**4.4**	**(455)**	**(402)**	**(402)**	**(267)**
Recurrent income before tax		**8,032**	**6,078**	**6,585**	**4,724**
Exceptional income		**155**	**99**	**131**	**72**
Exceptional expenses		**229**	**158**	**205**	**119**
Exceptional items	**4.5**	**(74)**	**(59)**	**(74)**	**(47)**
Income tax	4.6	2,848	2,106	2,254	1,649
Income from consolidated companies before amortization of goodwill		**5,110**	**3,913**	**4,257**	**3,028**
Group share in income from non-consolidated companies		-	-	-	-
Net income before amortization of goodwill		**5,110**	**3,913**	**4,257**	**3,028**
Net allocations to goodwill		325	302	363	213
CONSOLIDATED NET INCOME		**4,785**	**3,611**	**3,894**	**2,815**
Minority interests' share in net income		**62**	**35**	**37**	**28**
Group share		**4,724**	**3,576**	**3,857**	**2,787**
Earnings per share (in euros)	**5.2**	**1.50 (1)**	**1.14 (1)**	**1.22 (1)**	**3.54**
Diluted earnings per share (in euros)	**5.2**	**1.50 (1)**	**1.14 (1)**	**1.22 (1)**	**3.54**

(1) A 4-for-1 stock split was approved at the Extraordinary Shareholders' Meeting of June 12, 2002.

4 Cash flow statement at December 31

Changes in cash flow (in thousands of euros)	31/12/03	31/12/02	31/12/01
OPERATING TRANSACTIONS			
Net income	**4,724**	**3,576**	**2,786**
Elimination of items with no effect on cash or not linked to operations			
Minorities' share	62	35	28
Depreciation and provisions	2,440	1,820	1,460
Reversals of depreciation and provisions	(102)	(78)	(165)
Capital gains and losses on disposals	32	(6)	20
Deferred taxes	(70)	1	48
Cash flow	**7,086**	**5,348**	**4,177**
Changes in working capital requirements			
Changes in financial expenses	**8**	**20**	**0**
Changes in operating capital	**(2,081)**	**(721)**	**(269)**
Changes in inventories	(86)	(253)	(431)
Changes in deferred expenses	(674)	(157)	(252)
Changes in accounts receivable	(1,864)	(962)	(332)
Changes in trade payables	543	651	746
Changes in non-operating capital	**511**	**(333)**	**5**
Prepaid income and expenses	25	(100)	2
Exchange losses and gains	(17)	30	(10)
Other accounts	503	(263)	13
Cash flow from operations	**5,524**	**4,314**	**3,913**
CAPITAL EXPENDITURE			
Intangible fixed asset acquisitions	(1,963)	(1,333)	(1,644)
Tangible fixed asset acquisitions	(2,838)	(1,484)	(1,468)
Disposals of tangible and intangible fixed assets	109	13	26
Long-term investment acquisitions	(92)	(18)	(34)
Disposals of LT investments	53	5	39
Net cash from acquisitions of subsidiaries	(2,505)	(3,429)	(987)
Cash flow from capital expenditure	**(7,236)**	**(6,246)**	**(4,068)**
FINANCING TRANSACTIONS			
Capital increase	(157)	-	-
Dividends paid	(890)	(718)	(616)
Proceeds from borrowings	8,300	7,161	4,260
Principal payments on borrowings	(4,914)	(3,155)	(623)
Loans to purchase securities	-	-	-
Repayment of loans to purchase securities	(562)	(1,398)	(1,041)
Cash flow from financing	**1,777**	**1,890**	**1,980**
CHANGE IN COMPUTED CASH POSITION	**65**	**(42)**	**1,825**
Cash at beginning of year	4,131	4,173	2,348
Cash at year end	4,196	4,131	4,173
CHANGE IN ACTUAL CASH POSITION	**65**	**(42)**	**1,825**

5 Statement of changes in shareholders' equity – Group share

	Capital	Premiums	Reserves	Income	Other Shareholders' equity	Total
At 31/12/2000 after allocation	**240**	**913**	**3,762**	**-**	**-**	**4,915**
Capital increase	1	-	(1)	-	-	-
Net income	-	-	-	2,787	-	2,787
Appropriation of earnings	-	-	2,078	(2,787)	-	(709)
Other	-	-	506	-	-	506
Translation differences	-	-	(3)	-	-	(3)
At 31/12/2001 after allocation	**241**	**913**	**6,342**	**-**	**-**	**7,496**
Capital increase	11	-	(11)	-	-	-
Net income	-	-	-	3,576	-	3,576
Appropriation of earnings	-	-	2,694	(3,576)	-	(882)
Restatement of deferred tax (1)	-	-	(423)	-	-	(423)
Other	-	-	(17)	-	-	(17)
Translation differences	-	-	(3)	-	-	(3)
At 31/12/2002 after allocation	**252**	**913**	**8,582**	**-**	**-**	**9,747**
Capital increase	-	-	-	-	-	-
Net income	-	-	-	4,724	-	4,724
Appropriation of earnings	-	-	-	-	-	-
Restatement of deferred tax (1)	-	-	-	-	-	-
Other	-	-	67	-	-	67
Translation differences	-	-	11	-	-	11
At 31/12/2003 before allocation	**252**	**913**	**8,660**	**4,724**	**-**	**14,549**

(1) restatement of deferred tax liabilities from the previous year

6 Key figures (in thousands of euros)

Consolidated income statement	2003	2002	2001
Sales	52,819	42,053	34,955
Operating income	8,487	6,480	4,991
Financial income	(455)	(402)	(267)
Recurrent income before tax	8,032	6,078	4,724
Exceptional income	(74)	(59)	(47)
Consolidated net income	4,785	3,611	2,815
Group net income	4,724	3,576	2,787

Consolidated balance sheet - Assets	2003	2002	2001
Intangible fixed assets	16,431	13,257	9,420
Goodwill	4,560	3,781	3,209
Tangible fixed assets	5,355	4,096	3,093
LT investments	359	307	256
Total fixed assets	**26,705**	**21,441**	**15,978**
Current assets and accruals	20,467	15,017	13,073
Total Assets	**47,172**	**36,458**	**29,051**

Consolidated balance sheet - Liabilities	2003	2002	2001
Group shareholders' equity	9,825	7,053	5,418
o/w common stock	252	252	241
Group net income	4,724	3,576	2,787
Minority interests	371	248	281
Total shareholders' equity	**14,920**	**10,877**	**8,486**
Provisions for risks and charges	1,354	1,043	610
Debt	30,898	24,538	19,955
Total Liabilities	**47,172**	**36,458**	**29 051**

6 Notes to the consolidated financial statements for the year ended December 31, 2003

Introduction

The consolidated financial statements were drawn up in accordance with current French law, notably the Act of January 3, 1985 and the Decrees of February 17, 1986 and January 17, 1990. Furthermore, the consolidated financial statements conform to the new regulations promulgated in 1999, in particular CRC (French Regional Audit Board) regulation No. 99.02 and CRC regulation No. 2000-06 governing liabilities.

1 Consolidation scope

The consolidation scope at December 31, 2003 includes 16 fully consolidated companies including Audika, the parent company. The list of companies included in the consolidation scope is given at the end of the notes. Changes to the consolidation scope during the year concern the following companies:

- January 1, 2003 - acquisition of a 100% stake in the company Saint Patern Audition;
- January 1, 2003 - acquisition of a 100% stake in the company Lamy au Rousseau Caroline;
- January 1, 2003 - acquisition of a 100% stake in the company Institut de l'Audition du Val de Loire;
- February 1, 2003 - acquisition of a 100% stake in the company Audition Bourguet;
- April 1, 2003 - acquisition of a 100% stake in the company Centre de l'Audition;
- July 1, 2003 – setting up of SCS Audika in which Audika holds a 100% stake;
- September 1, 2003 - acquisition of a 50% stake in the company Opale Audiologie.

Over financial year 2003, Audika Group restructured its subsidiaries via a series of merger/absorption operations with retroactive effect as of January 1, 2003. Moreover, the Group took advantage of this restructuring to change some of the subsidiaries' names in order to further emphasize their integration within Audika Group:

- Sarffa absorbed Sodaf;
- Audika Sud absorbed Le Petit Nicolas, the Centre Régional de Correction Auditive and Allain Audition;
- Centre Audiométrique absorbed Reims Surdité and Lamy au Rousseau Caroline and changed its name to Audika Centre Audiométrique;
- LNA absorbed Cochlea and Claye Souilly Audition and changed its name to Audika Ile de France;
- Audika Ouest absorbed Audiotechnologie, Saint Patern Audition, Centre de l'Audition, Audition Bourguet and Institut de l'Audition de Bretagne;
- Audika Centre absorbed LRCPA and Institut de l'Audition du Val de Loire;
- Revelson absorbed Audika Nord and changed its name to Audika Nord;
- Aide Auditive Conseil absorbed ACA, Audry and Roubaud CAO and changed its name to Audika-AAC.

Audika Group's consolidation scope is presented in the table below:

Companies	Head offices	SIREN No.	% equity stake 31/12/03	% controlling interest 31/12/03
Audika	24 avenue de Friedland 75008 Paris	31061238700053	Parent company	Parent company
Sarffa	24 avenue de Friedland 75008 Paris	31495130200053	99.97%	99.97%
Audika Ile de France	24 avenue de Friedland 75008 Paris	30889577000011	99.40%	99.40%
Audika Sud	1 La Canebière 13001 Marseille	38847059300012	99.91%	99.91%
IAV, Institut de l'Audition du Var	24 rue Gimelli 83000 Toulon	34077355500016	60%	60%
Audika Alpes	15 rue de la Préfecture 74000 Annecy	40415042700015	50%	50%
Audika Ouest	10 avenue des Congrès 17200 Royan	38045033800013	100%	100%
Audika Centre Audiométrique	24 avenue de Friedland 75008 Paris	67203598700169	100%	100%
Elstar	24 avenue de Friedland 75008 Paris	40373270400024	100%	100%
Audika Centre	24 avenue de Friedland 75008 Paris	33779445800019	100%	100%
CFA	11 rue Jean Mermoz 75008 Paris	32299730500022	89.71%	99.68%
Industan AG	C/o Mr de Bavier rue François Bellot, 6 - Geneva - Switzerland	CH020-391-327-6-4	90%	90%
Audika-AAC	40 av. Joseph Claussat 63400 Chamalières	42095955500013	100%	100%
Audika Nord	14 rue Gabriel Péri 93200 Saint Denis	32378549100060	100%	100%
SCS Audika	21 rue de Fontvieille 98000 Monaco	ROI 03S04200	99.75%	99.75%
Opale Audiologie	17 rue du Temple 62100 Calais	40208512000036	49.80%	49.80%

All of these companies were fully consolidated at December 31, 2003.

2 Consolidation scope, principles and methods

2.1 Consolidation principles and methods

Those companies exclusively controlled by Audika, be it directly or indirectly, are fully consolidated. Those companies in which Audika has a controlling stake, jointly with one or several other shareholders, are fully consolidated. The companies in which Audika has a material influence are consolidated using the equity method.

All of the consolidated companies have a fiscal year ending on December 31, 2003.

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

2.2 Accounting principles and valuation methods

The accounting principles and valuation methods are identical from one fiscal year to the next and were applied in the same manner as for the consolidated financial statements for the year ended December 31, 2002.

Intangible fixed assets

Intangible fixed assets are booked at their purchase price. Only the business acquired outside of the Group is consolidated. The business is valued based on a percentage of recurrent sales weighted by qualitative factors according to industry practices.

Business is not amortized, but may be written down when its book value falls below its historical value. This value is determined using a valuation scale for "optical" business, which we consider to be similar to our activity. We also factor in earnings prospects.

Other intangible fixed assets are amortized using the straight-line method for the following useful lives:

Software	2 to 3 years
Concessions	5 years

Translation differences on first consolidations

Differences which arise upon first consolidations are allocated to the assets in question and amortized over their useful lives when they can be identified.

Non-allocated positive differences are booked as goodwill. They are amortized over 20 years, a generally accepted norm in the accounting field. Moreover, this period, which is fixed by the Group's senior management, factors in the life of the underlying business and the hearing correction market potential.

Indeed, the nature of our market requires taking a long-term view of acquisitions and equity investments, notably when it comes to life expectancy, technological developments and winning over new market share.

Nevertheless, where particular circumstances so justify, and particularly if there is a negative trend in indicators such as sales and recurrent income before tax, a reduction of goodwill is booked above and beyond the normal amortization expense, by setting aside a provision for depreciation.

Likewise, non-allocated negative variances, booked under provisions for risks and charges, are written back over a maximum period of 20 years.

Tangible fixed assets

Tangible fixed assets are booked at their purchase price.

Depreciation is calculated using the straight-line method depending on the estimated useful lives of these assets:

Assets' useful lives stand as follows:

Type	Term (1)
Buildings	10
Fixtures and fittings	6 to 7
Machinery and equipment	5
Office furniture	7
IT equipment	2 to 3

(1) expressed in years

Assets which are rented or leased under a contract with similar terms to that of an acquisition have been restated as fixed assets. The fixed assets are then booked as an asset at their value when the contract was signed and depreciated on a straight-line basis. The corresponding debt is booked as a liability under Miscellaneous loans and Debt and its amount is reduced by the share of financial amortization included in the rental payments. The principal effects on the consolidated financial statements are listed in note 3.4.

Inventories and work-in-progress

The gross value of merchandise and supplies includes the purchase price and any ancillary expenses, such as customs and shipping.

Manufactured goods are valued at their production cost, which includes all direct production expenses. As such, the production cost calculated does not include financial costs, sales costs, R&D expenses or idle capacity costs in keeping with the rules of the general chart of accounts.

Inventories are valued using the weighted average cost method.

A provision for depreciation is booked when the probable recovery value falls below the book value.

Accounts receivable

Sales of custom-made hearing aids are booked as sales when they are made available at the centers. The time between the point at which the hearing aids are made available and the point at which the client takes actual possession thereof is around 10 days.

Receivables are booked at their face value.

A provision for depreciation is set aside for contentious, disputed and irrecoverable receivables.

Marketable securities

Treasury stock set aside to stabilize stock prices or to be allocated to employees from the outset, and which is booked as marketable securities on the parent company's balance sheet, is not restated in the consolidated financial statements.

Other marketable securities appear on the balance sheet at their purchase price. When their market value at fiscal year end falls below their purchase price, a provision for depreciation is set aside.

Deferred charges

Expenses incurred in the acquisition of businesses and certain commercial and communication development costs are booked as deferred charges and amortized over a maximum period of 3 years.

Unrealized exchange gains or losses

Discrepancies between the value of receivables and payables in foreign currencies are recorded on the balance sheet as unrealized exchange gains or losses.

When an unrealized exchange loss occurs, a provision for financial risk is set aside for the equivalent amount.

Deferred taxes

Deferred taxes are computed at the tax rate on the date the consolidated accounts are drawn up, i.e. using the liability method of tax allocation. The amount corresponding to a debt is provisioned against as a deferred tax charge. Potential tax savings are also accounted for. Additional information on the deferred taxes booked and tax-loss carryforwards is contained in note 4.6.

The Group's companies were taxed at the standard rate of 34.33% on December 31, 2003.

Retirement commitments

In 2000, Audika Group elected to adopt the preferential method consisting of booking a provision for retirement severance pay for all of the Group's employees. The impact is recorded in reserves at the start of the year. At year end, the company assigns a value to its retirement commitments and either adds to or writes back its provisions in terms of retirement commitments.

Provisions for risks and charges

In addition to the provisions for deferred taxes, provisions for risks and charges are set aside to cover probable risks and charges owing to events occurring before the accounts are closed but whose full impact will not be known until a later date..

Translation of foreign company accounts

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 are booked under Unrealized Exchange Gains or Losses. This item pertains to Industan only.

Consolidated earnings per share

The reported consolidated earnings per share is based on the number of shares outstanding. Earnings appear at the bottom of the consolidated income statement.

3 Notes to the balance sheet

3.1 Intangible fixed assets

The changes in the gross values and amortization of intangible fixed assets break down as follows:

	Concessions and licenses	Businesses and leaseholds	Other intangible assets	Total
Gross value at January 1, 2002	**902**	**8,882**	**27**	**9,811**
Change in consolidation scope	6	2,801	-	2,807
Acquisitions	226	1,072	-	1,298
Disposals/reductions	(1)	(24)	-	(25)
Other changes	-	-	-	-
Gross value at December 31, 2002	**1,133**	**12,731**	**27**	**13,891**
Accumulated depreciation	(626)	0	(8)	(634)
Net value at December 31, 2002	**507**	**12,731**	**19**	**13,257**
Gross value at January 1, 2003	**1,133**	**12,731**	**27**	**13,891**
Change in consolidation scope	19	1,601	-	1,620
Acquisitions	73	1,891	-	1,964
Disposals/reductions	(3)	(123)	-	(126)
Other changes	-	-	-	-
Gross value at December 31, 2003	**1,222**	**16,100**	**27**	**17,349**
Accumulated depreciation	910		8	918
Net value at December 31, 2003	**312**	**16,100**	**19**	**16,431**

Acquisition of concessions and licenses

This item mainly includes the purchase of technical and management software.

Businesses and leaseholds

Changes in the consolidation scope are due to the business assets reported in the parent company statements of the companies acquired and to their subsequent revaluation or devaluation after their fair value restatement.

The acquisitions reported under business assets and leaseholds relate to the Marseille, Plan de Cuques, Cassis, Vannes, Questembert, Dijon, La Teste, Ares, Biscarosse, Mimizan, La Roche sur Yon, Les Sables d'Olonnes, Saint Yrieix, Monaco, Blois, Vendôme, Romorantin, Montrichard, Dax and Mont-de-Marsan centers.

The gross amount of Businesses stood at EUR 16,100,000 and primarily concerns the following:

	(in thousands of euros)
Audika Ile de France	405
Audika Sud	1,266
Audika Ouest	2,507
Audika Centre Audiométrique	2,634
Elstar	852
Audika Centre	1,703
CFA	1,552
Audika-AAC	2,490
Audika Nord	2,390
SCS Audika	181
Opale audiologie	120
Total	**16,100**

This business is not provisioned against given the aforementioned accounting principles and valuation methods.

Audika Group's activity is primarily dedicated to the distribution of goods and services. The Group has no research and development activities.

3.2 Goodwill

Goodwill is summarized in the following table:

(in euros)	2003			2002
	Gross values	Amortization	Net values	Net values
SARFFA	1,030,165	772,818	257,347	308,855
Audika Ile de France	682,175	228,258	453,917	453,177
Audika Sud	277,579	66,892	210,687	165,329
IAV	24,963	12,480	12,483	13,731
Audika Ouest	1,041,625	186,253	855,372	368,370
Audika Centre Audiométrique	710,568	215,632	494,936	426,668
Elstar	24,172	12,313	11,859	57,236
Audika Centre	555,792	153,224	402,568	255,497
Industan	285,080	57,016	228,064	242,318
Audika-AAC	1,166,981	165,060	1,001,921	846,661
Audika Nord	672,121	62,456	609,665	643,271
Opale audiologie	21,250	354	20,896	-
Total	**6,492,471**	**1,932,756**	**4,559,715**	**3,781,113**

The gross value of goodwill is EUR 6,492,471 while the year's amortization expense is EUR 324,775.

In 2003, the integration of the companies acquired generated total goodwill assets of EUR 681,527 which breaks down as follows:

	(in euros)
Saint Patern Audition	163,344
Lamy au Rousseau Caroline	103,796
Institut de l'Audition de Val de Loire	83,479
Audition Bourguet	138,396
Centre de l'Audition	171,262
Opale audiologie	21,250
Total	**681,527**

Furthermore, the Group booked additional goodwill on former acquisitions following the triggering of earn-out clauses and capital increases subsequent to the mergers.

The following goodwill was booked in 2003:

	(in euros)
Elstar	(44,168)
Roubaud CAO	213,483
IAB	18,004
Audiotechnologie	45,735
Cochlea	34,900
Allain Audition	60,000
ACA	2,000
LRCPA	91,897
Total	**421,851**

3.3 Tangible fixed assets

The changes in the gross values and amortization of tangible fixed assets break down as follows:

	Buildings	Machinery Equipment and tooling	Other tangible assets	Total
Value at January 1, 2002	**1,561**	**1,454**	**5,031**	**8,046**
Change in consolidation scope	369	241	690	1,300
Acquisitions	517	153	812	1,482
Disposals/reductions	(6)	(123)	(677)	(806)
Other changes	127	-	(127)	-
Gross value at December 31, 2002	**2,568**	**1,725**	**5,729**	**10,022**
Accumulated depreciation	(1,178)	(1,311)	(3,437)	(5,926)
Net value at December 31, 2002	**1,390**	**414**	**2,292**	**4,096**
Gross value at January 1, 2003	**2,568**	**1,725**	**5,729**	**10,022**
Change in consolidation scope	60	105	322	487
Acquisitions	599	145	1,590	2,334
Disposals/reductions	-	(22)	(102)	(124)
Other changes	-	-	-	-
Gross value at December 31, 2003	**3,227**	**1,953**	**7,539**	**12,719**
Accumulated depreciation	1,422	1,547	4,394	7,363
Net value at December 31, 2003	**1,805**	**406**	**3,145**	**5,356**

3.4 Financial leases

(in thousands of euros)	31/12/2003	31/12/2002	31/12/2001
Gross fixed assets	438	507	876
Accumulated depreciation	(417)	(432)	(741)
Net fixed assets	**21**	**75**	**135**

(in thousands of euros)	31/12/2003	31/12/2002	31/12/2001
Borrowings under one year	10	32	69
Borrowings from +1-5 years	4	14	45
Borrowings under a financial lease	**14**	**46**	**114**

3.5 LT investments

The changes in the gross values and provisions of LT investments break down as follows:

(in thousands of euros)	Gross values
Value at January 1, 2003	341
Change in consolidation scope	14
Increases	92
Net reductions	(53)
Value at December 31, 2003	**394**

These mainly entail deposits and sureties paid on signing commercial leases.

3.6 Trade and other accounts receivable

Accounts receivable are summarized in the following table:

(in thousands of euros)	2003	2002	2001
Trade and accounts receivable			
Trade and accounts receivable - gross	9,003	5,531	4,583
Provisions for depreciation	135	130	80
Trade and accounts receivable - net	**8,868**	**5,401**	**4,503**
Other receivables	-	-	-
Due from companies	122	106	106
Tax claims	1,308	1,192	1,050
Other receivables	1,481	510	298
Deferred taxes - assets	923	743	776
Other net receivables	3,834	2,551	2,230

Tax receivables essentially comprise VAT credit currently being repaid. Other receivables essentially comprise sums due from suppliers (EUR 1,415,000).

Receivables are broken down according to liquidity in the following table:

(in thousands of euros)	Net values	Receivables under 1 year	Receivables over 1 year
Trade and accounts receivable	8,868	8,868	-
Due from companies	122	40	82
Tax claims	1,308	1,308	-
Other receivables	1,481	1,481	-
Deferred taxes - assets	923	923	-
Total	**12,702**	**12,620**	**82**

There is no risk for the collection of accounts receivable as Audika Group's clientele is essentially comprised of individuals.

3.7 Marketable securities

(in thousands of euros)	Gross values	Provisions
Value at January 1, 2003	288	0
Change in consolidation scope	137	0
Acquisitions		0
Disposals and reductions	415	0
Value at December 31, 2003	**10**	**0**

Breakdown of marketable securities at December 31, 2003 (in euros):

Description	Type	Quantity	Unit price	Amount
Crédit Agricole	Shares	82	16.60	1,361
Capitap Euroblig	SICAV	93,812	89.24	8,372
Total	-	-	-	**9,733**

At the close of the financial year, the value of marketable securities stood at EUR 12,318,000, namely an unrealized profit of EUR 2,585.00.

3.8 Deferred charges

This item essentially includes EUR 326,000 in expenses linked to the acquisition of business assets and leaseholds; EUR 77,000 in expenses linked to the production of Audika's advertising films; EUR 34,000 in expenses linked to the development of the Group's website and a databank of images; EUR 4,000 in expenses linked to development and EUR 156,000 in expenses linked to the merger operations carried out within the Group.

These costs are amortized over two to three years.

3.9 Group shareholders' equity

Capital

At December 31, 2003, the Group's capital comprised 3,150,000 shares with a par value of EUR 0.08.

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 4,829,488.

3.10 Minority interests

	2003	2002	2001
As at January 1	248	281	212
Share of income distributed to minority interests	62	35	28
Change in consolidation scope	61	(68)	41
As at December 31	**371**	**248**	**281**

3.11 Provisions

	31/12/2003	31/12/2002	31/12/2001
Provisions for risks	258	105	134
Provisions for charges	410	347	271
Provisions for deferred tax liability	686	591	181
Provisions for negative goodwill	-	-	24
Total	**1,354**	**1,043**	**610**

The risk provision consists of EUR 6,000 to cover litigation concerning Sarffa and Audika-Centre Audiométrique; EUR 251,000 to cover social disputes within various Group companies and EUR 1,000 to cover risks following the fiscal inspection of Audika Ile de France. These risks were correctly provisioned at year end and therefore should not have any further impact on future financial years.

The provision for charges includes the commitments for all of the Group's retirement severance pay. This is calculated according to the rules set out by the collective bargaining agreement covering all of the Group's personnel. The computation factors in life expectancy, the employee turnover rate according to the number of years' service and appreciation (1.5%) and depreciation (5%) hypotheses. At December 31, 2003, this provision amounted to EUR 410,000.

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

(in thousands of euros)	31/12/2002	Changes in consol. scope	Allocations	Reversals	31/12/2003
Retirement severance	347	8	59	4	410
Social risks	31		186		217
Tax risks	3		2	3	2
Commercial risks	71		39	71	39
Total	**452**	**8**	**286**	**78**	**668**

3.12 Financial and other debt

	31/12/2003	Maturity up to 1 yr.	Maturity 1 to 5 yrs.	Maturity over 5 yrs.
Financial debt	14,423	5,144	9,279	-
Trade payables	15,092	14,996	41	55
Other debt	1,261	674	587	-
Total	**30,776**	**20,814**	**9,907**	**55**

The trade payables maturing in over one year include the rescheduling of CFA's debt following the decision of legal redress of September 18, 1997, to which the company was subject. This debt was discounted when determining the company's fair value.

The various debts mainly include EUR 798,000 in the seller's loan negotiated by Audika at the time of the acquisitions; EUR 33,000 in debts to the former associates of the acquired companies; EUR 301,000 in advances to customers (deposits on hearing aids) and EUR 129,000 in debt on fixed assets. It should be noted that the debt linked to the seller's loan pays no interest and is used to underwrite the liabilities guarantee given upon the acquisition.

Audika's debts are summarized in the following table:

	31/12/2003	Maturity up to 1 yr.	Maturity 1 to 5 yrs.	Maturity over 5 yrs.
Bank loan	14,286,028	5,073,847	9 212 181	-
Financial lease	14,628	9,978	4,650	-
Deposits and sureties	57,314	-	2,775	54,539
Bank borrowings	64,582	60,236	4,346	-
Suppliers	10,100,170	10,046,249	53,921	-
Payroll	2,998,201	2,963,993	34,208	-
Tax liabilities	1,993,451	1,985,235	8,216	-
Group loans receivable	12,827	12,827	-	-
Seller's loan	798,330	211,438	586,892	-
Other debt	450,293	450,293	-	-
Total	**30,775,824**	**20,814,096**	**9,907,189**	**54,539**

Throughout 2003, Audika Group took out loans totaling EUR 8,300,000 with several banks. The loans were taken out at a variable rate (3-month Euribor with 0.75% to 0.85% spread, commission included).

Only one loan (E4) was backed by a guarantee (pledging of Sarffa's shares).

At December 31, 2003, this loan amounted to EUR 95,000.

In recent years, Audika has taken out a certain number of loans with various banks. Said loans include an early redemption clause in the event of the deterioration of certain of the Group's financial ratios. These ratios notably include the Group's EBITDA, debt, net income, consolidated or parent company shareholders' equity and financial expenses.

The different notions are defined as follows:

- EBITDA: earnings before write-backs on provisions, the transfer of expenses and before amortization and provisions.
- Net debt: short- and medium-term debt + restated leasing – cash and cash equivalents.
- CF: net income + amortization and provisions – write-backs on amortization and provisions – income from the transfer of assets + NAV of assets transferred – subsidies and investments.

As at December 31, 2003, the terms of the different covenants were upheld.

The different loans taken out by Audika are outlined in the tables below along with the definitions of the terms of the covenants and a list of the covenants pertaining to each loan. The first two tables explain the information provided in the third.

Ref.	Bank	Under 1 year	1 to 5 years	Amount in EUR	Repayments schedule	Date
E4	CCF	95,280	-	95 280	S	2000
E5	Deutsche Bank	152,449	152,449	304,898	A	2000
E6	BNP	152,449	304,898	457,347	A	2001
E7	CIC	285,842	71,460	357,202	Q	2001
E8	San Paolo	38,112	28,584	66,696	Q	2001
E10	BNP	280,000	560,000	840,000	Q	2001
E11	BDPME	350,000	700,000	1,050,000	A	2002
E12	CIC	206,800	-	206,800	Q	2002
E13	CCF	153,000	459,000	612,000	A	2002
E14	Deutsche Bank	240,000	720,000	960,000	S	2002
E15	San Paolo	287,500	575,000	862,500	A	2002
E16	BNP	300,000	900,000	1,200,000	S	2002
E17	BNP	500,000	1,500,000	2,000,000	S	2003
E18	CIC	220,000	770,000	990,000	S	2003
E19	CCF	200,000	700,000	900,000	Q	2003
E20	San Paolo	1,000,000	-	1,000,000	A	2003
E21	CDN	400,000	1,500,000	1,900,000	S	2003
Total		**4,861,432**	**8,941,391**	**13,802,823**		
Loans taken out in 2004						
E22	BNP/CIC/San Paolo			32,000,000	A	2004
Total				**32,000,000**		

(in thousands of euros)		31/12/2003
FD	Financial debt	14,423
CSE	Consolidated shareholders' equity	14,920
LMTD	Long- and medium-term debt	9,962
CF	Cash flow	7,086
CBT	Consolidated balance sheet total	47,172
FE	Financial expenses	522
GOS	Gross operating surplus	10,594
GNI	Group net income	4,724
SALES	Sales	52,819
MLTFD	Medium- to long-term financial debt	9,279
GSE AD	Group shareholders' equity after dividends	13,352
EBITDA	Earning before interest, taxes, depreciation and amortization	10,594
ND	Net debt	10,990
PCSE	Parent company shareholders' equity	5,970
RGOS	Restated gross operating surplus	10,513
FCF	Free cash flow	9,298
FDG	Financial debt + guarantees	14,867
NFD	Net financial debt	10,636
DS	Debt servicing	5,931
CE	Consolidated equity	14,920

Ref.	Covenant 1 (maturity: 31/12/2003)		Covenant 2 (maturity: 31/12/2003)		Covenant 3 (maturity: 31/12/2003)		Covenant 4 (maturity: 31/12/2003)		Covenant 5 (maturity: 31/12/2003)	
	Definition	Covenant upheld	Definition	Covenant upheld	Definition	Covenant upheld	Definition	Covenant upheld	Definition	Covenant upheld
E4	PCSE>3354,000	yes	CSE/CBT >0.2	yes	FD/CSE<1	yes	FD/CF<4	yes	FE/GOS<0.3	yes
E5	LMTD/CSE<1	yes	GNI/SALES>0.05	yes	CSE/CBT>0.25	yes				
E6	FD+1yr/SE <1.2	yes	FD+1yr/CF<4	yes						
E7	None									
E8	FD+1yr/CSE<1	yes	ND/GSE AD <2	yes	CSE >EUR 5,159,000	yes				
E9	FD+1yr/CSE<1	yes	ND/GSE AD <2	yes						
E10	LMTD/CSE<1	yes	LMTD/CF<3	yes						
E11	None		None							
E12	MLTFD/CSE<1.1	yes	MLTFD/CF<3	yes						
E13	CSE>6,860,000	yes	CSE/CBT >0.23	yes	MTD/CSE<1	yes	LMTD/CF<3	yes	FE/GOS<0.2	yes
E14	ND/EBITDA<1.5	yes	CSE/CBT >0.24	yes	ND/CSE<0.9	yes				
E15	FD+1yr/CE<1	yes	ND/GSE AD <2	yes	CSE >EUR 5,159,000	yes				
E16	ND/CSE<1	yes	ND /CF<3	yes						
E17	ND/CSE<1	yes	ND /CF<3	yes						
E18	ND/CSE<3	yes	ND /CF<3	yes						
E19	SE>7,200,000	yes	CSE/CBT >0.23	yes	LMTD/CSE<1	yes	LMTD/CF<2	yes	FE/GOS<0.2	yes
E20	None			None		na				
E21	ND/CSE < 1	yes	ND/CF < 3	yes						
E22	NFD/RGOS < 1.4	na	FCF/DS>1	na	GFD/CE < 1.7	na				

na: not applicable

4 Notes on the income statement

4.1 Sales

(in thousands of euros)	31/12/2003	31/12/2002	31/12/2001
Audio sales	50,060	39,351	32,381
Marketing activity	2,598	2,437	2,187
Franchise activity	161	265	387
Total	**52,819**	**42,053**	**34,955**

Consolidated sales increased nearly 26% on 2002, with organic growth coming out at over 12%.

Since Audika's business is conducted entirely in France, and nearly 94% of its sales come from the sale of hearing aids and accessories, the industry information required under regulation 99-02 is not of particular interest.

Sales for the companies consolidated in 2003 stood at EUR 3,329,000. Given the mergers completed, the operating income could not be ascertained for those companies acquired in financial year 2003 and integrated with retroactive effect as of January 1, 2003.

4.2 Marketing expenses

Marketing expenses totaled approximately EUR 3.2 million for 2003. This budget, primarily dedicated to initiatives to gain market share and promote customer loyalty, is broken down into 4 categories:

- advertising on national television channels, in magazines and mail shots to senior citizen listings;
- point of sale promotions;
- marketing program to recontact the Group's established customer base to promote new hearing aids;
- marketing program to recontact prospective customers.

4.3 Payroll expenses and headcount

Payroll expenses

(in thousands of euros)	2003	2002	2001
Payroll expenses	16,501	13,096	10,847

Personnel expenses increased 26% on 2002. The ratio of said expenses to sales remained stable at a little over 31%. 2003 was marked by new investment in the Group's human capital with the creation of the Head of IT Services and Human Resources Director positions along with the new position of Regional Director.

Headcount

	31/12/2003			31/12/2002			31/12/2001
	Open-ended contract	Fixed term contract	Total	Open-ended contract	Fixed term contract	Total	
Executives	168	5	173	128	2	130	110
Non-executives	207	11	218	214	9	223	171
Total	**375**	**16**	**391**	**342**	**11**	**353**	**281**

4.4 Financial items

(in thousands of euros)	31/12/2003	31/12/2002	31/12/2001
Financial income	41	7	13
Reversals of provisions	-	2	-
Net proceeds of selling marketable securities	7	1	-
Exchange gains	18	20	20
Amortization and provisions	-	(1)	-
Interest expenses	(503)	(427)	(289)
Exchange losses	(18)	(4)	(11)
Net financial items	**(455)**	**(402)**	**(267)**

Over the year, Audika hedged part of its loans. This operation was completed during the year, resulting in a net profit of EUR 34,000.

The drop in financial income mainly stems from the Group's bank debt to support its acquisitions strategy.

The financial ratio, which improved, remains under control, coming out at less than 1% of sales.

4.5 Exceptional items

(in thousands of euros)	31/12/2003	31/12/2002	31/12/2001
Proceeds from management operations	23	58	11
Proceeds from capital operations	111	15	26
Other exceptional income	-	13	25
Reversals of provisions and expense transfers	21	14	10
Management operations expenses	(71)	(30)	(57)
Capital operations expenses	(141)	(16)	(46)
Other exceptional expenses	(17)	(113)	(16)
Net exceptional items	**(74)**	**(59)**	**(47)**

Proceeds from management operations mainly concern the EUR 19,000 tax refund granted to Audika by the URSSAF (French Social Security). Other proceeds from management operations are linked to the regularization of auxiliary accounts.

Proceeds from capital operations are linked to the sale of various fixed assets, notably leaseholds in the amount of EUR 85,000.

The provision write-backs relate to a commercial dispute involving Sarffa (EUR 21,000).

Management operations expenses are essentially linked to commercial disputes (EUR 46,000), some of which were provisioned for in 2002 and which were therefore written-back in 2003.

In addition, these expenses also comprised additional URSSAF contributions (EUR 6,000) linked to the controlling interests in Audika and Roubaud CAO, a tax expense (EUR 7,000) linked to Audika Ile de France and Sarffa, a cash discrepancy (EUR 8,000) reported on the acquisition of Cochlea and Claye Souilly Audition, an industrial dispute (EUR 2,000) involving Sarffa and fines (EUR 2,000).

Expenses on capital operations include the net book values of sold or scrapped fixed assets.

Other exceptional expenses concern the shortfall in results over the previous financial year.

4.6 Taxation

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.

The tax expense owed is EUR 2,918,000.

A deferred tax charge of EUR - 70,000 is recorded on the income statement and breaks down as follows:

Consolidation adjustments	EUR 200,000
Temporary differences	EUR -130,000

The reconciliation between the theoretical tax as computed according to the current tax rate in France and the actual tax expense is shown below:

Theoretical rate in France	34.33%
Impact of consolidation adjustments	1.45%
Real tax rate	**35.78%**

The corporate tax expense breaks down as follows:

(in thousands of euros)	31/12/2002	31/12/2002	31/12/2001
Current income tax	2,918	2,105	1,601
Deferred taxes	(70)	1	48
Total income tax	**2,848**	**2,106**	**1,649**

The deferred tax expense includes the following deferred tax assets and liabilities:

(in thousands of euros)	31/12/2002	31/12/2002	31/12/2001
Provisions for retirement severance	19	17	4
Tangible and intangible fixed assets	163	21	-
Inventories	45	55	22
Deferred taxes - assets	**227**	**93**	**26**
Tangible and intangible fixed assets	27	38	43
Temporary differences	130	29	11
Other	-	27	20
Deferred taxes - liabilities	**157**	**94**	**74**
Net deferred taxes	**70**	**(1)**	**(48)**

Deferred taxes booked

(in thousands of euros)	31/12/2002	31/12/2002	31/12/2001
Deferred taxes - assets	923	743	776
Deferred taxes - liabilities (1)	(687)	(591)	(181)
Total	**236**	**152**	**595**

(1) Changes in deferred tax liabilities in 2001 stem from retained earnings which were not written back. This error was corrected in 2002.

The net effect on restatement differences between the parent company and consolidated accounts is shown on the 2003 balance sheet by a net deferred tax asset of EUR 236,000. Since the deferred tax assets and liabilities are not offset against one another, the EUR 687,000 liabilities portion is booked under Provision for Risks and Charges and the EUR 923,000 asset portion, which is classed as an accrual, is booked under Other Receivables.

■ Breakdown of deferred taxes (in thousands of euros):

Type	31/12/2003	31/12/2002
Provision for paid holidays	-	11
Organic	36	28
Tax deficit and deferred depreciation and amortization expenses	32	53
Retirement commitments	130	111
Margin on stocks	213	168
Disposal of fixed assets	234	86
Franchise royalties	7	28
Fair value	251	251
Other	20	7
Deferred taxes - assets	**923**	**743**
Deferred charges	217	113
Leasing	2	10
Expenses linked to the purchase of securities	46	46
Fair value	374	374
Other	48	48
Deferred taxes - liabilities	**687**	**591**

Deferred taxes

(in thousands of euros)	31/12/2003	31/12/2002	31/12/2001
Ordinary tax losses carried forward	0	40	-
Deferred depreciation and amortization expenses	0	26	12
Total	**0**	**66**	**12**

5 Other information

5.1 Off-balance sheet commitments

Commitments given

(en K€)	31/12/2003	31/12/2002
Discounted notes not yet matured	20	11
Sureties	270	327
Pledges, mortgages and collateral	175	558
Operating leases	5,159	4,940
Total	**5,624**	**5,836**

Furthermore, the procedures relating to acquisitions disclose earn-out clauses whose amount is a function of sales targets over the 5 years following the acquisition.

These commitments, which represent EUR 186,000, are linked to Audiotechnologie (EUR 46,000), Cochlea (EUR 30,000) and Centre de l'Audition (EUR 110,000).

The earn-out clause linked to the acquisition of Allain Audition booked in the off-balance sheet commitments for 2002 was cancelled following the departure of Mr. Allain from the Group.

Commitments received

(in thousands of euros)	31/12/2003	31/12/2002
First request guarantee	397	459
Bank guarantees	1,273	1,361
Transfer of receivables	76	-
Total	**1,746**	**1,820**

Audika Group receives a bank guarantee with each acquisition delivered on behalf of the seller which covers its assets and liabilities. These guarantees, which have a term of 3 years, are designed to cover any tax or social audit risk.

5.2 Earnings per share

As the company holds no treasury stock, earnings per share as at December 31, 2003 equated to the Group's net income divided by the number of outstanding shares (3,150,000). As there are no dilutive instruments, diluted earnings per share equated to net earnings per share.

5.3 Explanatory notes on the pro-forma financial statements

In accordance with regulation 99-02 of the French Regional Audit Board (CRC), the reference document for Audika Group is submitted pro-forma and then reviewed by its Statutory Auditors. The respective changes to the main income statement and balance sheet items following this review are presented in the table below for information purposes.

(in thousands of euros)	Consolidated at 31/12/02	Proforma consolidated at 31/12/02	%
Sales	42,053	46,287	+10.07%
Operating income	6,480	6,987	+7.82%
Balance sheet total	**36,458**	**40,068**	**+9.90%**

At December 31, 2003, the pro-forma financial statements were drawn up to establish a comparable consolidation scope with 2002. Pro-forma figures are provided for information purposes only, and do not necessarily reflect the company's true economic position.

The following information was used as a basis for the pro-forma financial statements

- Integration of Lamy au Rousseau Caroline, Institut de l'Audition du Val de Loire and Audition Bourguet, in accordance with the accounts drawn up on December 31, 2002.
- Integration of Saint Patern Audition in accordance with the accounts drawn up on August 31, 2002.
- Integration of Centre de l'Audition in accordance with the accounts drawn up on December 31, 2002 minus the figures for the first quarter as the latter was included within Audika Group's consolidation scope on April 1, 2003.
- Integration of Opale Audiologie in accordance with the accounts drawn up on August 31, 2002, the date of the company's fiscal year end. The pro-forma accounts accordingly factor in two-thirds of the financial year for the purposes of coherent comparison with 2003 (acquisition of Opale Audiologie on September 1, 2003).
- Integration of the accounts of Claye Souilly Audition, Cochlea, Revelson and Allain Audition in accordance with the accounts drawn up for 2002 at the time of their integration within Audika Group's consolidation scope.

7 Report of the Statutory Auditors on the consolidated financial statements for the year ended December 31, 2003

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we hereby report to you for the year ended December 31, 2003, 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.

1 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 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 consolidated 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 assets, the financial position and the results of all the companies included in the consolidation.

2 Justification of our assessments

In accordance with the provisions of Article L. 225-235 of the French Commercial Code relating to the justification of our assessments, which came into effect for the first time this year following the introduction of the Financial Security Act of August 1, 2003, we hereby inform you that we have no specific comments to make as to our assessment of the consolidated financial statements taken as a whole as well as of the accounting principles used, the significant estimates made and the overall presentation of the statements.

3 Specific procedures prescribed by law

Furthermore, we have also verified the information relating to the group which was given in the 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, April 29, 2004

Statutory Auditors

EXCOM
Thierry Dubreuil

Calan Ramolino & Associés
Alain Penanguer

8 Parent company financial statements as at December 31, 2003

1 Balance sheet - Assets at December 31

Assets (in euros)	Notes	Gross	31/12/03 Amort. and Prov.	Net	31/12/02 Net	31/12/01 Net
Intangible fixed assets	**2.1**					
Start-up costs		-	-	-	-	-
Concessions, patents licenses		539,670	380,788	158,882	285,459	276,125
Business		-	-	-	-	-
Prepayments		-	-	-	-	-
Other		-	-	-	-	-
Total		**539,670**	**380,788**	**158,882**	**285,459**	**276,125**
Tangible fixed assets	**2.2**					
Land		-	-	-	-	-
Buildings		17,006	10,564	6,442	8,143	9,844
Machinery and equipment		2,467	547	1,920	-	-
Other tangible assets		478,369	199,447	278,922	181,535	128,369
Property under development		-	-	-	-	-
Prepayments		-	-	-	-	-
Total		**497,842**	**210,558**	**287,284**	**192,091**	**138,213**
LT investments	**2.3**					
Other equity investments		16,471,263	-	16,471,263	13,453,381	9,528,729
Advances to non-consolidated companies		-	-	-	-	-
Other LT investments		-	-	-	-	-
Loans	-	-	-	-	-	
Other		60,609		60,609	40,679	38,088
Total		**16,531,872**	**-**	**16,531,872**	**13,494,060**	**9,566,817**
TOTAL		**17,569,384**	**591,346**	**16,978,038**	**13,971,610**	**9,981,155**
Inventories		-	-	-	-	-
Prepayments		-	-	-	167,500	-
Trade & other accounts receivable		1,857,778		1,857,778	2,476,007	2,730,170
Other receivables		4,038,311	-	4,038,311	1,708,119	1,272,545
Marketable securities		-	-	-	-	-
Cash and cash equivalents		2,975,760		2,975,760	932,571	1,867,131
Unearned income		173,976	-	173,976	182,367	66,004
Total		**9,045,825**	**-**	**9,045,825**	**5,466,564**	**5,935,850**
Deferred charges	2.5	324 464	-	324,464	219,512	236,249
Unrealized exchange losses		-	-	-	-	-
OVERALL TOTAL		**26,939,673**	**591,346**	**26,348,327**	**19,657,686**	**16,153,254**

2 Balance sheet – Liabilities at December 31

Liabilities (in euros)	Notes	31/12/03	31/12/02	31/12/01
Shareholders' equity	**2.7**			
Capital	2.6	252,000	252,000	241,000
Additional paid-in capital		913,132	913,132	913,132
Legal reserve		25,200	24,100	24,011
Other reserves		3,335,277	2,914,952	2,212,785
Retained earnings		-	-	-
Net income for the year		1,444,528	1,303,424	1,422,006
Shareholders' equity	**2.7**	**5,970,137**	**5,407,608**	**4,812,934**
Provisions for risks and charges	2.9	64,000	-	-
Financial debt		**-**	**-**	**-**
Bank loans and debt				
Miscellaneous loans and debt		2,651,916	891,035	1,473,382
Total		**16,496,026**	**11,068,305**	**7,315,047**
Prepayments received				-
Trade & other accounts payable		1,574,478	1,278,858	900,592
Taxes and social security liabilities		798,782	614,648	961,192
Debt on fixed assets and related debt		807,074	952,072	1,736,033
Other debt	4.5	637,830	336,195	427,456
Unearned income		-	-	-
Unrealized exchange profit		-	-	-
Total		**3,818,164**	**3,181,773**	**4,025,273**
TOTAL GENERAL		**26,348,327**	**19,86**	**16,153,254**

3 Income statement at December 31

(in euros)	Notes	31/12/03	31/12/02	31/12/01
Operating income				
Sale of merchandise		-	-	-
Sale of products		-	-	-
Sale of services		8,901,164	7,448,985	6,441,291
Net sales	**3.1**	**8,901,164**	**7,448,985**	**6,441,291**
Capitalized production		-	-	-
Inventories		-	-	-
Operating subsidies		648	-	-
Write-back on depreciation, provisions and expense transfers		323,194	191,319	149,298
Other income		45,185	26,924	8,379
Total operating income		**9,270,191**	**7,667,228**	**6,598,968**
Operating expenses		**-**	**-**	**-**
Cost of merchandise		645	-	-
Change in inventory levels		-	-	-
Cost of goods sold		-	-	-
Other outside purchases and expenses		4,738,734	3,450,218	3,053,364
Taxes and similar		147,166	114,398	63,586
Salaries and wages		1,812,628	1,578,020	1,178,361
Payroll taxes		809,256	719,313	529,419
Depreciation and provisions		446,830	389,880	256,442
Net allocation to provisions for current assets		-	-	-
Net allocation to provisions for risks and charges		64,000	-	-
Other expenses		3,810	3,763	6,341
Total operating expenses		**8,023,069**	**6,255,592**	**5,087,513**
Operating income		**1,247,122**	**1,411,636**	**1,511,455**
Financial income		**1,009,713**	**661,340**	**612,376**
Financial expenses		**527,351**	**366,000**	**214,841**
Financial items		**482,362**	**295,340**	**397,535**
Recurrent income before tax		**1,729,484**	**1,706,976**	**1,908,990**
Exceptional income		**20,466**	**6,860**	**-**
Exceptional expenses		**25,222**	**2,283**	**-**
Exceptional items		**(4,756)**	**4,577**	**-**
Employee profit sharing		-	-	-
Income tax	3.3	280,200	408,129	486,984
NET INCOME		**1,444,528**	**1,303,424**	**1,422,006**

9 Notes to the parent company financial statements for the year ended December 31, 2003

1 Accounting principles, rules and methods

1.1 General principles

The financial statements for the year ended December 31, 2003 were drawn up in accordance with the legal and regulatory provisions and accounting standards generally accepted in France.

1.2 Intangible fixed assets

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

1.3 Tangible fixed assets

Tangible fixed assets are booked at their purchase price. Depreciation is computed based on the estimated useful lives of the assets. The most commonly used life spans 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

1.4 Equity investments

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.

No provision for depreciation was set aside at December 31, 2003. Those subsidiaries for which the share of common stock falls below the historical value of the shares have a business value which is at least equal to this variance and is not disclosed in their financial statements.

1.5 Receivables

Receivables are booked at their face value.

A provision for depreciation is set aside when their estimated value falls below their book value.

2 Notes to the balance sheet

2.1 Intangible fixed assets (in thousands of euros)

	Concessions and licenses	Businesses and leaseholds	Other tangible assets	Total
Gross value at January 1, 2002	**350**	**-**	**-**	**350**
Acquisitions	149	-	-	149
Disposals/reductions	(1)	-	-	(1)
Other changes	-	-	-	-
Gross value at December 31, 2002	**498**	**-**	**-**	**498**
Accumulated depreciation	(212)	-	-	(212)
Net value at December 31, 2002	**286**	**-**	**-**	**286**
Gross value at January 1, 2003	**498**	**-**	**-**	**498**
Acquisitions	42	-	-	42
Disposals/reductions	-	-	-	-
Other changes	-	-	-	-
Gross value at December 31, 2003	**540**	**-**	**-**	**540**
Accumulated depreciation	(381)	-	-	(381)
Net value at December 31, 2003	**159**	**-**	**-**	**159**

2.2 Tangible fixed assets (in thousands of euros)

	Buildings	Machinery and equipment	Other tangible fixed assets	Total
Gross value at January 1, 2002	**17**	**-**	**221**	**238**
Acquisitions	-	3	107	110
Disposals/reductions	-	-	(4)	(4)
Other changes	-	-	-	-
Gross value at December 31, 2002	**17**	**3**	**324**	**344**
Accumulated depreciation	(9)	-	(143)	(152)
Net value at December 31, 2002	**8**	**3**	**181**	**192**
Gross value at January 1, 2003	**17**	**3**	**324**	**344**
Acquisitions	-	-	182	182
Disposals/reductions	-	-	(28)	(28)
Other changes	-	-	-	-
Gross value at December 31, 2003	**17**	**3**	**478**	**498**
Accumulated depreciation	(10)	(1)	(199)	(210)
Net value at December 31, 2003	**7**	**2**	**279**	**288**

2.3 LT investments (in thousands of euros)

		LT investments	Deposits and sureties	Total
Gross value at January 1, 2002		**9,529**	**39**	**9,568**
Increases		3,924	2	3,926
Reductions	-	-	-	
Other changes	-	-	-	
Gross value at December 31, 2002		**13,453**	**41**	**13,494**
Accumulated provisions		-	-	-
Net value at December 31, 2002		**13,453**	**41**	**13,494**
Gross value at January 1, 2003		13,453	41	13,494
Increases		3,062	38	3,100
Reductions		(44)	(18)	(62)
Other changes		-	-	-
Gross value at December 31, 2003		**16,471**	**61**	**16,532**
Accumulated provisions		-	-	-
Net value at December 31, 2003		**16,471**	**61**	**16,532**

2.4 Subsidiaries and affiliates (in euros)

All of the subsidiaries listed below are fully consolidated.

Company	Capital stock	Additional paid in capital	Equity stake	Net value of shares held	Sales exc. tax over last year	Profit (loss) over last year	Collateral and sureties given	Loans and advances granted by the company	Dividends received by the company
Sarffa 314 951 302	126,128	7,385,643	99.97%	1,340,697	25,879,677	3,262,828	14,754	874,809	467,280
Audika Ile de France 308 895 770	16,800	898,848	99.40%	1,029,286	6,391,046	400,849	-	-	49,300
Audika Sud 388 470 593	34,865	328,475	99.91%	430,091	4,366,428	10,905	-	117,199	-
IAV 340 773 555	7,622	73,296	60.00%	4,573	1,109,838	64,952	-	-	-
Audika Ouest 380 450 338	86,042	1,176,886	100.00%	2,384,545	6,703,420	423,880	27,490	44,579	39,500
Audika Centre Audiométrique 672 035 987	178,289	1,579,800	100.00%	1,901,226	7,226,806	363,468	-	327,300	165,120
Elstar 403 732 704	40,000	34,820	100.00%	329,331	1,563,741	6,475	-	19,006	-
Audika Centre 337 794 580	92,220	1,175,579	100.00%	2,450,519	4,604,576	216,067	-	33,884	50,470
Industan CH 020.391.327.6.4	500,000 (1)	(391,650) (1)	90%	1,009,213	-	(10,706)	-	513,183	-
Audika -AAC 420 859 555	1,154,023	354,245	100.00%	2,202,467	5,642,851	5,006	211,514	916,887	30,000
Audika Nord 323 785 491	746,620	549,131	100.00%	3,280,724	5,180,243	8,166	-	-	93,723
Opale Audiologie 402 085 120	38,112	(56,235)	49.80%	64,879	67,116	(14,165)	-	2,315	-
Audika Alpes 404 150 427	7,622	175,959	50.00%	3,811	755,372	49,666	-	1,762	8,000
SCS Audika ROI 03S04200	40,000	313	99.75%	39,900	37,584	313	-	216,799	-
Total	**-**	**-**		**16,471,262**	**-**	**-**	**253,758**	**3,067,723**	**903,393**

(1) in CHF

2.5 Deferred expenses (in euros)

This item essentially consists of EUR 219,774 in expenses following the acquisition of equity shares; EUR 24,212 in expenses to develop the Audika website; EUR 3,811 in development expenses and EUR 76,667 in expenses linked to the production of advertising films. These expenses are amortized over three years.

Type	Balance 31/12/2002	Increase over the year	Allocation over the year	Balance 31/12/2003
Acquisition of shares	148,485	164,732	120,669	192,548
Development costs	30,674	-	26,862	3,812
Advertising film expenses	-	115,000	38,333	76,667
Website	40,353	-	16,141	24,212
Friedland leasehold	-	30,628	3,403	27,225
Total	**219,512**	**310,360**	**205,408**	**324,464**

2.6 Breakdown of common stock (in euros)

No operations affected Audika's common stock during financial year 2003.

Shares	Number of shares	Par value	Total
Ordinaires	3,150,000	0.08	252,000
Total	**3,150,000**	**0.08**	**252,000**

2.7 Statement of changes in shareholders' equity (in thousands of euros)

	31/12/2002	Appropriation of earnings	Capital increase	31/12/2003
Capital	252	-	-	252
Merger premium	913	-	-	913
Legal reserve	24	1	-	25
Other reserves	2,915	420	-	3,335
Retained earnings	-	-	-	-
Dividends	-	882	-	-
Year's earnings	1,303	(1,303)	-	1,445
Total	**5,407**	**-**	**-**	**5,970**

2.8 Borrowings

Lending establishment	Balance at 31/12/2002	Subscription	Redemption	Balance at 31/12/2003
BNP	2,429,796	3,300,000	1,232,449	4,497,347
CCF	1,298,571	1,000,000	691,291	1,607,280
SAN PAOLO	1,750,268	1,000,000	821,071	1,929,197
WORMS	1,657,347	-	392,449	1,264,898
CREDIT DU NORD	-	1,900,000	-	1,900,000
CIC	1,615,544	1,100,000	1,161,442	1,554,102
BDPME	1,400,000	-	350,000	1,050,000
Total	**10,151,526**	**8,300,000**	**4,648,702**	**13,802,824**

2.9 Provisions for risks and charges

This essentially comprises a provision of EUR 64,000 linked to an industrial dispute. Said provision includes the relevant payroll expenses.

3 Notes on the income statement

3.1 Breakdown of sales (in thousands of euros)

Activity	31/12/2003	31/12/2002	31/12/2001
Advertising	5,831	4,931	4,333
Management	1,531	1,211	1,032
Accounting	615	509	454
Others	925	798	622
Total	**8,901**	**7,449**	**6,441**

3.2 Directors' and officers' compensation

	Compensation	Benefits
Alain Tonnard CEO	Gross annual income of EUR 246,000 including benefits	None
Jean-Claude Tonnard Vice President	Gross annual income of EUR 264,000 including benefits	None
Philippe Langzam Director	None	None

3.3 Breakdown of corporate income tax (in thousands of euros)

Income	Before tax	Tax owed	Net income
Recurrent	1,729	282	1,447
Exceptional	(5)	(2)	(3)
Total	**1,724**	**280**	**1,444**

(1) The company is taxed at a rate of 34.33%.

4 Other information

4.1 Maturities on receivables (in thousands of euros)

Receivables schedule	Gross amt.	Up to 1 year	Over 1 year
Advances to non-consolidated companies	-	-	-
Loans	-	-	-
Other LT financial investments	61	-	61
Doubtful or contested accounts receivable	-	-	-
Other accounts receivable	1,858	1,858	-
Receivables in the form of securities lent	-	-	-
Personnel and similar accounts	34	10	24
Social Security and other agency receivables	-	-	-
Income tax	128	128	-
Value added tax	39	39	-
Other taxes	-	-	-
Others	-	-	-
Group and partners' receivables	3,071	2,558	513
Sundry debtors	767	767	-
Unearned income	174	174	-
Total	**6,132**	**5,534**	**598**

4.2 Debt maturities (in thousands of euros)

Debt schedule	Amount (gross)	Up to 1yr maximum	Between 1-5 yrs.	Over over 5 yrs
Convertible bond debenture	-	-	-	-
Bank loans and debt - up to 1 yr max.	11	11		-
Bank loans and debt - over 1yr	13,833	4,891	8,942	-
Other financial loans and debts	-	-	-	-
Supplier and debts payable	1,575	1 575	-	-
Staff and related debt	177	177	-	-
Social Security and other agency liabilities	236	236	-	-
Income tax	-	-	-	-
Value added tax	310	310	-	-
Secured debt	-	-	-	-
Other taxes and duties	75	75	-	-
Debt on fixed assets	807	220	587	-
Group and partners' receivables	2,652	2,652	-	-
Other debt	638	638	-	-
Debt in the form of securities borrowed	-	-	-	-
Unearned income	-	-	-	-
Total	**20,314**	**10,785**	**9,529**	**-**

4.3 Parent company deferred taxes (in euros)

	31/12/2002	Decrease	Increase	31/12/2003
Organic	9,369	9,369	11,854	11,854
Real tax rate	34.33%	34.33%	34.33%	34.33%
Deferred taxes - liabilities	3,216	3,216	4,069	4,069
Deferred charges	219,512	205,408	310,360	324,464
Real tax rate	34.33%	34.33%	34.33%	34.33%
Deferred taxes - assets	75,358	70,517	106,547	111,388

4.4 Transfer of expenses

Type	Amount
Acquisition of securities (1)	164,732
Advertising films (1)	115,000
Friedland leasehold (1)	30,628
Benefits	9,681
Repayment of claims	4,418
Total	**324,459**

(1) These expenses are staggered over three years.

4.5 Items from several accounts concerning related companies (in thousands of euros)

Items	Related companies
LT investments	
Equity investments	16,471
Receivables	
Trade & other accounts receivable	892
Other receivables	3,071
Debt	
Supplier and debts payable	127
Group loans	2,651
Other debt	638
Financial income	
Income from equity investments	913
Other financial income	67
Financial expenses	83

4.6 Financial commitments

- Collateralized debt at December 31, 2003: EUR 365,000.
- Retirement commitments (excluding social security contributions): EUR 121,000.

The provision for charges includes the commitments for all of the Group's retirement severance pay. These are calculated according to the rules set out by the collective bargaining agreement covering all of the Group's personnel. The computation factors in life expectancy, the employee turnover rate according to the number of years' service and appreciation (1.5%) and depreciation (5%) hypotheses.

- Commitments received for liabilities guarantees: EUR 1,746,000.
- Information on financial leases (in thousands of euros):

Original value	Royalties accumulated over past financial year	Royalties financial year 2003	Amortization (accumulated)	Amortization 2003	Royalties outstanding to be paid	Residual purchase price
32	23	5	26	6	-	4

4.7 Personnel by category

Category	31/12/03		31/12/02	
	Open-ended contract	Fixed term contract	Open-ended contract	Fixed term contract
Executives	23	1	17	-
Non-executives	15	2	14	1
Total	**38**	**3**	**31**	**1**

4.8 Accrued income (in thousands of euros)

Accrued income	31/12/2003
Receivables	
Due from customers, un-remitted invoices	418
Due from suppliers, credit notes due	743
Due from the state, income owed	-
Total	**1,161**

4.9 Accrued expenses (in thousands of euros)

Accrued expenses	31/12/2003
Banks	
Interest owed	30
Suppliers	
Invoices not yet received	122
Customers	
Credit notes to prepare	638
Payroll and taxes	
Personnel	133
Social security payments	58
French state	93
Total	**1,074**

4.10 Unearned income

Unearned income comprises operating expenses (EUR 164,000) and financial expenses (EUR 10,000).

4.11 Relations between the parent company and its subsidiaries

Audika bills its subsidiaries for various services.

These services mainly include communication, management and accounting costs as well as costs related to the management of the fleet of vehicles and insurance costs.

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

In 2003, Audika billed its subsidiaries a total EUR 6,304,000 for these services.

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

- On January 1, 2003, the company acquired 100% of the capital of Saint Patern Audition;
- On January 1, 2003, the company acquired 100% of the capital of Lamy au Rousseau Caroline;
- On January 1, 2003, the company acquired 100% of the capital of Institut de l'Audition in the Val de Loire region;
- On February 1, 2003, the company acquired 100% of the capital of Audition Bourguet;
- On April 1, 2003, the company acquired 100% of the capital of Centre de l'Audition;
- On July 1, 2003, SCS Audika (1 center in Monaco) was formed;
- On September 1, 2003, the company acquired 50% of the capital of Opale Audiologie (1 center in Calais).

4.13 Cross-shareholdings

There were no cross-shareholdings to report at December 31, 2003.

10 Report of the Statutory Auditors on the financial statements for the year ended December 31, 2003

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, 2003, on:

- the audit of the accompanying financial statements of Audika;
- the justification of our 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.

1 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.

2 Justification of our assessments

In accordance with the provisions of Article L. 225-235 of the French Commercial Code relating to the justification of our assessments, which came into effect for the first time this year following the introduction of the Financial Security Act of August 1, 2003, we hereby inform you that we have no specific comments to make as to our assessment of the financial statements taken as a whole as well as of the accounting principles used, the significant estimates made and the overall presentation of the statements.

3 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, April 29, 2004

Statutory Auditors

EXCOM Thierry Dubreuil	Calan Ramolino & Associés Alain Penanguer

11 Report of the Statutory Auditors on the special agreements for the year ended December 31, 2003

In our capacity as your company's statutory auditors, we hereby present our report on the special agreements.

Agreements authorized during the fiscal year

Pursuant to Article L.225-40 of the French Commercial Code, we have been notified of the agreements which have been previously authorized by your Board of Directors.
It is not our task to seek out the existence of other possible agreements, but to report to you, based on the information provided to us, the characteristics and main terms and conditions of those we have been advised of without providing an opinion of their benefit or merits. It is your duty, under the terms of Article 92 of the Decree of March 23, 1967 to assess the interest of concluding these agreements as part of the approval process.

We conducted our audit in accordance with auditing standards generally accepted in France. Those standards require that we perform due diligence aimed at verifying the consistency of the information given to us with the source documents from which it came.

A Guarantee provided by your company on behalf of Audika Sud

Your company has been named as a guarantor on the loan granted by Crédit Mutuel Agricole Rural to Audika Sud.

On December 31, 2003, your commitment therein amounted to EUR 15,829.

Persons involved: Alain Tonnard

Your Board of Directors authorized the agreement on February 24, 2003.

Agreements approved in previous years which were still in effect during the year

Pursuant to the Decree of March 23, 1967, we have been advised that the following agreements, approved in previous years, were still in effect during the past year

A Guarantee provided by your company on behalf of Sarffa

Your company is a named guarantor for CMV, which has its head office at 103, rue Anatole France - 92300 Levallois-Perret, on a financial lease agreement pertaining to a company car provided to Sarffa. On December 31, 2003, your commitment therein amounted to EUR 14,754.

B Guarantee provided by your company on behalf of Audika-AAC

Your company acts as guarantor for Audika-AAC with the following banks:

- Lyonnaise de banque: on December 31, 2003, your commitment amounted to EUR 150,612.
- Chaix and Crédit du Nord banks: on December 31, 2003, your commitment amounted to EUR 16,505.

Banque Populaire: on December 31, 2003, your commitment amounted to EUR 44,397.

C Guarantee provided by your company on behalf of Audika Ouest

Your company has been named guarantor on the loan granted by Crédit Agricole to Audika Ouest. On December 31, 2003, your commitment therein amounted to EUR 27,490.

D Billing of commissions by your company to Sarffa

Your company billed Sarffa a commission on the sale of hearing aids (EUR 481,920 excl. tax) in 2003.

Paris and Neuilly, April 29, 2004

Statutory Auditors

EXCOM Thierry Dubreuil	Calan Ramolino & Associés Alain Penanguer

12 Draft resolutions submitted by the Board of Directors before the annual Ordinary and Extraordinary Shareholder Meetings of June 15, 2004

Resolutions put before the Ordinary Shareholders' Meeting

First resolution

The Shareholders' Meeting, having heard the Board of Directors' management report and the statutory auditors' general report for the fiscal year ended December 31, 2003, approves the management report and the annual financial statements for the fiscal year ended December 31, 2003 such as they were presented.

It also approves the operations disclosed in these reports or summarized therein.

Second resolution

The Shareholders' Meeting, having heard the Board of Directors' management report

and the statutory auditors' general report for the fiscal year ended December 31, 2003, approves the management report and the annual financial statements for the fiscal year ended December 31, 2003, such as they were presented, disclosing a consolidated net income (Group share) of EUR 4,724,289.

It also approves the operations disclosed in these reports or summarized therein.

Third resolution

The Shareholders' Meeting, on a motion from the Board of Directors, votes to appropriate the reported net profit of EUR 1,444,527.76 for the year ended December 31, 2003 as follows:

- EUR 247,527.76 under "Other Reserves";
- the payment of an overall dividend of EUR 1,197,000 tax credit excluded (or EUR 0.38 per share) to be taken entirely on the net income for 2003.

Tax credit	Individuals	EUR 0.19	(50% of the net dividend),
	Legal entities (1)	EUR 0.038	(10% of the net dividend),

(1) not subject to the tax regime for parent companies and subsidiaries.

After this appropriation, the shareholders' equity accounts will stand as follows:

Shareholders' equity	in euros
Capital	252,000.00
Additional paid-in capital	913,132.49
Legal reserve	25,200.00
Other reserves	2,582,804.28
Total	**4,773,136.77**

Fourth resolution

The Shareholders' Meeting takes note of the reminder, in accordance with Article 243a of the French General Tax Code, that dividends paid over the three years prior to the fiscal year ended December 31, 2003 were as follows:

Financial year	Total dividends	Net dividends per share	Tax credit per share	Gross dividend per share
2000	FRF 3,976,875 paid out of the year's "Net Income"	FRF 5.05 (EUR 0.77)	Individual: FRF 2.53 Legal entity: FRF 2.02	IND: FRF 7.58 LE: FRF 7.07
2001	EUR 708,750.00 paid out of the year's "Net Income"	EUR 0.90	Individual: EUR 0.45 Legal entity: EUR 0.13	IND: EUR 1.35 LE: EUR 1.03
2002	EUR 882,000.00 paid out of the year's "Net Income"	EUR 0.28 (1)	Individual: EUR 0.14 Legal entity: EUR 0.028	IND: EUR 0.42 LE: EUR 0.308

(1) A 4-for-1 stock split was approved at the Extraordinary Shareholders' Meeting of June 12, 2003.

Fifth resolution

Pursuant to Article 223 quater of the French General Tax Code, the Shareholders' Meeting officially recognizes that, with respect to the expenses stipulated in Article 39-4 of the French General Tax Code, EUR 14,486 in excess depreciation and other non-deductible depreciation was added back to taxable income for 2003. As a result, the tax owed following this excess depreciation was EUR 4,973.

Sixth 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.

Seventh resolution

The Shareholders' Meeting approves the renewal, for a term to expire at the close of the Shareholders' Meeting called to approve the financial statements for the year ended 2010, the mandate of Director of Mr. Alain Tonnard.

Eighth resolution

The Shareholders' Meeting approves the renewal, for a term to expire at the close of the Shareholders' Meeting called to approve the financial statements for the year ended 2010, the mandate of Director of Mr. Philippe Langzam.

Ninth resolution

The Shareholders' Meeting approves the appointment, for a term to expire at the close of the Shareholders' Meeting called to approve the financial statements for the year ended 2010, of a new Director, namely:

- HOLTON, a simplified joint stock company (société par actions simplifiée) with a capital of EUR 84,959.80, whose head offices are located at 12, rue Arsène Houssaye 75008 Paris, and which is registered with the Paris Trade and Companies' Register under No. 453 018 277.

Tenth resolution

The Shareholders' Meeting approves the appointment, for a term to expire at the close of the Shareholders' Meeting called to approve the financial statements for the year ended 2010, of a new Director, namely:

- Mr. Olivier Lange, a French national born on May 7, 1973 in Bordeaux (33), and residing at 15, rue du Square Carpeaux 75018 Paris.

Eleventh resolution

The Shareholders' Meeting approves the appointment, for a term to expire at the close of the Shareholders' Meeting called to approve the financial statements for the year ended 2010, of a new Director, namely:

- Fonds Partenaires - Gestion, a French public limited company (société anonyme) with a capital of EUR 6,542,541, whose head offices are located at 121, boulevard Haussmann 75008 Paris, and which is registered with the Paris Trade and Companies' Register under No. 350 639 621.

Twelfth resolution

As the mandate of Calan Ramolino & Associés as statutory auditors is set to expire, we propose the appointment of a new statutory auditor for a period of six financial years, namely the company Deloitte Touche.

Thirteenth resolution

As the mandate of Mr. Gilles de Calan as substitute statutory auditor is set to expire, we propose the appointment of a new statutory auditor for a period of six financial years, namely the company BEAS.

Fourteenth 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.

The AMF's (French Financial Markets Authority) approval of the prospectus relating to this repurchase program must be obtained before the program is implemented.

The aims of this repurchase program are, in order of priority:

- to purchase and sell stock depending on market conditions;
- to stabilize the share price by systematically countering market trends;
- to allocate stock options to Group employees, directors and officers;
- to allocate 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;
- to use 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).

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 making up its capital stock.

The Shareholders' Meeting votes that:

- the company may pay no more than EUR 70 (excl. expenses) per share in repurchasing its own stock,
- the company may not sell its own stock for under EUR 20 per shares (excl. expenses).

Le montant maximum des achats autorisés par l'assemblée est fixé à 22 050 000 €.

The maximum amount of purchases authorized by the Shareholders' Meeting is fixed at EUR 22,050,000.

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 the market 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 (except those carried out to stabilize share prices) and transactions involving stock options (limited to the sale of put options). The maximum share of capital stock 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 stock 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 11, 2003.

Fifteenth 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.

Resolutions put before the Extraordinary Shareholders' Meeting

Sixteenth resolution

The Extraordinary Shareholders' Meeting, having heard the statutory auditors' special report and in accordance with the provisions of Article L.225-129.III. of the French Commercial Code, grants the Board of Directors full powers to issue any marketable securities (notably marketable securities and/or warrants, both free and payable, which entitle their holder to immediate or future claims on the capital) as part of a capital increase, within the restrictions indicated hereafter, in France or abroad, with or without pre-emptive subscription rights, in one or several stages.

The authorization is valid for a period of 26 months starting as of the date of this meeting.

Within this authorization, the Shareholders' Meeting has capped capital increases by way of securities issues at a nominal amount of EUR 50,000 (fifty thousand euros); 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 granted for any capital increase in cash and/or through the incorporation of reserves, earnings or premiums.

Cash issues may be subscribed in cash and/or through the booking of a receivable.

Capital increases without pre-emptive subscription rights do not require the beneficiaries' names.

The Board of Directors may grant shareholders a pre-emptive subscription right on all or part of the issue, during the period and according to the terms it specifies. This pre-emptive subscription right shall not result in negotiable rights, but may be taken up in full or in part subject to approval by the Board.

Where pre-emptive subscription rights are maintained, the Board of Directors may grant shareholders the right to subscribe to marketable securities in proportion to their rights and within the limits of their request.

Where an issue has not been fully subscribed to, the Board may, in accordance with the law, limit the transaction amount to the amount of subscriptions received, freely allocate all or part of the outstanding shares or issue all or part of said shares to the public.

This decision naturally implies that shareholders refute the pre-emptive rights to subscribe to shares afforded by these securities.

In accordance with the law and company by-laws, the Board of Directors has full powers to implement this authorization, set the dates, terms and conditions of any issue as well as the type and nature of the securities to be created. In particular, it shall set the amounts to be issued, the issue prices and subscription prices of securities with or without premium (provided, in the event of a public share offer, that the rules governing issue prices as defined in Article L.225-136 of the French Commercial Code are complied with), their date of effect (which may be retroactive), payment method and, where applicable, the life and strike price of warrants or the terms of exchange, conversion, redemption or allocation, in any form, of capital shares or shares which afford access to a percentage of the capital. In the event of a public share offer with no pre-emptive rights on new shares entitling their holder to the same rights as the old shares, and where the company's shares are traded on regulated markets, the issue price shall, in accordance with Article L.225-136 of the French Commercial Code, be at least equal to the average price of these shares over 10 consecutive trading days during the last 20 trading days prior to the start of the issue, following adjustment of this average in order to account for the difference in effective dates, as applicable.

The Board of Directors has full powers to implement this resolution and to issue the aforementioned securities, in one or several stages and in the proportions and during periods it chooses, as part of a capital increase, to ensure it is carried out and to modify the by-laws accordingly.

The Shareholders' Meeting specifies that the Board of Directors:

- must take all necessary measures to ensure that the rights of the holders of those securities that afford future access to the capital are maintained in accordance with the law and, in particular, given that company shares are issued on regulated markets, to determine the terms and conditions of the adjustment of the future claims on the capital afforded by the securities;
- may set the terms governing the free allocation of warrants;
- may, where necessary, suspend the rights attached to the securities to be issued for a period of no more than 3 months;
- may deduct all costs arising from the issue of securities from the amount of premiums related to capital increases;
- may sign all agreements and take any necessary measures to ensure that planned issues are carried out properly;
- may, given that company shares are issued on regulated markets, grant the Chairman of the Board full powers to carry out capital increases and issue the corresponding securities as well as the authority to defer an issue.

The Shareholders' Meeting expressly authorizes, for a period between the dates of the two Shareholders' Meetings called to approve the financial statements of the fiscal year, a capital increase in the form of a public share offering or exchange of company shares if the capital increase has not been reserved.

In accordance with the by-laws, where a given number of shares is required to exercise rights with regard to a capital increase or the allocation of shares, those shareholders who hold an insufficient number of shares may only exercise these rights if they undertake to complete the necessary steps to purchase the requisite number of shares.

This authorization replaces that given by the Ordinary Shareholders' Meeting of June 11, 2003.

Seventeenth resolution

The Shareholders' Meeting, having heard the statutory auditors' report, sets the maximum ceiling for capital increases resulting from all securities issues that may be carried out by virtue of the delegation outlined in the resolution above, at EUR 50,000 (to which may be added, 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). The full amount of a capital increase may be used by the Board of Directors through revocation of the pre-emptive subscription rights.

Eighteenth resolution

The Extraordinary Shareholders' Meeting, having heard the Board of Directors' report and the statutory auditors' special report, votes, pursuant to Article L.225-129 of the French Commercial Code, to reserve a capital increase in cash for company employees under the terms of Article L.443-5 of the French Labor Code.

Should this resolution be adopted, the Shareholders' Meeting votes:

- that the Board of Directors shall have a maximum of 26 months to set up an employee savings plan under the terms of Article L.443-1 of the French Labor Code;
- to authorize the Board of Directors to issue a maximum of EUR 10,000 in cash shares at its sole discretion, in one or several stages, within a period of 26 months starting as of the date of this meeting. Subscription to these shares shall be reserved for those employees who have signed up for the said

employee savings plan and shall be carried out pursuant to Article L.443-5 of the French Labor Code.

The Board of Directors shall have full powers to set all of the terms and conditions for the capital increase(s) to take place, to determine the issue price of new shares in accordance with Article L.443-5 of the French Labor Code, to oversee their execution, to modify the by-laws as a consequence and, in general, to take whatever steps necessary.

This authorization naturally implies that shareholders refute their pre-emptive rights to subscribe to any shares which the Board of Directors should decide to issue.

Nineteenth resolution

The Shareholders' Meeting approves the amendment of Article 12 of the by-laws as follows:

"Article 12 – Membership of the Board of Directors

The company's Board of Directors is made up of 5 members.

No more than one third of the members of the Board of Directors may be aged 70 or over. Where this limit is exceeded, the oldest director shall be required to resign from their office. Directors over the age of 70 may not be appointed to the Board where their appointment results in more than one third of the members of the Board being aged 70 or over.

The directors' mandates last for a term of six years and expire following the Ordinary Shareholders' Meeting called during the final year of their mandate to approve the financial statements for the previous year.

Directors appointed by co-option to replace another director shall only be appointed for the duration of their predecessor's mandate."

Twentieth resolution

The Shareholders' Meeting approves the amendment of Article 14 of the by-laws as follows:

"Article 14 – Powers of the Board of Directors

14.1. The Board of Directors defines and oversees the company's strategy.

14.2. The Board of Directors is invested with the broadest of powers to act on behalf and in the name of the company, within the limitations of its corporate purpose and subject to those powers expressly conferred on Shareholder Meetings under current regulatory and statutory provisions.

14.3. 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.

14.4. The Board of Directors may carry out any controls and inspections that it deems appropriate.

14.5. The Board of Directors may delegate powers to the directors as it sees fit within the limitations of those powers conferred upon it by current regulatory provisions and the present by-laws."

Twenty-first resolution

The Shareholders' Meeting approves the amendment of Article 15 of the by-laws as follows:

"Article 15 – Meetings and deliberations of the Board of Directors

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

Those directors taking part in Board meetings by videoconference shall be deemed to be present for the purposes of calculating the requisite quorum and majority. However, this provision may not apply to all decisions governed by Articles L.225-47 (election of the Chairman of the Board of Directors), L.225-53 (appointment of the Vice President), L.225-55 (dismissal of the CEO), 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 all 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."

Twenty-second resolution

The Shareholders' Meeting approves the amendment of Article 17 of the by-laws as follows:

"Article 17 – General management of the company

The general management of the company falls within the remit of either the Chairman of the Board of Directors or another individual appointed by the Board of Directors and named General Manager.

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

The General Manager may not be more than 70 years old. Where the General Manager 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."

13 Background Information on Audika

1976 Jean-Claude Tonnard becomes aware of the growth potential in the hearing correction market while occupying a management position with the world's largest hearing aid manufacturer. With the help of his brother, he draws up an ambitious plan for a network of hearing correction centers in a market made up exclusively of independent hearing aid practitioners.

1977 Together, Jean-Claude and Alain Tonnard set up a purchasing center, Sarffa, while at the same time taking the first steps to set up an organized advertising campaign directed at 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. They now account for nearly 50% of Audika sales.

1983 Audika launches its first national advertising campaign.

1985 Audika's top management reinforces the management and development of the network by laying down new guidelines and adopting a "franchise" approach to operations.

1988 Otometric base is computerized and expanded with the perfection and integration of special hearing aid software throughout the network.

1990 The Audika brand is created and adopted across the network. The Group broadcasts its first TV ads.

1991 The first multi-channel hearing aids are introduced in France whose technology forms the basis for today's new products

1993 Audika acquires a 50% equity stake in Centre Audiométrique, a subsidiary of the pharmaceuticals distributor, CERP Lorraine (through its specialized subsidiary, Investipharm), thereby paving the way for its expansion into eastern France and the Toulouse region.

1995 The purchasing center is moved to new premises to accommodate the expansion of customized hearing aid assembly lines and to provide the technical support needed for the network.

1996 Philippe Langzam, Head of Sales since 1994, buys a 10% stake in Audika.

1997 Audika celebrates its 20th anniversary and moves its sales and administrative departments along with its training and pilot hearing correction center to a single site in Paris near Etoile at 24, Avenue de Friedland, 75008.

1998 Audika confirms its position as France's leader in hearing correction with sales in 1997 of FRF 96.8 million (Source: competitor financial statements).

Audika is listed on the Second Marché of the Paris Bourse on May 26, 1998 with the offering being oversubscribed 78 times. It then immediately implements its acquisitions program with two takeovers in the second half.

1999 Turning point for Audika
Audika takes a decisive step in redirecting the Group's expansion by building up its national network through an acquisitions program. Four acquisitions had already been made, two of which were major (a regional network in central France and Elstar).

In addition, sales of third-generation digital products really took off in the second half of the year. Supported by strong advertising, this ushered in a wider acceptance of hearing aids, making them more of a day-to-day necessity, much like glasses.

2000 The rate of growth continued to pick up throughout 2000, on the back of mass-media advertising nationwide. Audika reported sales of EUR 29.5 million (FRF 193.8 million), up 50.4% with 10.3% resulting from organic growth and 40.1% from acquisitions. The new consolidation standards adopted in 2000 in accordance with a directive from the French National Accounting Standards Board (Conseil National de la Comptabilité, regulation 99.02) had a negative impact of EUR 0.2 million (FRF 1.5 million) on the Group's net income, which rose 68% to EUR 2.2 million (FRF 14.5 million). Under the accounting rules used in 1999, net income would have risen 86% to EUR 2.4 million (FRF 16 million). Audika made a total of 4 acquisitions in 2000 comprising 26 centers. It opened 8 new centers and integrated 3 franchised centers. To support its rapid growth, the Group hired 29 additional hearing aid practitioners and appointed a number of regional managers. At year-end, the Group enjoyed a 10% share of the French market.

These measures served to increase Audika's brand recognition twofold, making it the first spontaneously cited brand with a total brand recognition of 30% (IFOP survey).

2001 Audika reported sales of EUR 34.96 million for fiscal year 2001, up 18.34% on the previous year. On a like-for-like basis, sales increased by nearly 10%. In keeping with forecasts, operating income came out at EUR 4.99 million for the year, representing an operating margin of 14.3%. Group net income before goodwill stood at EUR 3 million for a net margin of 8.6%.

In line with its strategy, Audika also completed a number of new acquisitions in order to expand its geographical coverage across France. In all, ten additional centers were acquired. Furthermore, even though the notion of franchising is not a core part of the Group's expansion plan, Audika integrated seven franchised centers within its network of subsidiaries.

2002 Audika generated sales of EUR 42 million for fiscal year 2002, up 20% on the previous year. On a like-for-like basis, this represents growth of 8.2%. In line with its expansion model, which combines buoyant and profitable growth, Audika enjoyed a marked improvement in its results in 2002. Operating income grew 30% to EUR 6.48 million, on track with the Group's targets. In all, earnings came out at 15.4% of sales. Group net income before goodwill stood at EUR 3.88 million, up 29%, for a net margin of 9.2%.

In 2002, the Group pursued its aggressive growth strategy. Audika acquired a total of 25 new centers and opened four new centers, thus actively extending its national coverage.

2003 Backed by a strong set-up at the start of 2003 (coverage across 69 regional departments in France, heightened presence in the country's major cities and sufficient scope to ensure the optimal amortization of advertising costs), Audika stepped up its marketing policy with a new advertising campaign featuring Robert Hossein as the brand's "Ambassador". The actor/director promotes Audika through appearances in television commercials targeted at senior citizens and aimed at developing their awareness of the benefits of hearing correction. Moreover, all of Audika's communication initiatives are being developed around this new image. This strategy enables Audika to enhance the brand's reputation, break down the psychological barriers related to the use of hearing aids and generate new leverage on sales.

Indeed, for 2003 as a whole, Audika generated sales of EUR 52.82 million, up almost 26% on the previous year. Organic growth for the period came out at +12.5%.

Accordingly, overall activity for the Group exceeded the forecast figure of EUR 51 million. This performance reflects the Group's sound growth strategy, confirming its capacity to rank as a benchmark player on a market whose potential remains relatively unexploited.

Alongside its dynamic organic growth strategy, Audika continued to develop its network in 2003 with the acquisition of 39 new centers, the integration of 12 franchise centers and the creation of 2 new centers. Moreover, 2003 also saw Audika make a major acquisition and integrate one of France's largest independent chains (L'Aide Auditive). L'Aide Auditive operates a network of 23 centers across 9 regional departments and expects to generate sales of over EUR 7 million in 2004. This acquisition, consolidated as of January 2, 2004, will have an accretive effect as of 2004. As such, at the end of 2003, the Audika network boasted 270 centers across 73 regional departments.

Furthermore, the company's results also improved sharply once again. Operating income came out at EUR 8.49 million, an increase of over 31% on the previous year. The Group's operating margin stood at 16.1% of sales in line with the targets announced. Lastly, group net income before goodwill totaled EUR 5.05 million (+30%), resulting in a margin of 9.6%.

14 Corporate governance

1 The Board of Directors

1.1 Composition

The Board of Directors is made up of 3 members, all of whom are employed by and are long-standing shareholders in Audika. Audika's Board members are recognized for their sound knowledge of the hearing correction market, their personal commitment to the work of the Board and the Group's different committees, their dedication to its shareholders as well as for their unfailing integrity.

All Board members are part of the Group. However, in March of 2004, Audika signed an agreement governing the entry of Fonds Partenaires Gestion (Lazard Group) into its capital. This operation will result in the creation of 2 new directorships to be taken up by Fonds Partenaires Gestion.

Audika's current directors are:

Mr. Jean-Claude Tonnard, 55 years of age and graduate of the Ecole Notariale de Paris.
Renewed on May 15, 1998 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, 2003.

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

Mr. Alain Tonnard, 52 years of age with a Masters in Management from Paris Dauphine.
Renewed on May 15, 1998 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, 2003.

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

Mr. Philippe Langzam, 50 years of age with a Masters in Management from Paris Dauphine and an MBA from Insead.
Renewed on May 15, 1998 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, 2003.

For fiscal year 2003, compensation for the members of the Board of Directors totaled EUR 666,000.

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

Directors may be convened to Board meetings by any means, including verbally.

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 new secretary at each meeting who does not necessarily have to be a Board member.

Those directors taking part in Board meetings by videoconference shall be deemed to be present for the purposes of calculating the requisite quorum and majority. However, this provision may not apply to all decisions governed by Articles L.225-47 (election of the Chairman of the Board of Directors), L.225-53 (appointment of the Vice President), L.225-55 (dismissal of the CEO), 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 all Board members present or represented.

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. At the proposal of the Board of Directors, this article is to be amended and approved by the Extraordinary Shareholders' Meeting of June 15, 2004.

1.3 Work of the Board of Directors over the past year

All of the directors were able to satisfactorily carry out their mission and benefit from the necessary information to achieve their mission.

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

The main decisions taken were in the following areas:

- the approval of the financial statements for the fiscal year ended December 31, 2002. Preparation for and calling of the Ordinary Shareholders' Meeting;
- the acquisition of companies;
- the creation of a subsidiary under Monegasque law;
- the drawing up of the interim activity report;
- the authorization to take out a loan of EUR 32 million with a syndicate of banks.

1.4 General Management Mandate

In application of Article 148 of the Decree of March 23, 1967, the Shareholders' Meeting of June 12, 2002 voted that the general management of the company fall to the Chairman of the Board of Directors.

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 by the Board of Directors and named General Manager.

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

The General Manager may not be more than 70 years old. Where the General Manager 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 law.

He represents the company with respect to third parties.

Said conditions are stipulated in Article 17 of the company's by-laws. At the proposal of the Board of Directors, this article is to be amended and approved by the Extraordinary Shareholders' Meeting of June 15, 2004.

1.6 General Management of the Group

Alain Tonnard	CEO
Jean-Claude Tonnard	Vice President
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 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.

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

Pursuant to Article L. 225-102-1 of the French Commercial Code, the total compensation and benefits paid during the past year to each company director and officer by Audika were as follows:

	Compensation	Benefits
Alain Tonnard CEO	Gross annual income of EUR 246,000 including benefits	None
Jean-Claude Tonnard Vice President	Gross annual income of EUR 264,000 including benefits	None
Philippe Langzam Director	None	None

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

Pursuant to Article L. 225-102-1 of the French Commercial Code, the total compensation and benefits paid during the past year to each company director and officer by the companies controlled by Audika were as follows:

	Compensation	Benefits
Alain Tonnard CEO None	None	
Jean-Claude Tonnard Vice President	None	None
Philippe Langzam Director	EUR 156,000	None

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

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

Mr. Alain Tonnard :
Current mandates and offices:

- Chairman of:
Audika-AAC

- Managing Director of:
Audika Centre, Audika Sud, Audika-Centre Audiométrique, Compagnie Française d'Audiologie, CFA, Audika Ile de France, Sarffa, S.C.I. IMTON, S.C.I. JURA.

- Chairman of the Board of Directors and CEO of:
Audika.

- Chairman of the Board of Directors of:
Elstar.

- Director of:
Audika Nord, Opale Audiologie SA.

Mr. Jean-Claude Tonnard :
Current mandates and offices:

- Chairman of the Board of Directors and CEO of:
Opale Audiologie SA.

- Vice President:
Audika.

- Director of:
Audika Nord, Audika, Elstar.

Mr. Philippe Langzam :
Current mandates and offices:

- Chairman of the Board of Directors, CEO and Director of:
Audika Nord.

- CEO and Director of:
Elstar.

- Director of:
Audika.

1.10 Directors' attendance fees

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

1.11 Approval of temporary members by the Board of Directors Renewal of mandates

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

2 Statutory Auditors

2.1 Named auditors

EXCOM represented by Thierry Dubreuil appointed and renewed on June 12, 2002 as co-statutory auditor for a term expiring at the close of the Shareholders' Meeting to approve the financial statements for the fiscal year ended December 31, 2007.

CALAN RAMOLINO et Associés represented by Mr. Alain Pénanguer, appointed on January 23, 1998 as co-statutory auditor for a mandate expiring at the close of the Shareholders' Meeting to approve the financial statements for the fiscal year ended December 31, 2003.

2.2 Substitute statutory auditors

Mr. Jean Prévost, appointed on June 12, 2002 as substitute statutory auditor for a mandate expiring at the close of the Shareholders' Meeting to approve the financial statements for the fiscal year ended December 31, 2007.

Mr. Gilles de Calan, appointed on January 23, 1998 as substitute statutory auditor for a mandate expiring at the close of the Shareholders' Meeting to approve the financial statements for the fiscal year ended December 31, 2003.

2.3 Honoraires des commissaires aux comptes

Financial year 2003 (in EUR)	Calan-Ramolino Amount (excl. tax)	%	EXCOM Amount (excl. tax)	%
Audit				
Statutory auditors, certifications, examination of parent company and consolidated financial statements	64,250	-	64,250	-
Other missions	26,600	-	4,200	-
Total	**90,850**	**57%**	**68,450**	**43%**

3 Certification of the person responsible for the reference document

To the best of my knowledge, the information set out in this document is true and includes all the information needed by investors to form an opinion regarding Audika's assets and liabilities, financial position, results and prospects; there are no omissions that could impair its meaning.

Signed in Paris, April 29, 2004

Alain Tonnard
Président Directeur Général

4 Auditors' Certification

As Audika's independent auditors and pursuant to COB (French Securities and Exchange Commission) regulation 98-01, we have reviewed the information on its financial condition and historical accounts given in this reference document in accordance with auditing standards generally accepted in France.

This reference document was drawn up under the responsibility of the Chairman of the Board of Directors.

Our responsibility is to express an opinion on the information it contains pertaining to the financial condition and the financial statements.

Our due diligence, in accordance with the professional standards generally accepted in France, was to assess the sincerity of the information pertaining to the financial condition and the financial statements and to verify their consistency with the financial statements which were disclosed. It also consisted of reading the other information contained in the reference document in order to identify any material inconsistencies with the information pertaining to the financial condition and the financial statements and to report any material misstatements we might have found based on our general knowledge of the company acquired while performing our mission. Since this reference document does not contain financial forecasts resulting from a structured elaboration process, our reading did not have to factor any assumptions made by management as reflected in the numbers.

We audited the individual and the consolidated financial statements for the years ended December 31, 2001, 2002 and 2003 as drawn up by the Board of Directors in accordance with accounting standards generally accepted in France. Our opinion was given without reservation or observation.

Based on our due diligence, we have no observation to make as to its sincerity of the information pertaining to the financial condition and the financial statements as disclosed in this reference document.

Paris and Neuilly, April 29, 2004
Statutory Auditors

EXCOM
Thierry Dubreuil

Calan Ramolino & Associés
Alain Penanguer

Additional information

The present reference document includes:

- The general report and the report on the consolidated financial statements as at December 31, 2003 provided by the statutory auditors including, on pages 92 and 74 respectively, the justification of the assessments furnished in accordance with the provisions of Article L.225-235 of the French Commercial Code.
- The report of the statutory auditors (page 36) drawn up in application of the last paragraph of Article L.225-235 of the French Commercial Code, on the report furnished by the Chairman of the Board of Directors on the internal auditing of the way in which accounting and financial information is drawn up and processed.

15 Cross-reference index

This reference document was filed with the French financial markets authority (*Autorité des marchés financiers*, the "AMF") on May 4, 2004 pursuant to regulation 98-01/95-01 and under the number D 04-0637.

It may be used to back a financial transaction if it is accompanied by a prospectus signed by the AMF.

In order to make it easier to read the annual report that is filed as a reference document, the table below lists those pages that refer to the main headings required by the regulations and instructions of the AMF.

Notes

Notes

FRENCH LEADER IN
HEARING CORRECTION

Audika

Visit our web site at:
www.audika.com

FRENCH LEADER IN
HEARING CORRECTION

Audika

24, avenue de Friedland - 75008
Tel: 01 55 37 30 30 - Fax: 01 55 37 30 36
A French société anonyme (public limited company) with a capital of EUR 252,000