



AUTOMOTIVE & TELECOMMUNICATIONS



**FINANCIAL REPORT
2004**

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1. SUPERVISORY BOARD'S MANAGEMENT REPORT

ACTIELEC TECHNOLOGIES

Public Limited Company with a capital of €12,864,906
Headquarters: 25, chemin de Pouvoirville
31400 Toulouse
RCS Toulouse: 542080791

ORDINARY GENERAL MEETING

OF 9th MAY 2005

SUPERVISORY BOARD'S MANAGEMENT REPORT including the Group management report

Dear Shareholders,

We have called you here for the General Meeting in accordance with the law and the terms of our company articles, to review the Company's activity over the year ended 31st December 2004, to present the reports from the Supervisory Board and the auditors and to ask you to consider and vote on this year's financial statements, the distribution of the earnings and the renewal of current agreements.

Invitations to this Meeting were processed as prescribed and the documents required by current legislation were sent to you or made available within the allotted time limit.

This report is intended to present you with the Company's situation and that of our Group.

The parent company and consolidated financial statements for the year ended 31st December 2004 have been compiled using the same presentation methods as the previous fiscal year.

The IAS/IFRS standards most likely to affect the consolidated accounts are described in the appendix to the consolidated accounts (Cf. § 2.3.27).

It should however be stated that the Group has had to devote some time to preparing for the changeover, in particular through meetings to analyze the standards and their effects and installing new consolidation software.

1.1 ACTIELEC TECHNOLOGIES: CONSOLIDATED FINANCIAL STATEMENTS

The Group and its Divisions for which we provide the 2004 financial statements consist of the following entities:

Name	Headquarters	Control %	Business sector
ACTIELEC Technologies SA	Toulouse	Consolidating Co.	Holding company
<u>Automotive</u>			
- ACTIA SA	Toulouse	99.97	Electronic engineering and manufacturing
- ACTIA MULLER SERVICES SA	Toulouse	99.99	Manufacturing and distribution of mechanical equipment for garages and MOT testing centres
- TECNOFRANCE SA	Méry sur Oise	99.50	No industrial activity
- AUTOTECH SARL	Méry sur Oise	71.58	No industrial activity
- PARMA	Méry sur Oise	100.00	Real Estate
- AIXIA SA	Le Bourget du Lac	99.91	Electronic engineering and manufacturing
- ATON SYSTEMES SA	Maison Alfort	87.80	Electronic engineering and manufacturing
- ACTIA UK LTD	Newtown (<i>Wales</i>)	100.00	Electronic engineering and manufacturing
- TEKHNE LTD	Farnborough (<i>England</i>)	100.00	No industrial activity since 1995
- ACTIA VIDEOBUS SAS	Getafe Madrid (Spain)	100.00	Audio & video equipment eng. & manufacturing
- ACTIA AUTOMOTIVE	Getafe Madrid (Spain)	80.01	Diagnostics product distribution
- SCI Los Olivos	Getafe Madrid (Spain)	39.99	Real Estate
- KARFA SA de CV	Mexico (<i>Mexico</i>)	90.00	Equity management
- ACTIA DE MEXICO SA de CV	Mexico (<i>Mexico</i>)	100.00	Audio & video equipment manufacturing and distribution
- ACTIA DO BRASIL LTD	Porto Alegre (<i>Brazil</i>)	90.00	Electronic engineering and manufacturing
- ACTIA INC	Elkhart-Indiana (<i>USA</i>)	100.00	No business activity
- ATAL SARL	Tabor (Czech Republic)	89.98	Electronic engineering and manufacturing
- ACTIA ITALIA SPA	Torino (<i>Italy</i>)	100.00	Electronic engineering and manufacturing
- I + ME ACTIA GMBH	Braunsweig (<i>Germany</i>)	100.00	Electronic engineering and manufacturing
- ACTIA CORP.	Elkhart-Indiana (<i>USA</i>)	100.00	Electronic engineering and manufacturing
- ACTIA NL BV	Nuenen (<i>Netherlands</i>)	100.00	Electronic engineering and manufacturing
- ACTIA POLTIK SP Sarl	Lodz (<i>Poland</i>)	70.00	Electronic engineering and manufacturing
- CIPI SA	Tunis (<i>Tunisia</i>)	65.60	Electronic manufacturing
- ACTIA INDIA PRIVATE LTD	New Delhi (India)	51.00	Electronic engineering and manufacturing
- ACTIA CHINA	Shangai (<i>China</i>)	100.00	Electronic engineering and manufacturing
- ACTIA NORDIC	Spanga (Sweden)	52.00	Electronic engineering and manufacturing
<u>Telecommunications</u>			
- SODIELEC SA	St Georges de Luzençon	90.47	Electronic engineering and manufacturing
- SCI SODIMOB	St Georges de Luzençon	60.00	Real Estate
- PILGRIM SA	Toulouse	99.99	Electronic engineering and manufacturing
- SCI de l'Oratoire	Toulouse	100.00	Real Estate
- SCI Les Coteaux de Pouvourville	Toulouse	27.50	Real Estate

1.1.1 Consolidated earnings

Our Group's consolidated financial statements show a turnover of € 227.7 million, up 14.7%, and a net attributable profit before amortization of goodwill of € 5.5 million (€3.5 million in 2003), up 57.9%.

For FY 2004, consolidated earnings came to:

	Euros
Net turnover	227,741,485
Operating income	240,008,667
Operating profit	9,063,173
Income before exceptional items and tax	5,797,131
Consolidated income after amortization of acquisition goodwill	4,428,913
Group share of net income after amortization of consolidated goodwill	3,866,442
Amortization of acquisition goodwill	1,651,975
EBITDA (Cf. § 1.1.8.3)	15,760,186

We ask you to approve these financial statements.

Group's overall activity during the past fiscal year

There has been a significant increase in turnover, explained in Paragraph 1.1.3.1.

The financial situation has improved during the fiscal year, in particular:

- Through the strengthening of shareholders' equity by means of the increase in capital in October 2004;
- Through the reimbursement of medium and long-term loans during the fiscal year (€ 3 million);
- Through the income from the year.

The growth in turnover has contributed to an increase in **Working Capital**, particularly from customer, supplier and stock items.

1.1.2 Key facts in the 2004 fiscal year

1.1.2.1 Merger of the companies in the Telecommunications division

In order to optimize the division's operation, SODIELEC was merged with its three subsidiaries.

This merger enabled optimisation of the various companies' synergies, the creation of economies of scale and the reduction of certain administrative costs, as well as more logical use of their resources. It has enabled an organisation to be established structured around 3 industrial production sites specialised by sector, 4 Business Units (Broadcast – Terrestrial Stations – Hertzian Networks – Aeronautics & Defence) and 4 brands. By maximizing the synergies, it must also thereby strengthen the credibility of the new structure in the markets and enable its international development to be organized.

The second stage in this reorganization consisted of regrouping the activities on the Manosque and Puy-Sainte-Réparate (PSR) sites. The move was made in February 2005. This relocation will be fully operational from the 2nd half of 2005. The company plan relating to this regrouping operation was funded in the 2004 fiscal year (€ 272,000). Both these operations will create a reduction in wages costs of the order of 2.5% for future fiscal years.

Lastly, this merger has also enabled us to improve our use of the fiscal deficits within the division. **Consequently, there has been additional recognition of deferred taxes in the consolidated accounts.**

1.1.2.2 New international subsidiaries

ACTIA, a subsidiary of the ACTIELEC Technologies Group, signed an agreement in April 2004 enabling it to acquire a majority shareholding (52%) in NIRA COMPONENTS AB in Sweden at the end of the year. Our investment has increased to € 750,000.

Located in Gothenburg and Stockholm, the Company includes, in particular, an automobile electronics design and production division. After China in 2003, ACTIA has now added a 15th country, Sweden, to its setup internationally.

Thanks to the acquisition of this subsidiary company, ACTIA has signed an initial contract with VOLVO TRUCKS for the fleet management equipment. Extension is also possible to Renault Trucks, Mack and VCE.

This subsidiary company generated a turnover of € 35 million over 9 months (April - December 2004).

1.1.2.3 Operations involving existing intra-group holdings

ACTIA strengthened its participation in ATON Systems by purchasing shares from Group employees. The shareholding has therefore increased from 75.97 to 87.80%.

Through its subsidiary company, ACTIELEC Technologies has also increased its participation in ACTIA C BRASIL from 80.00 to 90.00%.

SCI LES COTEAUX DE POUVOURVILLE (a company held under the equity method with a share of 27.50%) organised a lease-back operation on its buildings with the companies CMCIC LEASE and AUXIMURS.

1.1.3 Advances and setbacks

1.1.3.1 Advances

2004 has been particularly characterized by the improvement in the quality of our production. After 6 months of work, the Tunisian subsidiary has therefore received approval for the manufacture of the cards intended indirectly for RENAULT and PEUGEOT.

The experience and the ISO 14001 and ISO 9001 certification gained by ACTIA have enabled the Colomiers production site to win the contract with AIRBUS for doubling the production and continuing with electronic cards. This deal is also subject to regular auditing by AIRBUS.

The Group has therefore proceeded, throughout the year, to rationalize and modernize its production tool, rising to the level of the very best electronic production technologies around.

Furthermore, the Group has benefited from the room for manoeuvre obtained from improving its financial results to invest in R&D and is very positively placed in some business areas:

- ✓ Broadband terrestrial stations;
- ✓ TNT (Terrestrial digital TV);
- ✓ Electronic tachographs and sensors;
- ✓ Multi-brand diagnostic systems;
- ✓ Endoscopes;
- ✓ Bus dashboards;
- ✓ Flasher FCUs (Flasher Control Unit);

Enabling it to increase its future key product portfolio.

1.1.3.2 Setbacks

Tension in the metals and components markets have been reflected overall in our financial statements by:

- Less control over our purchase costs in comparison to the budget;
- An increase in our stocks to cover us for delivery delays.

The increase in raw materials prices has also had a negative impact on our costs.

Regarding provisions in relation to foreign currencies:

- The impact of the change in the dollar exchange rate does not affect the current operational flow within the Group (production and invoicing in dollars occur in the same area);
- Only one provision of € 616,000 to cover a price revision on a French market was posted in FY 2004.

1.1.3.3 Priorities for 2005

Particular efforts will be made in 2005 regarding the following points:

- Continuing to improve profitability;
- Reducing stocks;
- Reducing purchase costs by outsourcing;
- Launching new key products at worldwide level.

1.1.4 Research & Development

R&D is always important, maintaining the Group's technical capacity at a high level. The table below summarizes the changes in its total cost (charges for the year, customer re-invoicing and fixed assets; except for depreciation over the period):

In millions of €	2000	2001	2002	2003	2004
Automotive	19.5	23.7	23.6	19.1	24.4
Telecommunications	8.3	10.1	8.7	9.6	11.3
Oceanography	0.3	1.3	0.3	-	-
TOTAL	28.1	35.1	32.6	28.7	35.7
% T/O	20.9%	19.1%	18.5%	14.5%	15.7%

The expenditure in 2004 of € 35.7 million is divided up between charges of € 19.4 million, sold R&D of € 12.9 million and fixed assets of € 3.4 million.

1.1.4.1 Automotive sector

The total R&D expenditure in 2004 was € 24,422,000, consisting of:

- ✓ Cost of sold eng. studies € 11,337,000
- ✓ Fixed assets € 1,708,000
- ✓ Charges for the year € 11,377,000

1.1.4.2 Telecommunications sector

The total R&D expenditure in 2004 was € 11,273,000, consisting of:

- ✓ Cost of sold eng. studies € 1,553,000
- ✓ Fixed assets € 1,718,000
- ✓ Charges for the year € 8,002,000

1.1.5 Significant events since the year end

During January 2005, 2 of SODIELEC's 3 sites in Manosque were moved to Puy Sainte Réparate. Also, on February 4th 2005, the ACTIELEC Technologies group organised a lease-back of its building in Colomiers with the company NATIOCREDIMURS.

1.1.6 Debt position

During 2004, the Group's indebtedness clearly improved from a "net indebtedness / own capital" ratio of 137% on 31/12/2003 to 96% on 31/12/2004 (Cf. § 2.3.12).

The combined efforts on the nominal accounts for 2003 (restoration of balance after a difficult year in 2002) and 2004, resistance to the increase in materials costs, the increase in capital and work on the debt structure enabled short-term indebtedness to be reduced by € 2.2 million and medium and long-term debt by € 1.7 million and improvement in shareholders' capital of € 10.1 million.

1.1.7 Off balance sheet commitments and significant liabilities

1.1.7.1 Off balance sheet commitments

Off balance sheet commitments and asset-backed guarantees are detailed in the appendix to the consolidated financial statements (Cf. § 2.3.24 and 2.3.25) and represent, respectively, amounts of € 12.1 and € 11.3 million on 31st December 2004.

1.1.7.2 Liquidity risk

The proportion of bank overdrafts less than one year is € 38.614,000 on December 31st 2004: the details appear in the appendix to the consolidated financial statements (Cf. § 2.3.12).

Certain bank loans, for a total amount of € 7.6 million, are supported by early repayment clauses and/or agreements such as the observance of certain financial ratios.

The following conditions must be observed for the three main loans:

- For the first two, representing € 2.0 million, an enforcement clause would be activated if the stockholders' equity of ACTIELEC Technologies SA fell below half the company capital.
- For the third, representing € 4.0 million, three financial ratios must be observed at Automotive sector level:
 - ✓ Consolidated net financial debt/ shareholders' equity
 - ✓ Consolidated net financial debt/ consolidated **EBITDA**
 - ✓ Consolidated free cash flow / consolidated financial debt

All the clauses relating to these € 7.6 million had been observed on 31st December 2004.

1.1.7.3 Currency risk

In the countries where currency risk is the highest, the Group has billed in Euros since 1999 for all of the intra-group exchanges and has limited the length of customer credit in countries with weak currency.

Each unit hedges against currency risk depending on its currency transactions and estimate of the risk.

1.1.7.4 Interest rate risk

The Group took out 35% of its medium and long-term loans at fixed rate as against 65% at variable rate (whose outstanding amounts are guaranteed by CAP or SWAP policies up to 62%).

Outstanding short-term loans are made using variable rates.

As of 31st December 2004, ACTIELEC Technologies S.A. had taken out:

- ✓ A CAP for € 2.6 million of loans at a maximum rate of 4.5% over a period of 5 years from 1st January 2003,
- ✓ A SWAP (variable rate to fixed rate) for € 2.6 million of loans at 2.76% over a period of 2 years from 1st July 2003.

ACTIA S.A. keeps a daily watch on interest rates. As of 31st December 2004, the company had taken out:

- ✓ A CAP for € 3.0 million of loans at a maximum rate of 4.25% over a period of 5 years from 1st January 2003,
- ✓ A SWAP (variable rate to fixed rate) for € 3.0 million of loans at 2.77% over a period of 2 years from 1st July 2003.

The rate of cover has therefore risen to 62 % on 31st December 2004.

1.1.8 Group activity by business sector

1.1.8.1 Automotive sector (all figures in Euros)

Description	2004	2003
Net sales	177,817,547	151,228,187
Operating income	184,186,059	155,824,454
Operating profit	5,052,786	5,152,724
Income before exceptional items and tax	2,370,437	2,014,752
Consolidated income after consolidated goodwill amortization	669,706	9,497
Group share of net income after consolidated goodwill amortization	465,557	168,982
Amortizations of acquisition goodwill	926,408	827,970
EBITDA (Cf. § 1.1.8.3)	9,445,143	8,652,422

The activity is broken down between the three “Business Units” as follows:

✓ Diagnostics BU	91,245,000
✓ On-board Systems BU	64,871,000
✓ Services BU	21,702,000

Diagnostics BU:

- MITSUBISHI Europe was the Diagnostics Business Unit’s first customer in 2004. The selective contract signed with this major automobile manufacturer concerns the European deployment of its new diagnostic tool, the MUT3. This contract has enabled contacts with other Asian manufacturers who wish to develop their hardware in Europe and are interested in the Group’s know-how with MITSUBISHI.
- PSA Group: successful commercial launch of several new products.
 - ✓ CITROËN: initial forecasts exceeded by over 30% with renewal of the Lexia3 range of diagnostic tools.
 - ✓ PEUGEOT: marketing of several items of diagnostic equipment; new external communications interface; new measurement box.
 - ✓ Factory diagnostics: two projects have been won, enabling us to provide a complete offer in the automobile production field.
- RENAULT TRUCKS: continuation of the marketing of the new DiagNG3 diagnostic tool for and preparation for the launch of two new products. We are studying taking out a patent on one of these. The tests with Renault Truck are conclusive.
- MERCEDES: highly sustained activity with STARBASIC.

- FIAT: over 6000 SMART EXAMINER units sold.
- Software production: consistent increase in studies sold in 2004:
 - Production of diagnostic and repairs software updates
 - Associated services: supply of updating Internet platform, Telediag.

On-board Systems BU:

Continuation of the development of our commercial strategy in accordance with the expectations of the industrial vehicle markets:

- OEM (Own Equipment Manufacturer) for vehicle manufacturers:
 - ✓ Bus and coaches with Irisbus, Multibus systems and Podium dashboards. With Smartach (digital tachographs) and the start-up of serial production of Podium dashboards, a significant turnover should be achieved from 2006. Moreover, the potential for these products with other manufacturers also seems very promising.
 - ✓ Trucks, avec SCANIA and VOLVO-RENAULT TRUCKS; Smartach has also been taken on by DAIMLER CHRYSLER and the FIAT-IVECO-IRISBUS group. The one-year delay on SMARTACH (by decision from Brussels) has affected the year's operating profit.
 - ✓ Industrial vehicles with two European handling equipment manufacturers.
 - ✓ Military vehicles in Europe and the USA.
- Our activity is based on know-how and a family of products in the following technical domains:
 - ✓ Multiplexing: continued commercial success (40% of turnover).
 - ✓ Power: changeover to serial production of the new 20-Amp reducing transformer, a bad year for the electric vehicle, which seems to have stalled.
 - ✓ Instrumentation: a successful year for new business.
 - ✓ Secure sensors: transfer of the development of ElectricFil to ACTIA.
 - ✓ Telematics: sale of the D96 in France, development of the Smartach digital tachograph and technical equipment for a new OEM customer: the potential turnover and margin for this technical equipment are above those envisaged for the digital tachograph.
 - ✓ Safety: utilisation of safety technologies and know-how to obtain Smartach certificates in accordance with Appendix 1B.
- The production cost for the calculators has been improved by manufacturing more and more products at CIPI and making heavy savings on the purchases of materials and components.

Services BU:

- SERVICES:
 - ✓ The increase in production for the account of our dynamic customers at satisfactory margins has partially compensated for the reductions or disappearance of business from older customers. Disengagement from customers wishing lower and lower prices incompatible with production capacity has begun. 2004 has therefore been marked by a significant restructuring of the customer portfolio. This step will be completed during 2005 and has required alterations to working methods and the production lines.
 - ✓ After a long period of synchronisation, the industrial transfer of calculator production for AIRBUS has entered the active phase during the last quarter of 2004.
 - ✓ Start-up of high-volume automobile product production (without purchase of material) in Tunisia during the second half-year.
- PROVISIONS FOR THE FUTURE:
 - ✓ Activity has been recentred around the "Obsolescence Monitoring" type of services with, in particular, a new customer being gained in the military sector. The purchase/resale of obsolete components sector continued to perform below forecast levels.
 - ✓ 2004 saw the creation of GIE PERENEO between ACTIA and EADS Tests & Services. GIE enables the respective forces of both companies to be combined to meet the full range of services enabling us to ensure that we can keep equipment in operating condition for major accounts (COGEMA, Dassault Aviation)

1.1.8.2 Telecommunications sector (all figures in Euros)

2004 has been marked by the merger of the 4 entities making up this sector (SODIELEC, DATENO, MORS Technologies and EBIM) into a single structure, itself organized into 4 profit centres (Business Units) running the main business areas:

- Terrestrial stations BU (Brittany / South-west);

- Broadcasting BU (Provence / South-west);
- Networks BU (Provence / South-west)
- Aeronautics/Defence BU (Provence / South-west).

This enables resources to be allocated better and know-how to be combined while giving the sector a dimension large enough to ensure access to important contracts, without having recourse to external partnerships or partnerships with ACTIELEC Technologies.

We have therefore withdrawn SODIELEC's accounts for both years in order to present a consolidated version of the Telecommunications sector, with, in particular, reprocessing of all the operations relating to the DGA contract posted by ACTIELEC Technologies SA.

Description	2004	2003
Net sales	50.189.975	48.012.433
Operating income	56.089.293	51.580.650
Operating profit	5.189.408	4.998.966
Income before exceptional items and tax	4.469.242	3.509.320
Consolidated income after consolidated goodwill amortization	4.466.619	1.743.636
Group share of net income after consolidated goodwill amortization	4.454.698	1.732.243
Amortizations of acquisition goodwill	770 961	770.982
EBITDA (Cf. § 1.1.8.3)	7 145 710	6 172 241

The DGA contract for tri-band terrestrial stations has been accelerated: 75% has been invoiced as at 31st December 2004: 15% of the total amount still requires to be firmed up.

The first deliveries of the TNT transmission-retransmission stations were made and the equipment has been validated by the main operators.

The respective Networks and Aeronautics / Defence business has been maintained at a good level.

1.1.8.3 EBITDA

	31/12/04		
	Automotive Didision	Telecom Division	Consolidated AT
Net sales	177 817 547	50 189 975	227 741 485
Operating income	184 186 059	56 089 293	240 008 667
Consolidated group earnings	669 706	4 466 619	4 428 913
(+) Amortization of acquisition goodwill	926 408	770 961	1 651 975
(+) Income tax	738 688	-776 847	-34 409
(+) Deferred income tax	83 754	-585 870	-740 515
(+) Interest and related charges	2 501 687	848 662	3 346 618
(-) Other interest and related income	40 650	54 571	95 227
(-) Net gain on asset sales	3 635	492	17 449
(+) Depreciation	4 569 185	2 477 248	7 220 280
EBITDA	9 445 143	7 145 710	15 760 186

1.1.9 Targets for 2005 – Development and future prospects

1.1.9.1 Turnover development

2005 TARGET	Automotive	Telecommunications	TOTAL
Consolidated T/O	180	50	230

1.1.9.2 Future prospects

1.1.9.2.1 Automotive

Diagnostics BU:

Several new opportunities in 2005:

- ✓ For OEM (Own Equipment Manufacturer): an invitation to tender from the PSA Group, a strategic partnership with CAP GEMINI, for the group diagnostic solution and a new partnership with an Asian manufacturer.
- ✓ For the factories: gain of a manufacturer.
- ✓ For Multidiag: European spreading of our range of multi-brand solutions.

On-board Systems BU:

- ✓ Several contracts won in 2003 and 2004, strengthening our sales turnover in 2005.
- ✓ Changeover to the production of new *Instrumentation* products: Podium, ICU, Cluster ... 2005 will also be the start-up year for the *Smartach* digital tachograph series.

Services BU:

- Services
 - ✓ Continued development of high volume automobile products in Tunisia with the launch of a second product.
 - ✓ Continued industrial transfer of Airbus calculators and integration.
 - ✓ Completion of disengagement from various customers who provide little business during the first half-year and negotiations regarding the remaining stocks.
 - ✓ Stock optimisation
- Expansion of current business
 - ✓ Extension of “Obsolescence Monitoring” activities to all the COGEMA sites and penetration of the rest of the AREVA Group.
 - ✓ Continued development in the military sector.

1.1.9.2.2 Telecommunications

Terrestrial Stations BU:

The second DGA contract for the broadband stations (With THALES as industrial project leader) is well underway; commercial activity will only actually start in 2006; the civil applications will provide the first orders.

Broadcast BU:

Establishment of the TNT network is accelerating as well as the opening up of export markets.

Networks BU:

The digitization of the energy piloting and control networks must be realised from 2005 onwards after 2 years of low investment.

Aeronautics / Defence BU:

New contracts are coming in.

Recentring the Telecommunications sector on 3 sites began in February 2005 and will result in a significant reduction in structural costs.

1.2 ACTIELEC TECHNOLOGIES: COMPANY FINANCIAL STATEMENTS

ACTIELEC Technologies S.A. posted a turnover of € 16.7 million, showing strong growth (29%) due to the ramping up of the Ministry of Defence contract, for which the company is a co-contractor. The increase in charges is mainly linked to a provision for breaking the contract and preparing for the changeover to IFRS.

The company financial statements' key figures for FY 2004 were:

Net sales	€ 16,652,359
Operating income	€ 16,702,954
Operating profit	€ <1,419,291>
Financial result	€ 403,753
Exceptional result	€ 448
Net loss	€ <1,018,840>

We would ask you to approve these company financial statements.

1.2.1 Problems encountered

2004 has again been marked by the cash problems relating to the 2002 and 2003 fiscal years. The level of bank intervention has progressively reduced (<€ 4,156,000 > over the year). The Company has been able to maintain its subsidiaries' Working Capital (+€ 2,026,000) and an increase in capital has enabled the Company to meet its bank commitments.

1.2.2 Significant events

The Extraordinary General Meeting of 21st September 2004 authorised the stock market sale of a maximum of 4,125,000 shares.

Under this authorisation, the Board conducted a market operation in ABSEANE form with the issue of 1,875,000 new shares with a purchase warrant per share at a price of € 3.35.

This operation generated an increase in capital of € 6,281,250. Shareholders' equity increased from € 12,806,906 to € 14,271,156, based on a nominal value of € 0.75 / share.

The purchase warrants linked to these shares give the right to purchase a new or existing share for two warrants at a price of € 4.50, by 14th October 2007 at the latest.

A Board report on the capital increase will be presented during the General Meeting.

1.2.3 Earnings distribution

In accordance with the law and our Articles of Association, we suggest to distribute the year's earnings, which amount to a loss of € 1,018,839.83, to the "Retained Income" account.

Original

Retained income: "credit balance"	€ 12,241,113.78
Net income for year: a loss of	€ - 1,018,839.83

Allocation

"Retained income" account established at	€ 11,222,273.95
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TOTALS	€11,222,273.95	€11,222,273.95
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1.2.3.1 Previous dividend distribution

In accordance with the terms of article 243 bis of the General Tax Code, we outline the distribution of dividends per share paid over the last three years:

Year	Dividend per share €	Tax credit per share €	Actual revenue per share €	Total dividend paid €
2001	0.06	0.03	0.09	1,029,192
2002	0.00	0.00	0.00	0
2003	0.00	0.00	0.00	0

1.2.3.2 Charges not tax deductible (CGI 39-4)

We will ask you to approve the full amount of expenses and charges covered under articles 39-4 of the General Tax Code, i.e. €271.18, corresponding to the excess depreciation on company vehicles. However no tax is due for the 2004 fiscal year.

1.2.4 COMPANY CAPITAL

1.2.4.1 Breakdown of company capital

We inform you of the identity of the people holding directly or indirectly on 31st December 2004 more than 5%, 10%, 20%, 33.33%, 50%, or 66.66% of the shareholders' equity or of the voting rights in the General Meetings:

	Holding		Control	
LP2C	8 215 208	43,17%	16 178 627	50,87%
SIDMIA International	1 147 153	6,03%	1 874 050	5,89%
SALVEPAR	3 069 617	16,13%	5 642 598	17,74%
Other	801 388	4,21%	1 419 225	4,46%
Total shareholder pact	13 233 366	69,55%	25 114 500	78,96%
Public	5 731 446	30,12%	6 691 219	21,04%
Treasury stock	63 396	0,33%	-	0,00%
TOTAL	19 028 208	100,00%	31 805 719	100,00%

Through two shareholder pacts, the directors (Louis PECH / Pierre CALMELS), one industrial shareholder and one financial shareholder hold 12,843,104 shares (69.557%) and control 25,114,500 voting rights (78.96%). Free float thus comes to 30.45% of the total number of shares including treasury stock.

Modifications have been made to this list during the past fiscal year, mainly relating to the increase in capital on 15th October 2004 and internal restructuring within the LP2C Group on 30th December 2004.

1.2.4.2 Treasury stock

Since the Actielec/Mors merger, ACTIELEC TECHNOLOGIES has owned 1,400 of its own shares.

- By successive resolutions of the General Meetings of 29th December 2000, 30th April 2002, 9th May 2003 and 30th April 2004, the Company was authorized to buy back its shares.

During 2004, the Company has not purchased any shares on the stock exchange and the number of own shares held by the Company on 31st December 2004 remains the same as at the previous year end, namely 63,396 shares.

The purchase value remains unchanged at € 443,470 excluding negotiation costs. This number of shares, with a total nominal value of € 47,547, represents 0.33 % of shareholders' equity.

1.2.4.3 Other equity-backed securities

We would remind you that our Company has issued equity-backed securities in the form of purchase warrants (1,875,000 warrants).

You will find attached the Board's special report regarding the plans for subscription options or share purchase relating the current operations.

1.2.4.4 Share performance

As already mentioned in Paragraphs 1.2.2 and 1.2.4.3, an increase in capital took place on 15th October 2004 increasing floating shares to increase to 30% compared to 25% in 2003. Since this operation, the shares have also shown greater activity.

The total number of shares traded in 2004 under the ISIN code FR 0000076655 came to 1,871,581, i.e. a daily average of 7,226 shares over 259 trading days.

In 2004, the closing prices varied as follows:

- Highest	€ 4.88	(31/12/2004)
- Lowest	€ 2.65	(23/01/2004)
- Closing date	€ 4.73	(31/12/2004)

The purchase warrants associated with the new shares were able to be quoted for the first time on 22nd October 2004 at a level of € 0.15 as opposed to € 0.06 on issue on 1st October 2004 under ISIN code FR0010121061. The average daily volume exchanged was 6,336 shares, with the highest price being € 0.48 on the closing date of 31/12/04.

1.2.4.5 Authorization of a company share buy-back plan

We are proposing that you authorize the Board, for a period of eighteen months, in accordance with Articles L. 225-209 ff of the Commercial Code, to proceed to purchase the Company's shares, on one or more occasions at times the Board will determine, up to a limit of 0.5% of the total number of shares in shareholders' equity.

This authorization terminates the authorization given to the Board by the Mixed General Meeting of 30th April 2004.

The purchases may be made only with a view to stimulating the market by means of an investment service provider through a liquidity contract in accordance with an ethical charter accepted by AMF.

1.2.5 Events since the fiscal year ended

There has been confirmation of the year end trend on ACTIELEC's shares with a growth in the volumes being exchanged (daily average since 1st January 2005 standing at 37,317) and with trading price that has progressed constantly (highest € 6.89 on 9th March 2005 – lowest € 4.44 on 17th January 2005).

The quotation for the purchase warrants has also experienced good progress at the start of the new fiscal year with the lowest trading price being € 0.49 on 3rd January 2005 and the highest € 2.00 on 9th March 2005 and an average volume of 10,151 warrants.

We can also inform you that the first 70 warrants have been converted into existing shares (35).

1.3 FINANCIAL RESULTS FOR THE LAST 5 YEARS

In Euros	2000	2001	2002	2003	2004
Capital at year end					
Share capital	12,864,906	12,864,906	12,864,906	12,864,906	14,271,156
Number of existing ordinary shares	17,153,208	17,153,208	17,153,208	17,153,208	19,028,208
Number of existing preferred shares (without voting rights)	0	0	0	0	0
Maximum number of future shares to be created	0	0	0	240,000	1,177,500
Transactions and results for the year					
Sales excluding tax	12,729,316	3,770,448	9,585,941	12,889,205	16,652,359
Earnings before tax, amortization and provisions	-4,506,062	11,602,345	1,914,298	-2,380,375	91,623
Corporate tax	19,056	0	3,811	15,245	3,750
Employee profit-sharing for the year	0	0	0	0	0
Earnings after tax, amortization and provisions	-2,493,339	11,558,375	1,713,366	121,570	-1,018,840
Payout	0	1,029,192	0	0	0
Earnings per share					
Earnings before tax, amortization and provisions	-0.26	0.68	0.11	-0.14	0.00
Earnings after tax, amortization and provisions	-0.15	0.67	0.10	0.01	-0.05
Dividends attributed for each share (gross)	0.00	0.06	0.00	0.00	0.00
Dividends attributed for each preferred share (gross)	0.00	0.00	0.00	0.00	0.00
Personnel					
Average number of employees during the year	140	6	6	7	7
Total wage bill for the year	5,920,010	595,984	716,135	687,909	786,270
Total sums paid as benefits for the year (Social Security, company benefits, etc.)	2,836,369	238,617	283,540	282,850	326,414

1.4 CORPORATE OFFICERS

1.4.1 Managing board and supervisory board members

Louis PECH
 Pierre CALMELS
 SALVEPAR S.A. – permanent representative Pierre DEGEORGE
 Günther THRUM
 Véronique VEDRINE
 Alain COSTES

Chairman of the Supervisory Board
 Vice-Chairman of the Supervisory Board
 Member of the Supervisory Board
 Member of the Supervisory Board
 Member of the Supervisory Board
 Member of the Supervisory Board

Christian DESMOULINS
 Catherine MALLET
 Marine CANDELON-BONNEMAISON

Chairman of the Managing Board
 Member of the Managing Board
 Member of the Managing Board

1.4.2 List of titles and functions held by company managers

- **Louis PECH**, Chairman of the Supervisory Board of the Company, performs the following mandates in the here-after mentioned companies as well as the following duties:
 - *Mandates*
 - Chairman of:
 - ✓ The Board of Directors of ACTIA, a Public Limited Company, registered capital: €15,443,593, 25 chemin de Pouvoirville - 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 389 187 360;
 - ✓ The Board of Directors of ENERTEC HOLDING, a Public Limited Company, registered capital: €2,636,520, 185 avenue du Général de Gaulle - 92140 CLAMART, Companies and Trade Register of NANTERRE n°: 413 057 985;
 - ✓ The Managing Director of FONDERIES FINANCIERE MERCIE, a Public Limited Company, registered capital: €597,360, 25 chemin de Pouvoirville - 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 550 802 128;
 - ✓ The Management Board of LP2C, a Public Limited Company with a Supervisory Board and a Management Board, registered capital: €5,876,400, 25 chemin de Pouvoirville - 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 384 043 352;
 - ✓ The Steering Committee of ANVAR MIDI-PYRENEES, 12 Rue Michel Labrousse, 31100 TOULOUSE;
 - Director of:
 - ✓ IDE INGENIERIE, a Public Limited Company, registered capital: €57,150, 4 chemin de Pouvoirville - 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 381 438 076;
 - ✓ ENERTEC, a Public Limited Company, registered capital: €3,124,200, 185 avenue du Général de Gaulle - 92140 CLAMART, Companies and Trade Register of NANTERRE n°: 382 360 956;
 - ✓ ACTIA VIDEOBUS Paher SA, Poligono Industrial « los Olivos », C/Calidad 66, 28906 GETAFE MADRID SPAIN;
 - ✓ ACTIA DE MEXICO SA de CV, Av Central N° 176 Nueva Industrial Vallejo, CP 07700 MEXICO D.F MEXICO;
 - ✓ KARFA CORPORATIVO SA de CV, a Mexican Variable Capital Company, MEXICO (CP 07700 MEXICO DF) Av Central N° 176, Nueva Industrial Vallejo Mexico, tax identity number: KC 0940810384;
 - ✓ ACTIA ITALIA Srl, Corso Unione Sovietica 612/3/C, 10135 TORINO ITALY;
 - ✓ ACTIA INC (USA), 52765 Bridger Court ELKHART – INDIANA 46517 USA;
 - ✓ ACTIA INDIA PRIVATE LIMITED, an Indian Company with a registered capital of INP500,000, Noida 201 301 C-15 Sector 58, identification number: U72200DL2002PTC115786, INDIA;
 - ✓ ACTIA NORDIC AB, a Public Limited Company with a registered capital of SEK125,000, Box 8081 Salagan 40, SE 163 08 SPANGA, SWEDEN.
 - ✓ ESPACES SPORTS TECHNOLOGIES (ESPORTEC), a Public Limited Company with a registered capital of €38,150.37, Parc Aéronautique, 27 Avenue Georges Guyrèmer, 31770 COLOMIERS, Companies and Trade Register of TOULOUSE n°: 400 557 096;

- ✓ SOCIETE D'EPARGNE LOCALE DE TOULOUSE NORD, 42 Rue du Languedoc 31000 TOULOUSE;
- ✓ The Association EUROSUD TRANSPORT ATLANTIQUE MEDITERANNEE, 4 Rue Godolin, 31000 TOULOUSE;
- Member of the Consulting Committee of:
 - ✓ ACTIA DO BRASIL (Brazil), Av Sao Paulo – 555 CEP 90230-161 Sao Geraldo - PORTO ALEGRE, Company Register of BRAZIL;
- Member of the Management Committee of:
 - ✓ ACTIA CORP (USA), 52765 Bridger Court ELKHART – INDIANA 46517 USA;
- Permanent Representative of:
 - ✓ ACTIELEC Technologies at PILGRIM, a Public Limited Company with a registered capital of €2,515,843.26, 25 chemin de Pourvoirville - 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 3 566 375;
 - ✓ ACTIELEC Technologies at SODIELEC, a Public Limited Company with a registered capital of €3,583,056, route de Mayres BP 9 12100 SAINT-GEORGES DE LUZENCON, Companies and Trade Register of MILLAU n°: 699 800 306;
 - ✓ LP2C at ALPHA RECYCLAGE FRANCHE COMTE, a Public Limited Company with a registered capital of €100,000, Mairie de Rochefort sur Nenon - 39700 ROCHEFORT SUR NENON, Companies and Trade Register of DOLE n°: 418 167 953;
 - ✓ ACTIA at ACTIA MULLER SERVICES, a Public Limited Company with a registered capital of €626,997,25, 25 chemin de Pouvourville - 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 350 183 182;
 - ✓ ACTIA at AIXIA, a Public Limited Company with a registered capital of €102,600, Allée B 130 BP 282 Savoie-Technolac - 73375 LE BOURGET DU LAC CEDEX, Companies and Trade Register of CHAMBERRY n°: 381 805 514;
 - ✓ ACTIELEC Technologies at DATENO, a Public Limited Company with a registered capital of €816,000, rue Amiral Bérenger ZAC Ville-es-Passants II - 35800 DINARD, Companies and Trade Register of SAINT-MALO n°: 897 280 418 (*take-over merger of DATENO by SODIELEC on 30 December 2004*);
 - ✓ LP2C at CIPI, a Public Limited Company with a registered capital of Dinars 500,000, 2 rue des Entrepreneurs ZI Cherguia II - 2035 Tunis Cartage, Trade Register n°: B 180122000 of Tunis, TUNISIA;
 - ✓ LP2C at MORS Technologies, a Public Limited Company (*Société par Actions Simplifiée*) with a registered capital of €130,000 La Confrérie BP 22 - 13610 LE PUYSTE-REPARADE, Companies and Trade Register of AIX n°: 432 005 569 (*take-over merger of MORS Technologies by SODIELEC on 30 December 2004*);
 - ✓ ACTIELEC Technologies at EBIM, a Public Limited Company (*Société par Actions Simplifiée*) with a registered capital of €945,600, ZI St-Joseph - 04100 MANOSQUE, Companies and Trade Register of MANOSQUE n°: 378 940 555 (*take-over merger of EBIM by SODIELEC on 30 décembre 2004*);
- Manager of:
 - ✓ ORBIEU, a Professional Partnership with a registered capital of €3,173,058, rue des Vignes - FERRALS LES CORBIERES 11200 LEZIGNAN LES CORBIERES, Companies and Trade Register of NARBONNE n°: 384 134 979 (*take-over merger of ORBIEU by LP2C on 30 December 2004*);

- ✓ LA VOIX, a Professional Partnership with a registered capital of €3,173,058, COZ CASTEL - 22500 PAIMPOL, Companies and Trade Register of PAIMPOL n°: 383 737 566 (*take-over merger of LA VOIX by LP2C on 30 December 2004*);
 - ✓ SCI DE L'ORATOIRE, a Real Estate Company with a registered capital of €1,500, 10 avenue Edouard Serres - 31770 COLOMIERS, Companies and Trade Register of COLOMIERS n°: 345 291 405;
 - ✓ SCI located at: 4 Rue Jules Védrières, a Real Estate Company with a registered capital of €374,544, 4 Rue Jules Védrières - 31000 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 352 073 944;
- Vice-chairman of:
- ✓ The Association LE CERCLE D'OC, Place Marcel Dassault – 31700 BLAGNAC ;
- Adviser of:
- ✓ BANQUE DE FRANCE de TOULOUSE, 4 Rue Deville - 31000 TOULOUSE ;
 - ✓ COMMERCE EXTERIEUR DE LA FRANCE, 22 Avenue Franklin Roosevelt BP 303 - 75365 PARIS CEDEX 08 ;
 - ✓ BANQUE TOFINSO, a Public Limited Company with a registered capital of €26,737,450.57, 11 allées Franklin Roosevelt BP n° 2 – 31012 TOULOUSE Cedex, Companies and Trade Register of TOULOUSE n°: 560 800 831;

Title

Manager with LP2C, S.A., a Public Limited Company with a Supervisory Board and a Management Board with a registered capital of €5,876,400, 25 chemin de Pouvoirville 31400 TOULOUSE.

- **Pierre CALMELS**, Vice-Chairman of the Supervisory Board of the Company, performs the following mandates in the here-after mentioned companies as well as the following duties:
- *Mandates*
- Chairman of:
- ✓ The Supervisory Board of LP2C, a Public Limited Company with a Supervisory Board and a Management Board, and registered capital of €5,876,400 , 25 chemin de Pouvoirville - 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 384.043.352;
 - ✓ The Board of Directors of SODIELEC, a Public Limited Company with a registered capital of €3,583,056, route de Mayres BP 9 12100 SAINT-GEORGES DE LUZENCON, Companies and Trade Register of MILLAU n°: 699.800.306;
 - ✓ The Managing Director of PILGRIM, a Public Limited Company with a registered capital of €2,515,843.26, 25 chemin de Pouvoirville - 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 403 566 375;
- Vice-chairman and Director of:
- ✓ ACTIA, a Public Limited Company with a registered capital of €15,443,593, 25 Chemin de Pouvoirville - 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 389.187.360;

- ✓ FONDERIES FINANCIERE MERCIÉ, a Public Limited Company with a registered capital of €597,360, 25 chemin de Pourville - 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 550.802.128;

➤ Director of:

- ✓ AIXIA, a Public Limited Company with a registered capital of €102,600, Allée B 130 BP 282 Savoie-Technolac - 73375 LE BOURGET DU LAC CEDEX, Companies and Trade Register of CHAMBERY n°: 381.805.514;
- ✓ IDE INGENIERIE, a Public Limited Company with a registered capital of €57,150, 4 chemin de Pourville - 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 381.438.076;
- ✓ ACTIA VIDEOBUS Paher S.A., Poligono Industrial « los Olivos », C/Calidad 66, 28906 GETAFE – MADRID SPAIN ;
- ✓ ACTIA DE MEXICO SA de CV, AV Central N° 176 Nueva Industrial Vallejo, CP 07700 MEXICO D.F MEXICO ;
- ✓ KARFA CORPORATIVO SA de CV, A Mexican Variable Capital Company, MEXICO (CP 07700 MEXICO DF) Av Central N° 176 Nueva Industrial Vallejo, tax identity number KC 0940810384, MEXICO;
- ✓ ENERTEC Holding, a Public Limited Company with a registered capital of €2,636,520, 185 Avenue du Général De Gaulle BP 316 – 92143 CLAMART Cedex, Companies and Trade Register of NANTERRE n°: 413 057 985;
- ✓ ENERTEC, a Public Limited Company with a registered capital of €3,124,200, 185 Avenue du Général De Gaulle BP 316 – 92143 CLAMART Cedex, Companies and Trade Register of NANTERRE n°: 382 360 956;
- ✓ ACTIA INC (USA), 52765 Bridger Court ELKHART – INDIANA 46517, USA ;
- ✓ ACTIA ITALIA Srl, Corso Unione Sovietica 612/3/C, 10135 TORINO ITALY ;
- ✓ ALPHA RECYCLAGE FRANCHE COMTE, a Public Limited Company with a registered capital of €100,000, Mairie de Rochefort sur Nenon - 39700 ROCHEFORT SUR NENON, Companies and Trade Register of DOLE n°: 418.167.953;
- ✓ ACTIA MULLER SERVICES, a Public Limited Company with a registered capital of €626,997.25, 25 Chemin de Pourville - 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 350.183.182;

➤ Member of the Consulting Committee of:

- ✓ ACTIA DO BRASIL (Brésil), Av Sao Paulo – 555 CEP 90230-161 Sao Geraldo - PORTO ALEGRE Companies Register of BRAZIL ;

➤ Member of the Management Committee of:

- ✓ ACTIA CORP (USA), 52765 Bridger Court ELKHART – INDIANA 46517 USA ;

➤ Permanent Representative of:

- ✓ ACTIELEC Technologies at CIPI, a Public Limited Company with a registered capital of Dinars 500,000, Zone Industrielle de la Cherguia, 2 Rue des Entrepreneurs 2035 TUNIS, Carthage, Companies and Trade Register of Tunis n°: B 180.122.000;
- ✓ ACTIELEC Technologies at MORS Technologies, a Public Limited Company (*Société par Actions Simplifiée*) with a registered capital of €130,000, La Confrérie BP 22- 13610 LE PUY STE-REPARADE, Companies and Trade Register of AIX EN PROVENCE n°: 432.005.569; (*take-over merger of MORS Technologies by SODIELEC on 30 December 2004*) ;
- ✓ SODIELEC at Société DATENO, a Public Limited Company with a registered capital of €816,000, rue Amiral Bérenger ZAC Ville-es-Passants II - 35800 DINARD, Companies and Trade Register of SAINT-MALO n°: 897.280.418 (*take-over merger of DATENO by SODIELEC on 30 December 2004*) ;
- ✓ LP2C at FONDERIE MERCIE EUROPE, a Public Limited Company with a registered capital of €500,000, 11 avenue de la Marcaissonne - 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 391.888.062;
- ✓ SODIELEC at Société EBIM, a Public Limited Company (*Société par Actions Simplifiée*) with a registered capital of €945,600, ZI St-Joseph - 04100 MANOSQUE, Companies and Trade Register of MANOSQUE n°: 378.940.555 (*take-over merger of EBIM by SODIELEC on 30 December 2004*) ;
- ✓ ACTIA MULLER SERVICES at TECNO FRANCE, a Public Limited Company with a registered capital of €152,000, 25 chemin de Pouvourville 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 342.201.563;

➤ Manager of:

- ✓ SCI LES COTEAUX DE POUVOURVILLE, a Real Estate Partnership with a registered capital of €91,500, 25 chemin de Pouvourville - 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 343.074.738;
- ✓ SC LA VOIX, a Professional Partnership with a registered capital of €3,173,058, COZ CASTEL - 22500 PAIMPOL, Companies and Trade Register of PAIMPOL 373.737.566 (*take-over merger of LA VOIX by LP2C on 30 December 2004*);
- ✓ SC ORBIEU, a Professional Partnership with a registered capital of €3,173,058, rue des Vignes - FERRALS LES CORBIERES 11200 LEZIGNAN LES CORBIERES, Companies and Trade Register of NARBONNE n°: 384.134.979 (*take-over merger of ORBIEU by LP2C on 30 December 2004*);
- ✓ SCIPIA, a Professional Partnership with a variable capital, 25 chemin de Pouvourville - 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 344.081.278;
- ✓ SCI DE L'ORATOIRE, a Real Estate Partnership with a registered capital of €1,500, 10 avenue Edouard Serres - 31770 COLOMIERS, Companies and Trade Register of TOULOUSE n°: 345.291.405;
- ✓ SCI located at: 4 Rue Jules Védrines, a Real Estate Partnership with a registered capital of €374,544, 4 Rue Jules Védrines - 31000 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 352.073.944;

- *Function*: not applicable

- **SALVEPAR**, Member of the Supervisory Board of the Company, also performs the following mandates in the here-after mentioned companies as well as the following duties:
 - *Mandates*
- Director of:
 - ✓ AFICA – AFFINAGE CHAMPAGNE ARDENNES, a Company with a registered capital of €1,216,000 , BP 13, 51100 BAZANCOURT, Companies and Trade Register of REIMS n°: 336 780 408;
 - ✓ CROMETAL, a Company with a registered capital of €14,076829.73, 251 boulevard Péreire 75582 PARIS CEDEX 17, Companies and Trade Register of PARIS n°: 562 086 967 (resignation from directorship on 16 November 2004);
 - ✓ FAVI-LE LAITON INJECTE, a Company with a registered capital of €960,000, LE LAITON INJECTE, BP 5, 80490 HALLENCOURT, Companies and Trade Register of ABBEVILLE n°: 778 151 563 ;
 - ✓ GROUPE LIPPI, a Company with a registered capital of €1,897,000, La Fouillouse 16440 MOUTHIER, Companies and Trade Register of ANGOULEME n°: 304 541 246;
 - ✓ NORINCO, a Company with a registered capital of €2,667,857.80, 25 rue Aristide Briand BP 157 60111 MERU CEDEX, Companies and Trade Register of BEAUVAIS n°: 592 029 425 (resignation from directorship on 28 July 2004);
 - ✓ RG SAFETY, a Company with a registered capital of €18,563825, 74 rue du Docteur Lemoine 51100 REIMS, Companies and Trade Register of REIMS n°: 420 625 394;
 - ✓ SAMSE, a Company with a registered capital of €3,122,234,26 rue du Colonel Dumont 38000 GRENOBLE, Companies and Trade Register of GRENOBLE n°: 056 502 248.
- **Pierre DEGEORGE**, Permanent Representative of SALVEPAR, Member of the Supervisory Board of the Company, also performs the following mandates in the here-after mentioned companies as well as the following duties:
 - *Mandates*
- Permanent Representative of SALVEPAR on the Boards of:
 - ✓ AFICA – AFFINAGE CHAMPAGNE ARDENNES, Company with a Board of Directors and a registered capital of €1,216,000, BP 13 51100 BAZANCOURT, Companies and Trade Register of REIMS n°: 336 780 404;
 - ✓ FAVI-LE LAITON INJECTE, a Company with a Board of Directors and a registered capital of €960,000, LE LAITON INJECTE BP 5 80490 HALLENCOURT, Companies and Trade Register of ABBEVILLE n°:778 151 563;
 - ✓ GROUPE LIPPI, Company with a Board of Directors and a registered capital of €1,897,000, La Fouillouse 16440 MOUTHIER, Companies and Trade Register of ANGOULEME n°: 304 541 246;
 - ✓ RG SAFETY, a Company with a Board of Directors and a registered capital of €18,563,825, 74 rue du Docteur Lemoine 51100 REIMS, Companies and Trade Register of REIMS n°: 420 625 394;

- *Title*

Deputy Managing Director of SOCIETE ALSACIENNE ET LORRAINE DE VALEURS, d'ENTREPRISES ET DE PARTICIPATIONS – SALVEPAR, S.A. with a registered capital of €12,523,408, 8, rue Félix Pyat 92972 PARIS LA DEFENSE CEDEX, Companies and Trade Register of NANTERRE n°: 552 004 327.

- **Günther THRUM**, Member of the Supervisory Board of the Company, also performs the following mandates in the here-after mentioned companies as well as the following duties:

- *Mandates*

- Director of:

- ✓ ENERTEC Holding, a Public Limited Company with a registered capital of €2,636, 520, 185 avenue du Général de Gaulle - 92140 CLAMART, Companies and Trade Register of NANTERRE n°: 413 057 985;

- Manager of:

- ✓ SIDMIA, a Limited Partnership with a registered capital of €33,400, 58 Avenue du Général Leclerc 92100 BOULOGNE BILLANCOURT, Companies and Trade Register of NANTERRE n°:722 044 764 ;
- ✓ SIDMIA INTERNATIONAL, a Public Limited Company with a registered capital of €15,000 , 58 Avenue du Général Leclerc 92100 BOULOGNE BILLANCOURT, Companies and Trade Register of NANTERRE n° 348 900 564.

- *Function: not applicable*

- **Alain COSTES**, Member of the Supervisory Board of the Company, also performs the following mandates in the here-after mentioned companies as well as the following duties:

- *Mandates*

- Chairman of:

- ✓ The Board of Directors of RENATER - Réseau National de Télécommunications pour la Technologie, l'Enseignement et la Recherche.

- Vice-chairman of:

- ✓ ADERMIP – Association pour le Développement de l'Enseignement, de l'Economie et des Recherches de Midi Pyrénées – 32 Rue des cosmonautes – 31400 TOULOUSE,
- ✓ IERSET – Institut Européen de Recherche sur les Systèmes Embarqués et leurs Technologies – 42, avenue du général de Crouette, 31100 Toulouse.

- Director of:

- ✓ ACTIA, a Public Limited Company with a registered capital of €15,443,593, whose Registered Office is located at: 25 Chemin de Pouvoirville 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n° 389 187 360;
- ✓ Université Technologique de Compiègne.

➤ Member of:

- ✓ The Supervisory Board of ACTIELEC Technologies, a Public Limited Company with a Supervisory Board and a Management Board, and a registered capital of €14,271,156, 25, chemin de Pouvoirville, 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 542 080 791

➤ Technical Adviser:

- ✓ With the CCI (Chamber of Commerce and Industry) of TOULOUSE.

• *Titles*

- ✓ A Professor at INP – 6 Allées Emile Monso – 31000 TOULOUSE ;
- ✓ Scientific Executive at LAAS-CNRS – 7 Avenue du Colonel Roche – 31077 TOULOUSE Cedex 04 ;
- ✓ Member of Académie des Technologies.

➤ **Véronique VEDRINE**, Member of the Supervisory Board of the Company, also performs the following mandates in the here-after mentioned companies as well as the following duties:

Mandates

➤ Comptroller of:

- ✓ BANQUE TOFINSO, a Public Limited Company with a registered capital of €26,737,450.57, 11 allées Franklin Roosevelt BP n° 2 – 31012 TOULOUSE Cedex, Companies and Trade Register of TOULOUSE n°: 560 800 831;
- ✓ Midi-Pyrénées Création, a Public Limited Company with a registered capital of €6,357,210, 18 place Dupuy - 31000 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 408 171 601;

➤ Technical Adviser of:

- ✓ Institut Régional Développement Industriel, 10 place Alfonse Jourdain 31000 TOULOUSE ;

• *Title*

Regional Manager at Banque du Développement des PME, a Public Limited Company with a registered capital of €337,230,064, 27 avenue du Général Leclerc – 94700 MAISONS ALFORT, Companies and Trade Register of CRETEIL n°: 320 252 489.

➤ **Christian DESMOULINS**, Chairman of the Management Board of the Company, also performs the following mandates in the here-after mentioned companies as well as the following duties:

• *Mandates*

➤ Managing Director and Director of:

- ✓ ACTIA, a Public Limited Company with a registered capital of €15,443,593, Chemin de Pouvoirville - 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 389 187 360;

➤ Chairman of the Board of Directors of:

- ✓ Ecole Nationale Supérieure Mécanique et Microtechnique de Besançon (Etablissement Public), 26 Chemin de l'Epitaphe – 25030 BESANÇON Cedex ;

➤ Director of:

- ✓ SODIELEC , a Public Limited Company with a registered capital of € 3,583,056, Route de Mayres – BP 9 – 12100 SAINT GEORGES DE LUZENCON, Companies and Trade Register of MILLAU n°: 699 800 306;
- ✓ CIPI, a Public Limited Company with a registered capital of Dinars 500,000, Rue des Entrepreneurs, ZI Charguia II – 2080 ARIANA-Aéroport – TUNISIA;
- ✓ ACTIA NORDIC AB, a Public Limited Company with a registered capital of SEK125,000, Box 8081 Salagan 40, SE 163 08 SPANGA, SWEDEN;
- ✓ ENERTEC Holding, a Public Limited Company with a registered capital of €2,636, 520, 185 avenue du Général de Gaulle - 92140 CLAMART, Companies and Trade Register of NANTERRE n°:413 057 985;
- ✓ ENERTEC, a Public Limited Company with a registered capital of €3,124,200, 185 avenue du Général de Gaulle - 92140 CLAMART, Companies and Trade Register of NANTERRE n°: 382 360 956.
- ✓ ANVAR – 43 Rue de Caumartin – 75436 PARIS Cedex 09 ;
- ✓ Ecole Nationale Supérieure des Ingénieurs en Arts Chimiques et Technologiques, 118 Route de Narbonne – 31077 TOULOUSE Cedex ;
- ✓ Club des Affiliés du LAAS-CNRS, 7 Avenue du Colonel Roche – 31077 TOULOUSE Cedex ;
- ✓ Association Nationale de la Recherche Technique (ANRT), 41 Boulevard des Capucines - 75002 PARIS ;

➤ Manager of:

- ✓ SCI LES COTEAUX DE POUVOURVILLE, a Professional Partnership with a registered capital of €91,500, 25 chemin de Pouvourville 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 343.074.738;

• *Title*

Under contract to LP2C, a Public Limited Company with a Supervisory Board and a Management Board, and a registered capital of €5,876,400, 25 chemin de Pouvourville - 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 384 043 352.

- **Marine CANDELON-BONNEMAISON**, Member of the Management Board of the Company, also performs the following mandates in the here-after mentioned companies as well as the following duties:

• *Mandates*

➤ Member of the Management Board of:

- ✓ LP2C, a Public Limited Company with a Supervisory Board and a Management Board, and a registered capital of €5,876,400 , 25 chemin de Pouvourville - 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 384 043 352;

➤ Director of:

- ✓ ACTIA, a Public Limited Company with a registered capital of €15,443,593, 25 Chemin de Pouvourville - 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 389 187 360.

• *Title*

Manager at LP2C, a Public Limited Company with a Supervisory Board and a Management Board, and a registered capital of €5,876,400, 25 chemin de Pouvoirville - 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 384 043 352.

- **Catherine MALLET**, Member of the Management Board of the Company, also performs the following mandates in the here-after mentioned companies as well as the following duties:

Mandats

- Member of the Management Board of:

- ✓ LP2C, a Public Limited Company with a Supervisory Board and a Management Board, and a registered capital of €5,876,400, 25 Chemin de Pouvoirville - 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 384 043 352;

- Director of:

- ✓ FONDERIES FINANCIERE MERCIE a Public Limited Company with a registered capital of €597,360, 25 chemin de Pouvoirville - 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n°:384 043 352;
- ✓ MORS Technologies, a Public Limited Company (*Société par Actions Simplifiée*) with a registered capital of €130,000, La Confrérie BP 22 - 13610 LE PUY STE-REPARADE, Companies and Trade Register of AIX EN PROVENCE n°: 432 005 569 (*take-over merger of MORS Technologies by SODIELEC on 30 December 2004*) ;
- ✓ EBIM, a Public Limited Company (*Société par Actions Simplifiée*) with a registered capital of €945,600, ZI St-Joseph - 04100 MANOSQUE, Companies and Trade Register of MANOSQUE n°: 378 940 555 (*take-over merger of EBIM by SODIELEC on 30 December 2004*) ;
- ✓ PILGRIM, a Public Limited Company with a registered capital of €2,515,843.26, 25 chemin de Pouvoirville - 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 403 566 375;

- Permanent Representative of:

- ✓ LP2C at ENERTEC Holding, a Public Limited Company with a registered capital of €2,636,520, 185 avenue du Général de Gaulle - 92140 CLAMART, Companies and Trade Register of NATERRE n°: 413 057 985;
- ✓ LP2C at ENERTEC, a Public Limited Company with a registered capital of €3,124, 200, 185 avenue du Général de Gaulle - 92140 CLAMART, Companies and Trade Register of NANTERRE n°: 382 360 956.

• *Title*

Under contract in the capacity of an Executive Assistant at ACTIELEC Technologies, a Public Limited Company with a registered capital of €14,271,156 , 25 chemin de Pouvoirville - 31400 TOULOUSE, Companies and Trade Register of TOULOUSE n°: 542 080 791.

1.4.3 Nominations, renewals and ratification of cooptation

None of the Supervisory Board member terms are expiring immediately following this meeting.

1.4.4 Directors' fees and remunerations

No director's fees were paid to Board members in 2004.

The remuneration paid in the year ended 31st December 2004 is as follows:

Representatives (whatever the period of appointment during the fiscal year)	In the company			In the controlled companies	In the controlling companies	
	Remuneration paid for:		Benefits in kind	Remuneration and benefits in kind	Remuneration	Benefits in kind
	Representation	Other				
Louis PECH	0	0	0	0	242 558	3 317
Pierre CALMELS	0	0	0	0	72 000	0
Günther THRUM	0	0	0	0	0	0
Pierre DEGEORGE/SALVEPAR	0	0	0	0	0	0
Véronique VEDRINE	0	0	0	0	0	0
Alain COSTES	0	0	0	0	0	0
Christian DESMOULINS	0	0	0	0	224 648	1 782
Catherine MALLET	0	56 929	1 349	0	0	0
Marine CANDELON	0	0	0	0	30 940	1 795
TOTAL	0	56 929	1 349	0	570 146	6 894

1.4.5 Transactions made on company shares

Over the full year, company representatives made the following transactions:

	Total trading 2004		Positions open on the last day of the year	
	Bought	Sold	Buy	Sell
Number of representatives concerned	5	5	None	None
Number of shares	1,233,975	862,854	None	None
Weighted average price	3.05	2.87	None	None

1.5 STATUTORY AUDITORS

No auditors' terms are expiring following the present meeting.

1.6 PERSONNEL

1.6.1 Share of capital held at year end

At the end of the fiscal year, employees held 0% of the parent company's capital as defined in Article L225-102 of the *Code de Commerce*.

1.6.2 Increase in reserved capital

As a reminder, the Extraordinary General Meeting on 21st September 2004 gave the Board full authorization to carry out a capital increase reserved for subscribers to the company savings scheme within the limit of 3% of the capital at any time and under any conditions it may deem appropriate.

1.6.3 Appointment of employee shareholders to the Supervisory Board

No candidates have presented themselves to the Board.

1.6.4 Election of Board members by the employees

Since employees hold less than 3% of the parent company's capital as defined in article L225-102 of the *Code de Commerce*, there are no provisions for the election of Board members by the employees.

1.7 REGULATORY CONVENTIONS

We ask that you approve the conventions covered in article L225-86 of the *Code de Commerce* as regularly authorized by the Board.

The Auditors will present them to you and provide all of the information required concerning these conventions in their special report which will be read to you in a few minutes.

No conventions have been authorized by the Board since the end of the year

1.8 SOCIETAL IMPACT

1.8.1 Employment

1.8.1.1 Workforce

The details as on 31st December 2004 collected and presented below concerned the following French structures, with the number of employees specified:

Holding company: 7 employees

Of which: ✓ ACTIELEC Technologies Pouvoirville (7 employees)

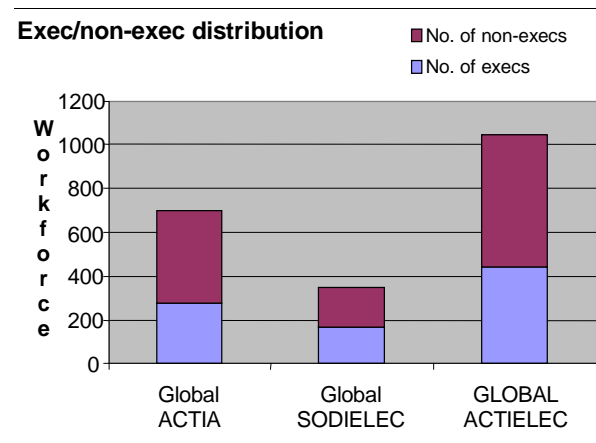
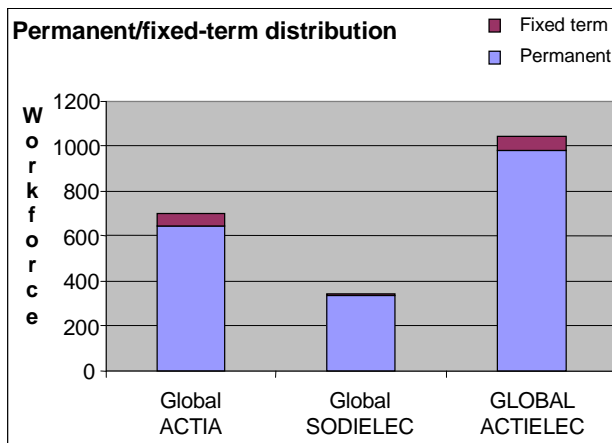
Automotive: 700 employees

Of which: ✓ ACTIA Pouvoirville (271 employees)
✓ ACTIA Colomiers (231 employees)
✓ ACTIA Muller Services Champlan (25 employees)
✓ ACTIA Muller Services Lucé (147 employees)
✓ ATON (14 employees)
✓ AIXIA (11 employees)
✓ PILGRIM Pouvoirville (1 employee)

Telecommunications: 347 employees

Of which: ✓ SODIELEC Millau (95 employees)
✓ SODIELEC Dinard (68 employees)
✓ SODIELEC Manosque (80 employees)
✓ SODIELEC Provence (104 employees)

It should be noted that the scope of the company therefore takes into account all the French companies in the Group, with the exception of the environmental section, which also includes, this year, the CIPI site in Tunisia.

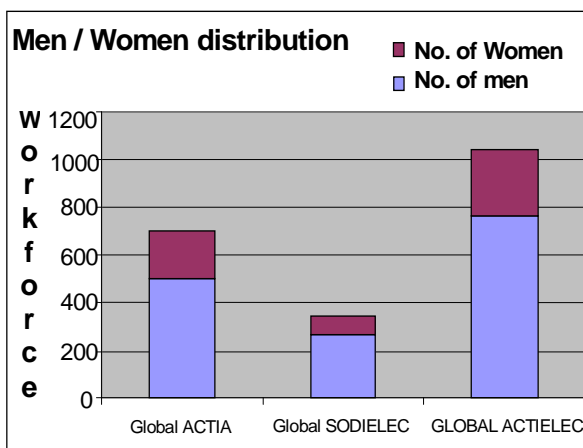


On December 31st 2004, the Group's workforce numbered 1942 people. The workforce covered by this report numbers 1054 people, versus 1030 on the same date in 2003.

The workforce is distributed as follows:

- ✓ 42 % executives
- ✓ 58 % non-executives

It is noticeable that the distribution is more or less the same whatever the sector of the Group being considered.



With little alteration depending on the sector being considered, the distribution of men and women is as follows:

- ✓ 73 % men
- ✓ 27 % women

In regard to the type of contract, the Group primarily employs on a permanent contract basis with a proportion of less than 6% of fixed term contracts. The results are shown in the chart above.

1.8.1.2 New hirings

All the sites, except SODIELEC Provence, hired new people during 2004. Within the scope studied, the Group hired 133 people (127 in 2003), of whom 65 people were on fixed term contracts and 68 people on permanent contracts. Regarding the fixed term contracts, long-term contracts (for more than 6 months) represented 57%, while contracts for less than 6 months represented 43%. It should be noted that the recruitments have not presented any particular problems.

There was also recourse to temporary workers in 2004, with some 67 temporary workers being employed across all the sectors being considered. It should be noted that the Telecommunications sector only called on 4 temporary workers (SODIELEC Brittany); all the others worked in the Automotive section, particularly on the ACTIA Colomiers production site. The average temporary employment periods varied from 1 to 6 months.

The Automotive sector also uses qualification, time-sharing and even insertion contracts. 13 contracts of this type have been noted in 2004, of which 2 have been followed by hirings.

Lastly, the Group also calls for trainees as part of training for diplomas: 8 people in 2004, of whom 3 were subsequently hired.

1.8.1.3 Dismissals and departures

10 people were dismissed during 2004, including 7 management and 3 non-executive, essentially for faults or serious offences. Of these, 9 were men.

Regarding departures, the Group recorded from its subsidiaries:

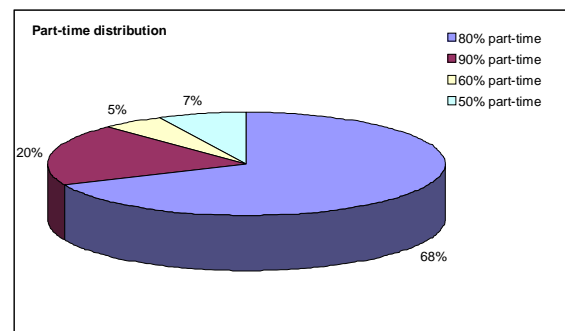
- ✓ 16 non-executive employees left
- ✓ 14 management employees left

1.8.2 Organization of working hours

Organization of working hours:

In accordance with French law, the subsidiaries concerned signed a '35-hour week' agreement. Executives and similar personnel are employed based on a fixed number of working days per year: the other employees benefit from the legal working week of 35 hours full-time.

Within the subsidiaries, the work is organized into 5 days. Only Colomiers, which is a production site, is organized 2/8.



Part time:

Out of the 1054 employees in the Group (falling within the scope of this exercise), 41 people are employed part time. Of these, 88% are women and 12% are men. The distribution of part-time workers is shown in the graph above.

Overtime:

Total overtime increased to 8285 hours of which 4% was from management and 96% from non-executives. It should also be stated that overtime is only recorded in the Automotive sector; there was no overtime in the Telecommunications sector.

1.8.3 Professional and company relations

Collective agreement:

All the Group's sites adhere to the national agreement for the metallurgical industry via its regional branches.

Personnel and union representation:

On all the 10 sites under consideration, employees numbering 7 or more are represented by unions. This means that 81% of the total number of employees have union representatives within the company in which they work.

Only the ATON and AIXIA sites (with respectively 14 and 11 employees) have no personnel representatives. All the other sites have provided rooms for the representatives, who number 61 within the companies under consideration. There are 23 people for the ACTIA Colomiers site and 21 people for ACTIA Muller Services. These representatives are divided up among several colleges: management / worker / employees.

Company relations and employee information:

Employees receive information from management in various ways, which vary from one subsidiary to another. Overall, display on the notice board is the most frequent method, followed by e-mail and departmental memos. Employees on all the sites are informed of the company's results and its objectives.

Remuneration and developments:

Over and above the legal requirements, employees are offered the following services:

Health: supplementary, staff provident scheme...: all the sites

Supplementary retirement pension: 7 sites out of 10

Luncheon vouchers: 5 sites out of 10

Maternity (birth premium): 2 sites out of 10

Similarly, with the exception of the ATON and AIXIA sites, which have no production activity but are just design studios, all the sites hold annual personnel interviews as part of a career development policy.

1.8.4 Health and safety

Accidents at work:

41 accidents at work were recorded during 2004, of which 5 were in the Telecommunications sector and 36 the Automotive sector. In total, these accidents represent 322 days of stoppage of work.

Sick leave:

Sick leave came to 5912 days in 2004. Divided up by sector and by employee this is equivalent to 5.51 days / employee / year for the Automotive sector and 5.93 days / employee / year for the Telecommunications sector.

Health & safety at work:

All the group's subsidiaries except for ATON comply with the Evin Law regarding smoking and non-smoking areas. Furthermore, some sites have also established diagnostics or operations for assessing the workstation's ergonomics, most of the time as part of CHSCT.

Half the sites under consideration, over and above the regulation medical visits, also monitor personnel at risk through additional medical visits.

All the subsidiaries observe the fire safety standards.

Out of the 10 subsidiaries under consideration, 4 have now instituted a special document for evaluating risks.

1.8.5 Training & Education

Except for the ATON site, which represents 1.3% of the employees, all the other units specify the existence of an annual training plan. These plans are drawn up via:

Anticipatory skills management

Annual interviews

Negotiations with the personnel representatives.

In 2004, therefore, the following hours were allocated to training:

9078 hours of continuous training, i.e. 8.7 h of training / employee

80 hours of leave for individual training

9136 hours of rotating training, i.e. 8.7 h of training / employee

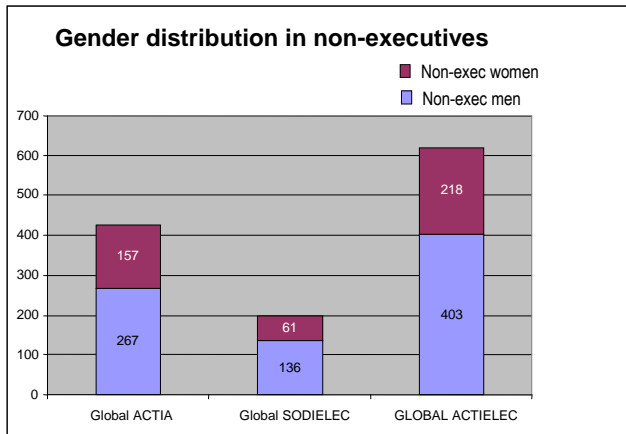
The training hours mostly represent technical training, with a small amount of team management training

1.8.6 Diversity and equal opportunity

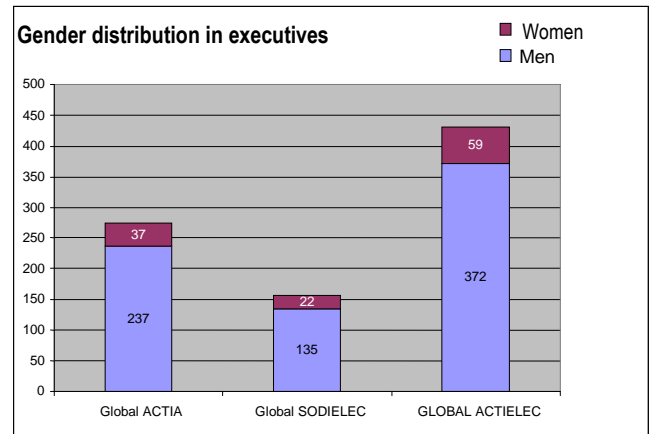
Of the 1046 employees in the Group within the national perimeter, 99% are of French nationality. The remaining 1% is divided up between EU nationals (0.5%) and other nationalities outside the EU (0.5%).

Job equality between men and women is observed at salary level.

The following graphs show the management / non-management distribution for the male and female categories. Proportionally speaking, women are therefore less well represented at management rather than non-management level.



Distribution of males / females at non-management level
 Female non-management
 Male non-management



Distribution of males / females at management level
 Female management
 Male management

Some sites are obliged to employ handicapped workers. Across the whole Group, the companies concerned employed only 10 people falling under this category in 2004. A deficit in the number of handicapped people is therefore noted. In addition, several sites have recourse to work via the rehabilitation centres for work such as certain purchases, maintaining the green areas, etc. but despite this sub-contracting, the efforts made at this level must be continued.

1.8.7 Sub-contracting

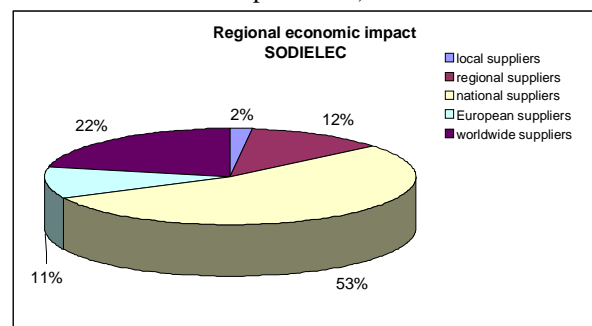
Most of the sites under consideration call on sub-contractors for certain work. The actual sub-contractors vary depending on the entities within the Group and some of our subsidiaries have now set up procedures for evaluating the sub-contractors (audits) in terms of their maintenance of the quality standards required. Concerning the sub-contractors' ethics, none of the partners at the sites considered (within national territory) is currently established in developing countries where OIT rules may be ignored.

1.8.8 Regional economic impact

This impact is calculated based on the distribution of purchases. The data have not all been centralized (details for the Automotive sector are missing) but the geographical distribution of purchases for the Telecommunications sector is as follows:

This sector calls on suppliers close to it for 14% of its purchases. Then come other French suppliers outside the site's region (53 %); and, lastly, suppliers from outside the country (33% of the total amount of purchases).

Therefore, our units in the Telecommunications sector mainly have an impact on the national territory (66% of purchases). Moreover, while growing internationally, the Group's future expansion will have a positive effect in terms of economic impact on French territory. In fact, the company activity creates jobs and continues to develop on national territory.



1.8.9 Relations with stakeholders & social work

The entities in the Group are members of certain professional organisations (UIMM, for instance), The Group also maintains excellent relations with the educational and training institutions, through which is conducts significant research.

Lastly, there are no disputes or differences with the associations to be reported or even with individuals living near our sites.

1.9 ENVIRONMENTAL IMPACT

The data collected and presented below concerns the following organizations:

Automotive: 1065 employees

- Of which: ✓ ACTIA Pouvoirville (271 employees)
- ✓ ACTIA Colomiers (231 employees)
- ✓ ACTIA Muller Services Champlan (25 employees)
- ✓ ACTIA Muller Services Lucé (147 employees)
- ✓ ATON (14 employees)
- ✓ AIXIA (11 employees)
- ✓ CIPI Tunis, (350 employees)

Telecommunications: 347 employees

- Of which: ✓ SODIELEC Millau (95 employees)
- ✓ SODIELEC Dinard (68 employees)
- ✓ SODIELEC Manosque (80 employees)
- ✓ SODIELEC Provence (104 employees)

A new entity is taken into account for the 2004 environmental report: CIPI Tunisia (350 employees), which represents an initial extension of the scope taken into account for the ACTIELEC Technologies Group's environmental data.

1.9.1 Consumption and waste

1.9.1.1 Water consumption

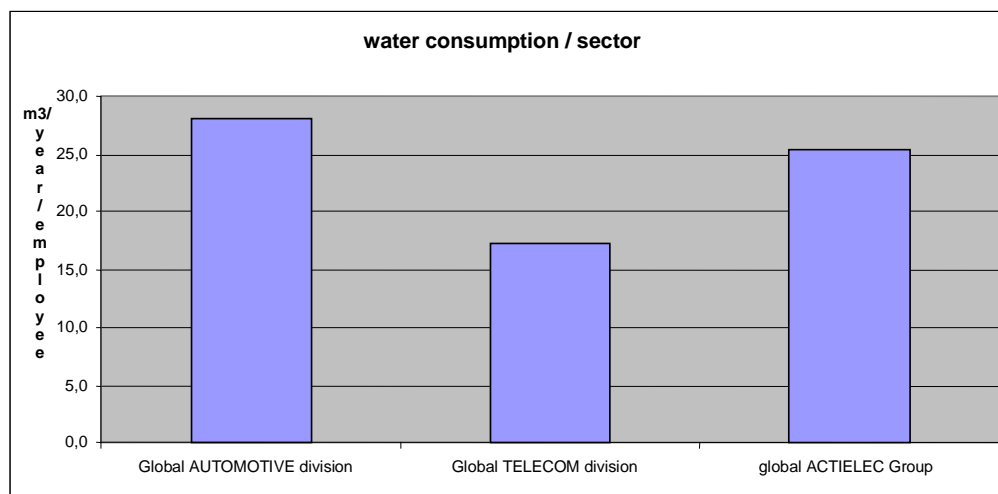
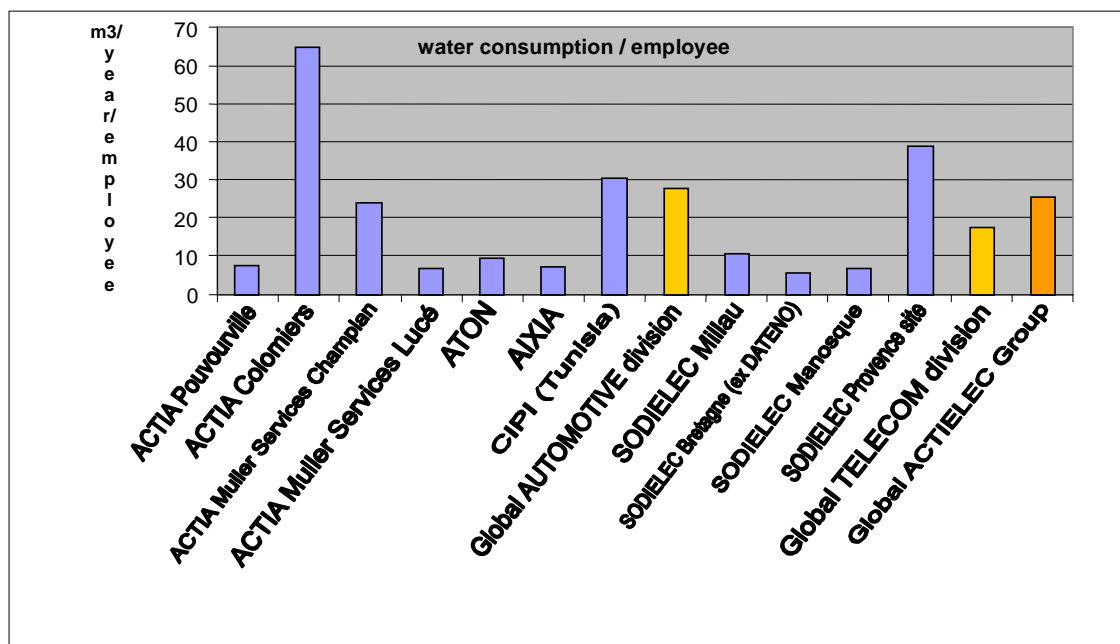
Total water consumption at the eleven sites in 2004 came to 35,460m³ (21,718m³ in 2003), i.e. an overall increase of 63%. The new CIPI site represents 10,617m³ consumed. With a constant scope compared to last year (excluding CIPI), consumption increased overall by around 14%. This increase is explained essentially by the increase in private extraction on the Colomiers site due to greater production during 2004.

45% of the water consumed on all sites comes from the public drinking water supply (15,659m³ in 2004). 55% of the water consumed comes from private wells. The only two sites proceeding to conduct this type of operation are ACTIA Colomiers and CIPI Tunis, which are also the two largest production sites in the Group and therefore consume the most water.

Expressed in terms of employee numbers, total consumption at all of the sites in 2003 came to around 25m³/ year/ employee, an increase of 25% over 2003. This increase is explained by the change in the scope of the data, which now takes into account the CIPI production site.

Site	ACTIA Pouvoirville	ACTIA Colomiers	ACTIA Muller Services Champlan	ACTIA Muller Services Lucé	ATON	AIXIA	CIPI (Tunisie)	Global AUTOMOTIVE division	SODIELEC Millau	SODIELEC Bretagne (ex DATENO)	SODIELEC Manosque	SODIELEC Provence site	Global TELECOM division	Global ACTIELEC Group
m ³ /year/employee	7,7	64,7	24,0	7,0	9,3	7,3	30,3	28,1	10,7	5,7	6,8	38,8	17,2	25,4

Indicator for water consumption per employee over 2004 (m^3 / employee / year)



Consumption at the various sites (except the production sites such as Actia Colomiers, ACTIA Muller Champlan, CIPI Tunis and SODIELEC Provence) is significant of a “Service/Research” activity. Daily water consumption is around 68 liters per day, per employee (across the whole Group), compared to average household consumption, which is around 150 to 200 liters per person, per day.

Consumption of raw materials

The Company does not directly consume raw materials extracted from a natural source since the business involves products that are already partly manufactured (electronic components, electrical cables, etc.) and essentially made up of metals and plastic materials.

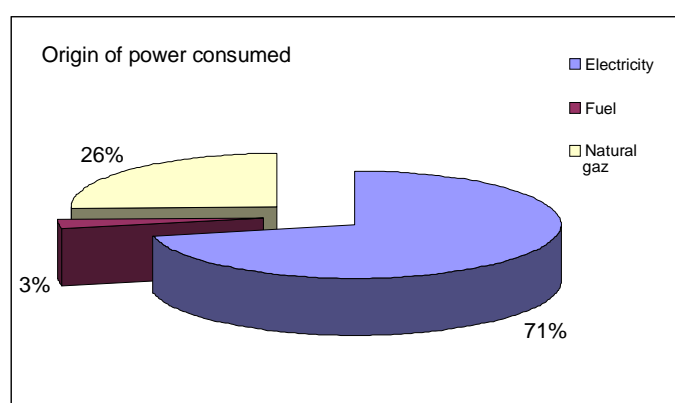
1.9.1.2 Energy consumption

Three types of energy are used at all sites:

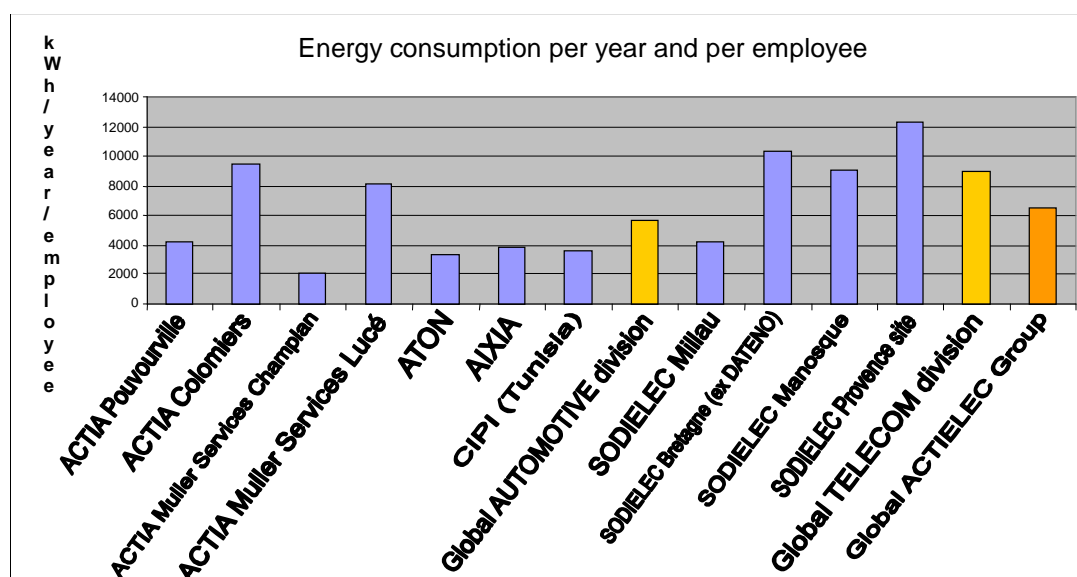
- Electricity: 6498 MWh in 2004 (5691 MWh in 2003), i.e. an increase of 14%;
- Heating oil: 237 MWh in 2004 (287 MWh in 2003), i.e. a decrease of 17%;
- Natural gas: 2318 in 2004 (2849 MWh in 2003), i.e. a decrease of 19%.

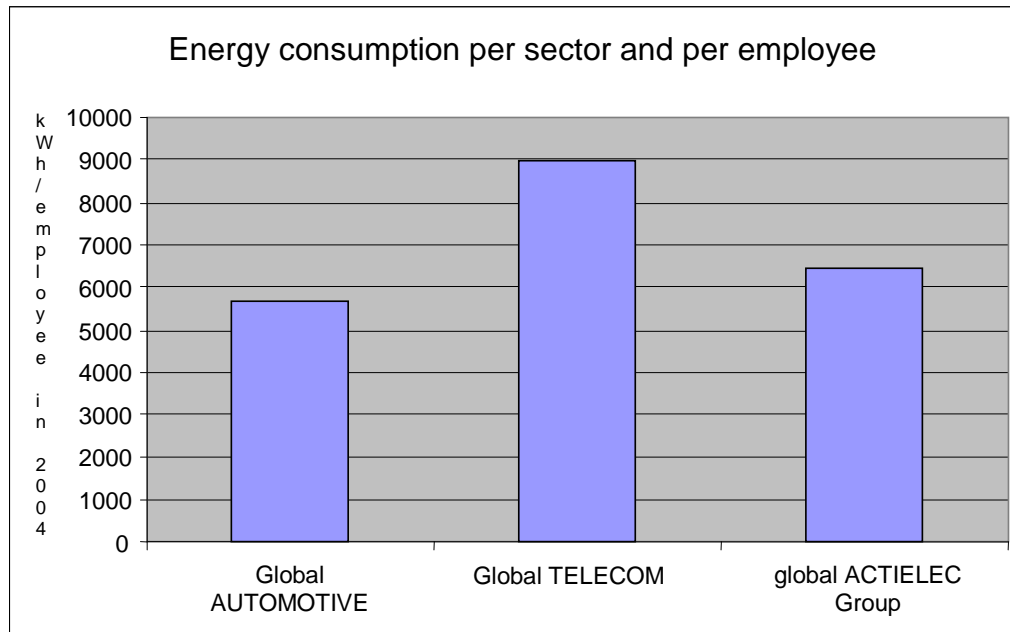
Total energy consumed at all sites increased to 9052 MWh in 2004 (8828 MWh in 2003), i.e. an overall increase of 2.5%. With a constant scope compared to last year (excluding CIPI) and in comparison to the sharp jump in consumption between 2002 and 2003 (+80% in energy consumption), it can be said that consumption has remained quantitatively constant over the past two years. On the other hand, the energy sources have changed, with the Group's sites using more electricity and fewer non-renewable energy sources such as the heating oil / natural gas pair.

Energy consumption by source breaks down as follows:



These charts illustrate energy consumption based on the number of employees in 2004:





Summary of energy consumption:

Site	ACTIA Pouvourville	ACTIA Colomiers	ACTIA Muller Services Champlan	ACTIA Muller Services Lucé	ATON	AIXIA	CIPI (Tunisie)	Global AUTOMOTIVE division	SODIELEC Millau	SODIELEC Bretagne (ex DATENO)	SODIELEC Manosque	SODIELEC Provence site	Global TELECOM division	Global ACTIELEC Group
Consumption/employee	4 255	9 550	2004	8171	3 363	3 813	3 552	5 665	4 205	10 337	9 131	12 285	8 964	6 485

The energy consumption ratio over the whole Group increased to 6485 kWh / year / employee, including the effect of the CIPI site. Without taking the latter site into account, the average consumption is 7466 kWh / year / employee, versus 8644 kWh / year / employee in 2003. With the scope constant, therefore, there is a reduction in consumption of 14% per year per employee.

1.9.1.3 Land use conditions

The activities on all the sites only use land and soil as a base for buildings.

All the sites combined represent a total of 13 hectares, of which the CIPI site, included this year in the data collection exercise, represents 1 hectare. 65% of the total surface of the sites is taken up by landscaped green spaces.

1.9.1.4 Airborne emissions

The activities at our sites do not create significant airborne emissions.

Close to 70% of the energy consumed is electrical, which does not generate any greenhouse effect gases (CO₂, etc.). It should be noted, however, that the ACTIA Colomiers site, even though only subject to declaration (no regulatory obligations in terms of atmospheric emissions), has voluntarily scheduled a series of measures in 2005 designed to evaluate its atmospheric emissions more precisely.

1.9.1.5 Land or water pollution

The activities at our sites do not discharge significant amounts of waste on land or in water:

- ✓ Waste water is classified as “household” and discharged into the community sewage network to be treated at the water purification plant
- ✓ Potentially polluting products are not stored on the bare ground, as all activities are carried out in covered buildings with sealed floors

The water supply system at the ACTIA Colomiers site, the main production site, is of the separated type: rainwater is directed to the local rainwater drainage system.

The systems are also of the separated type at the following plants: ACTYIA Muller Services Lucé, SODIELEC Millau and SODIELEC Provence.

1.9.1.6 Noise or odour pollution

Given the quiet, non-odorous nature of the activity carried out on these sites, no noise or odour complaints were recorded in 2004.

1.9.1.7 Waste

The waste generated from the activities at all the sites is composed primarily of packaging (boxes, pallets, plastic wrap, etc.), office trash, manufacturing scrap and a small quantity of hazardous waste. This waste is not disposed of or treated on site. It is temporarily stored before being taken away in the usual fashion to recycling, recovery or treatment plants.

The recycling already established on our sites primarily concerns boxes, paper, plastic and metal. Some sites have established a sorting policy for reusing certain materials (boxes, pallets, wooden cases, etc.)

An active sorting policy is already in place at seven sites. However, the sites that have not yet established an environmental management procedure do not currently assess the quantities of waste produced.

The two ACTIA sites in Toulouse and Colomiers (representing more than 50% of the Company's staff within the environmental perimeter in question: the French subsidiaries and Tunisia), which have set up environmental management procedures, have assessed the waste production ratios for 2004. These came to:

- 280 kg/year/employee for the two sites combined in 2004;

This figure was 210 kg / year / employee in 2003, i.e. an increase of 33%, which is explained by a reorganization of the Colomiers production site, which generated almost 30 tonnes of waste. By removing this part of the waste, the quantity of waste per year, per employee, has changed very little because it then amounts to 212 kg / year / employee in 2004.

In comparison, household waste represents around 370 kg / year / inhabitant.

1.9.2 Measures taken to limit environmental impact

The activities carried out at our sites do not have a significant impact on the natural balance, the environment or any animal or plant species:

- ✓ A virtual lack of airborne emissions (trace amounts of greenhouse gases), noise or direct use of the natural environment (use of the land, consumption of raw materials, etc.)
- ✓ Measures to limit waste water and potentially polluting products are already in place
- ✓ Waste water (essentially domestic) joins the sewage network and is treated at purification plants
- ✓ Products that could potentially pollute land or water are stored in containers and do not come into direct contact with the ground

As a reminder, green space occupies 63% of the total area of our sites, reflecting concern for integrating the activities into the local natural environment.

1.9.3 Evaluation and certification

Both the ACTIA Toulouse and ACTIA Colomiers sites (close to 36% of the total workforce over the 11 sites) obtained their ISO 14001 certification in July 2003.

It should be noted that the CIPI production site in Tunisia (25% of the workforce over the 11 sites being taken into account) has scheduled to commit to a similar certification procedure in 2006.

1.9.4 Measures taken to ensure conformity

Constant monitoring of the regulations by the environmental management systems in place at Actia's sites in Toulouse and Colomiers and the resulting tracking processes ensure that the systems are kept in compliance with regulations.

In 2004, the Colomiers site, via its regulation monitoring system, brought to light two non-conformities with regard to the town's Land Occupancy Plan. The investments required to bring them back into conformity (increase of the parking area, planting of trees, etc.) have been scheduled for 2005.

1.9.5 Investments made for prevention

Given that:

- Any danger is very limited in the event of site malfunction,
- Measures are already in place to limit the sites' impact on the environment during normal operations (waste collection, water network connections, etc.),
- Procedures for environmental certification commit the sites to constant improvement and better control of their environmental impact,

No substantial investments were necessary in 2004 to prevent the consequences of the Company's activity on the environment.

1.9.6 Internal environmental management organization

One person within the administrative management team of the ACTIELEC Technologies Group is responsible for coordinating all the environmental actions, supported by an environmental research and consulting department.

When environmental management measures were implemented at the Actia Toulouse and Actia Colomiers sites, an environmental coordinator post was created, supervised by the Actia Quality/Environment Systems Division. A technician has also been installed on the Actia Colomiers site to control the site's waste management.

The environmental coordinator has been trained in environmental management.

The implementation of ISO 14001 norms requires training and informing the employees about environmental matters. A general awareness session has been held and a training plan and awareness-raising programme have been established as part of the environmental management system.

Internal organization measures for risk management in the event of an accident have been taken at the sites where an environmental management system has been implemented (Actia Toulouse and Actia Colomiers, via the AMDEC method), which requires emergency situations be identified and evaluated (such as pollution accidents) in order to develop the best response and a further requirement for a procedure to be drawn up for responding to emergency situations and identifying them.

1.9.7 Provisions and guarantees

Since none of our activities represents a significant environmental risk, no provisions or guarantees have been made in 2004, nor in previous years.

1.9.8 Indemnities paid and repairs

No indemnities were paid in 2004 as a result of an environmental problem or accident.
No environmental repairs were necessary in 2004.

1.9.9 Objectives set for foreign subsidiaries

The French sites are committed to continuous improvement in handling the various environmental issues in their sites' activities.

2004 represents the 3rd environmental reporting year for most of the French sites within the Group. What is more, it also marks the start of an extended information collection process, with the inclusion of the CIPI production site in Tunisia with the scope of the exercise.

In the same way, the other sites abroad were informed of the procedure followed by the Group under French legislation and in relation to the NRE law. 2005 should therefore be incremented by data from ACTIELEC Technologies' subsidiaries abroad in similar fashion to 2004.

This said, the sites abroad present the same characteristics as the French sites: the impact of their activities on the environment is extremely limited.

However, coverage of environmental issues will be gradually extended to the foreign subsidiaries in accordance with the current legislation in each country and as part of the ACTIELEC Technologies Group's voluntary commitment to these issues.

1.9.10 Summary

With a constant scope, there are no significant modifications to consumption or waste. The energy consumption has stabilized and the consumption of water has increased slightly.

These increases over 2003 are explained quite simply by the sites' increase in activity and therefore higher levels of production.

The two main sites, at Toulouse and Colomiers, which represent 502 employees) (i.e. almost 26% of ACTIELEC Technologies), have been certified ISO 14001, which represents an active commitment to environmental progress.

In the same way, the CIPI site in Tunisia, which, with Colomiers, is the most important production site, envisages initiating an environmental management process in 2006.

The Colomiers site has also voluntarily scheduled a series of measures for next year designed to evaluate more precisely the waste products emitted to the atmosphere by the site's operations.

Lastly, efforts to streamline environmental data collection at all of the Company's sites will continue in 2005 both in France and in the subsidiaries abroad.

1.10 PRESENTATION OF THE RESOLUTIONS

In accordance with the meeting's agenda, we shall be submitting several resolutions for your approval.

In the first resolution, we ask you to approve the full-year financial statements for the past year.

In the second resolution, we ask you to approve the financial statements for the consolidated year ended 31st December 2003, indicating a consolidated group income of € 1,997,398

You will then be asked in a third resolution to approve the conventions covered in article L225-86 of the Code of Commerce.

If you approve the past year's financial statements and the balance sheet for ACTIELEC Technologies S.A., in a fourth resolution we shall propose the following distribution of earnings:

The fifth resolution covers authorization to be given to the Board for the Company to buy back its own shares under the mechanism in Article L.225-209 of the Code of Commerce.

1.11 ATTACHMENTS TO THE PRESENT REPORT

We would remind you that, in accordance with the law, the following are attached to the present report:

- ✓ The table summarizing the delegations in the process of being validated assigned by the General Shareholders' Meeting to the Board concerning increases in capital and the use of these delegations during the fiscal year.
- ✓ A report on the conditions for using these delegations during the past year will also be attached to the present report.

In accordance with the provisions of Article L225-68 of the Code of Commerce also attached is the report by the Chairman of the Supervisory Board concerning:

- ✓ The conditions for preparing and organizing the Supervisory Board's work,
- ✓ The internal control procedures set up within the Company,

1.12 CONCLUSION

We will ask you to fully and definitively discharge the Board for its management of the year ended 31 December 2003, as well as the Auditors for accomplishing their mission, which they will inform you of in their general report.

Your Board invites you to approve by vote the text of the proposed resolutions.

THE BOARD

2. CONSOLIDATED FINANCIAL STATEMENTS 31ST DECEMBER 2004

2.1 CONSOLIDATED BALANCE SHEET

Consolidated Assets in €	31/12/04		Net	31/12/03	31/12/02
	Gross	Depreciation / Provision		Net	Net
Uncalled capital					
Acquisition goodwill	28 225 713	7 972 827	20 252 886	21 094 528	22 605 993
INTANGIBLE FIXED ASSETS					
Start-up costs	9 159	6 740	2 419	141 759	7 800
R&D expenditure	24 594 723	6 041 738	18 552 985	17 443 354	14 386 479
Concessions, patents and brands	6 635 217	4 933 230	1 701 987	951 077	1 420 150
Commercial goodwill	76 466	12 000	64 466	70 415	16 161
Other intangible fixed assets					69 285
Advances and payments on account	9 487		9 487	5 671	
TANGIBLE FIXED ASSETS					
Lands	1 570 904	13 292	1 557 612	1 627 985	1 676 903
Buildings	11 361 900	5 458 930	5 902 970	6 533 680	7 500 850
Plant, equipment and tools	25 885 348	19 881 955	6 003 393	4 772 169	5 626 345
Other tangible fixed assets	13 090 353	9 625 360	3 464 993	3 203 104	3 133 791
Fixed assets under construction	306 353		306 353	58 468	172 314
Advances and payments on account					
FINANCIAL FIXED ASSETS					
Shareholdings	723 607	317 987	405 620	405 621	405 413
Equity-accounted investments	627 572		627 572	647 397	586 247
Receivables on investments	600 619	385 585	215 034	215 817	257 212
Other holdings	161 521	95 537	65 984	70 790	75 500
Loans	3 664		3 664	1 816	602
Other financial fixed assets	288 421		288 421	296 485	196 213
FIXED ASSETS	114 171 027	54 745 181	59 425 846	57 540 136	58 137 258
CURRENT ASSETS					
Raw materials	24 698 258	2 556 254	22 142 004	18 684 626	18 745 572
Goods in progress	4 483 493		4 483 493	3 404 508	2 882 914
Services in progress	8 848 920	124 288	8 724 632	7 305 826	5 986 926
Intermediate and finished products	9 781 841	604 543	9 177 298	7 045 921	8 454 055
Merchandise	9 440 660	1 684 685	7 755 975	9 594 445	7 056 574
Advances and payment on account for orders	501 139		501 139	428 459	534 311
Trade accounts receivable	57 688 547	1 671 737	56 016 810	48 860 325	41 599 790
Deferred tax assets	8 564 484		8 564 484	7 770 206	7 341 907
Other receivables	7 564 268	58 879	7 505 389	7 410 283	9 065 161
Unpaid called-up capital	2 879		2 879	2 984	
Own shares	443 470	146 531	296 939	203 501	123 792
Other marketable securities	90 460	809	89 651	223 382	90 475
Cash and equivalents	10 463 875	42 863	10 421 012	6 331 829	5 192 757
Pre-paid expenses	1 424 135		1 424 135	1 528 608	999 510
CURRENT ASSETS	143 996 429	6 890 589	137 105 840	118 794 903	108 073 744
ADJUSTMENT ACCOUNTS					
Deferred charges				74 806	112 646
Bond redemption premiums					
Unrealized exchanges losses					
TOTAL ASSETS	258 167 456	61 635 770	196 531 686	176 409 845	166 323 648

Consolidated Liabilities in €	31/12/04	31/12/03	31/12/02
Share capital	14 271 156	12 864 906	12 864 906
Issuance premiums	13 792 304	9 276 980	9 276 980
Group revaluation reserves			
Legal reserve	1 286 491	1 286 491	1 286 491
Statutory or contractual reserves			
Regulated reserves	189 173	189 173	189 173
Other reserves			
Group reserves	5 290 691	3 429 924	6 913 339
Currency conversion reserve	(1 698 694)	(1 697 185)	(788 942)
Retained earnings	12 241 114	12 119 544	10 406 178
Group net income	3 866 442	1 941 038	(3 369 749)
Investment subsidies			
Regulated provisions			
Treasury stock			
SHAREHOLDERS' EQUITY	49 238 677	39 410 871	36 778 376
Minority interests in reserve	2 883 501	2 839 217	3 045 353
Minority interests in net income	562 471	56 360	(100 854)
MINORITY INTERESTS	3 445 972	2 895 577	2 944 499
Proceeds from issuance of non-voting shares			
Conditional advances	412 998	647 880	1 205 430
OTHER EQUITY	412 998	647 880	1 205 430
Negative acquisition goodwill			
Provisions for risks	2 073 097	1 421 827	376 085
Provisions for expenses	3 703 665	1 984 186	2 162 489
Deferred tax liabilities	42 769	16 685	3 264
PROVISIONS FOR RISKS AND EXPENSES	5 819 531	3 422 698	2 541 838
Convertible bonds	1 554 761	1 499 159	1 443 600
Other bonds			
Bank borrowings	58 633 532	63 060 278	64 575 180
Other borrowings and financial liabilities	1 850 249	1 116 545	1 842 523
Advances and payments on account for orders	3 235 222	2 637 772	3 098 747
Trade accounts payable and related accounts	41 568 399	33 312 345	27 157 577
Tax, personnel and social security	15 610 700	16 436 299	12 891 699
Due for fixed assets	993 218	1 013 352	2 078 489
Other liabilities	7 785 855	5 782 005	3 673 198
Pre-paid income	6 382 572	5 175 064	6 092 492
TOTAL LIABILITIES & ADJUSTMENTS	137 614 508	130 032 819	122 853 505
Unrealized exchange gains			
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	196 531 686	176 409 845	166 323 648

2.2 CONSOLIDATED INCOME STATEMENT

	31/12/04	31/12/03	31/12/02
Sales of merchandise	34 029 451	33 175 718	25 354 711
Goods sold	160 951 400	138 505 405	121 804 687
Services sold	32 760 634	26 898 395	28 936 899
NET SALES	227 741 485	198 579 518	176 096 297
Change in production inventories	4 780 149	300 071	(410 844)
Own work capitalized	2 820 528	4 285 059	4 851 883
Operating subsidies	658 719	281 330	208 998
Write-back of depreciation, provisions and transfers	3 672 486	3 052 890	3 716 656
Other income	335 300	276 846	67 770
OPERATING INCOME	240 008 667	206 775 714	184 530 760
Purchase of merchandise	21 866 043	23 338 912	16 067 936
Change in merchandise inventories	1 661 919	(1 567 908)	1 137 485
Purchase of raw materials	88 817 646	69 417 210	67 417 395
Change in raw materials inventories	(2 974 827)	676 973	2 084 466
Other purchases and external expenses	42 759 893	32 494 337	31 510 764
Taxes, duties and related payments	3 615 702	3 176 305	2 621 334
Salaries and other compensation	46 030 188	43 379 635	39 847 144
Social security charges	16 478 229	16 403 033	13 950 450
Fixed asset depreciation	7 220 280	5 833 127	5 671 426
Fixed asset provisions			
Provision on current assets	1 763 511	1 357 094	2 598 100
Provisions for risks and expenses	3 178 783	1 135 823	409 541
Other expenses	528 127	868 661	703 787
OPERATING EXPENSES	230 945 494	196 513 202	184 019 828
OPERATING PROFIT	9 063 173	10 262 512	510 932
Profits attributed or losses transferred out			
Losses taken or profits transferred out			
Income from shareholdings	117 205	21 142	23 361
Income from other marketable securities	383	13 567	3 570
Other interests and related income	95 227	108 814	156 872
Write-back of provisions and transfer of expenses	116 106	249 483	126 197
Exchange gains	1 132 533	1 606 655	1 303 601
Net profit on sale of marketable securities	17 449	4 714	10 544
Gain or loss on currency provision			
FINANCIAL INCOME	1 478 903	2 004 375	1 624 145
Financial provisions and amortizations	23 222	1 374	323 718
Interests and related expenses	3 346 618	3 693 567	4 266 866
Exchange losses	1 375 105	2 663 693	2 124 756
Net loss on sale of marketable securities			
FINANCIAL EXPENSES	4 744 945	6 358 634	6 715 340
FINANCIAL RESULT	(3 266 042)	(4 354 259)	(5 091 195)

INCOME BEFORE EXCEPTIONAL ITEMS AND TAX	5 797 131	5 908 253	(4 580 263)
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	<i>31/12/04</i>	<i>31/12/03</i>	<i>31/12/02</i>
Exceptional income from revenue operations	242 096	593 498	1 252 983
Exceptional income on capital operations	107 970	261 451	5 669 952
Write-back of provisions and transfer of expenses	275 429	258 670	624 090
EXCEPTIONAL INCOME	625 495	1 113 619	7 547 025
Exceptional expenses on revenue operations	498 672	588 141	473 414
Exceptional expenses on capital operations	221 591	618 841	4 297 923
Exceptional provisions and amortization	477 224	141 034	291 283
EXCEPTIONAL EXPENSES	1 197 487	1 348 016	5 062 620
EXCEPTIONAL RESULT	(571 992)	(234 397)	2 484 405
Employee profit sharing			
Income tax, current	(34 409)	2 688 140	1 395 245
Income tax, deferred	(740 515)	(413 340)	(1 509 568)
CONSOLIDATED COMPANIES' RESULT	6 000 063	3 399 056	(1 981 535)
Result of equity-accounted subsidiaries	80 825	151 900	134 439
Amortization of acquisition goodwill	1 651 975	1 553 558	1 623 507
CONSOLIDATED NET INCOME	4 428 913	1 997 398	(3 470 603)
GROUP SHARE OF NET INCOME	3 866 442	1 941 038	(3 369 749)
MINORITY INTERESTS' SHARE OF NET INCOME	562 471	56 360	(100 854)
Earnings per share (group share before amortization of acquisition goodwill)	0,221	0,114	(0,102)

2.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.3.1 Accounting principles

The consolidated financial statements are presented in accordance with French generally accepted accounting principles, notably Rule 99/02 of the Accounting Regulation Committee.

The application of CRC 004-03 in 2004 has not affected shareholders equity, nor the Group's results.

2.3.1.1 Consolidation scope and criteria

Companies controlled exclusively by ACTIELEC TECHNOLOGIES are fully consolidated. The statements for companies in which ACTIELEC TECHNOLOGIES exercises significant influence are consolidated by the equity method.

All the companies included in the scope of consolidation close their annual accounts on 31st December.

The list of consolidated companies is shown in paragraph 2.3.3.

2.3.1.2 Elimination of operations between consolidated companies

All significant transactions between consolidated companies and internally-generated group results included in the tangible fixed assets and inventories of consolidated companies have been eliminated.

2.3.1.3 Acquisition goodwill

When a new company is acquired, its identifiable assets and liabilities are entered in the consolidated balance sheet at their re-estimated value at the date of acquisition. The residual differential between the acquisition cost and the portion of revalued shareholders' equity is included in assets under the heading of "Acquisition goodwill" or in liabilities under the heading of "Provision for expenses".

Consolidated goodwill is recorded in the income statement according to a straight-line amortization policy that currently runs from 5 to 20 years. The current details are shown in Paragraph 2.3.4.

Consolidated goodwill is subjected to analysis according to:

- The change in the situation of the subsidiaries concerned on each settlement,
- The anticipated future profitability prospects.

A provision for depreciation would be posted if these analyses resulted in a loss in value being recorded.

2.3.1.4 Conversion of the annual statements for the subsidiaries reporting in foreign currency

The annual statements of foreign companies are converted as follows:

- The assets and liabilities are converted at the exchange rate on the closing date,
- Items in the income statement are converted using the average exchange rate for the period, except for those of subsidiaries in countries with high inflation, which are converted using the rate on the closing date
- Currency conversion adjustments are recorded under shareholders' equity without affecting earnings
- In keeping with CRC 99-02, currency conversion adjustments relating to permanent financing, considered part of the net investment in a consolidated subsidiary, are booked under shareholders' equity.

2.3.2 Accounting principles

2.3.2.1 Intangible fixed assets

Research and Development

Research and Development (R&D) expenditure relating to R&D operations with no immediate commercial application during the accounting period under consideration can be capitalized if a future commercial application is almost certain, with serious chances for technical success.

These expenses include:

- The share of R&D costs arising from a joint order not covered by the customer;
- R&D work undertaken for “potential customers”;
- R&D corresponding to the implementation of plans and studies for the production of new or highly improved materials, devices, products, processes, systems or services, in application of discoveries made or knowledge acquired, before the start of commercial production;
- R&D corresponding to operations undertaken to modify a product profoundly in order to prolong its useful lifetime significantly.

These expenses do not include simple maintenance operations on a product, which are expensed as incurred.

The operations in question should be clearly **individualized**, with each project having **serious chances for technical success and commercial application** at the time the financial statements are drawn up.

The expenses relating to a project are identified distinctly through cost accounting allocations.

R&D expenditure by project, booked as intangible fixed assets, is systematically amortized over a maximum of five years, except for operations that require exceptionally long amortization periods suited to a specific situation.

In no case may the maximum period exceed 10 years.

At the end of each period, fixed assets relating to a project may be totally amortized if the project is unsuccessful or lacks a commercial future.

2.3.2.2 Tangible fixed assets

Tangible fixed assets are entered at their acquisition cost and include, when applicable, interest expense relating to the period of construction. The effect of intra-group transfers is eliminated.

Depreciation is calculated on a straight-line basis over the asset’s probable lifetime as follows:

- Buildings and improvements: 10 to 20 years
- Plant, equipment and tools: 6 to 10 years
- Other tangible fixed assets: 3 to 10 years
- Fixed assets financed through capital leases: See below, according to the type of asset

Significant real estate and other assets being acquired through capital leases are entered as fixed assets. Corresponding debts are included in financial liabilities.

2.3.2.3 Financial fixed assets

Equity investments are recorded on the balance sheet at acquisition cost.

When the net position of a company owned by ACTIELEC TECHNOLOGIES is less than its acquisition cost, a provision is made for the amount of the difference. The useful value is estimated from the share of the net equity held and the anticipated future profitability prospects.

2.3.2.4 Inventories and work in progress

Inventories and work in progress are valued at cost according to the weighted average cost method, or at the probable sales value, whichever is lower.

Services in progress are valued at net cost price. Firm orders (and those with a very high probability of completion) linked to future sales of finished goods may also be taken into account if necessary. In such cases, the excess cost of studies is assigned to sales of finished goods.

Long-term contracts are valued at the percentage of completion method. If a loss is expected upon completion, a provision is made.

2.3.2.5 Trade accounts receivable and related accounts

Provisions are drawn up to cover the risk of non-payment in relation to customers who dispute payment or those in financial difficulties. Discounted notes receivable and unrecoverable 'Daily' are not included in Trade accounts receivable and related accounts.

2.3.2.6 Income tax

Deferred taxes are entered according to the variable deferral method.

In particular, they result from:

- Tax losses that can be carried forward,
- Timing differences between the moment a revenue or expense item is entered in the accounts and its inclusion in the fiscal result of a later period,
- Consolidation restatements.

Deferred tax assets are recorded when it is probable that they will be recovered (Cf. § 2.3.10) within a maximum period of five years.

2.3.2.7 Conversion of items in foreign currencies

Payables and receivables denominated in foreign currencies are converted at the official exchange rate on 31st December 2003. The unrealized adjustment for currency conversion thus created is recorded in the income statement.

2.3.2.8 Pension benefits

Conventional or legally required indemnities payable to employees on their retirement were included in the consolidated financial statements on the basis of an actuarial estimation of potential benefits for employees at the year end, as per CNC guideline No. 2003-R.01.

2.3.2.9 Provisions for risks and expenses

Provisions for risks and expenses comply with Regulation CNC 2000-06 on liabilities.

2.3.2.10 Pre-paid income

Under subscription contracts, companies bill customers at the beginning of the period for services that are supplied on a regular basis throughout the period. Income is recorded on a straight-line basis over the period under consideration.

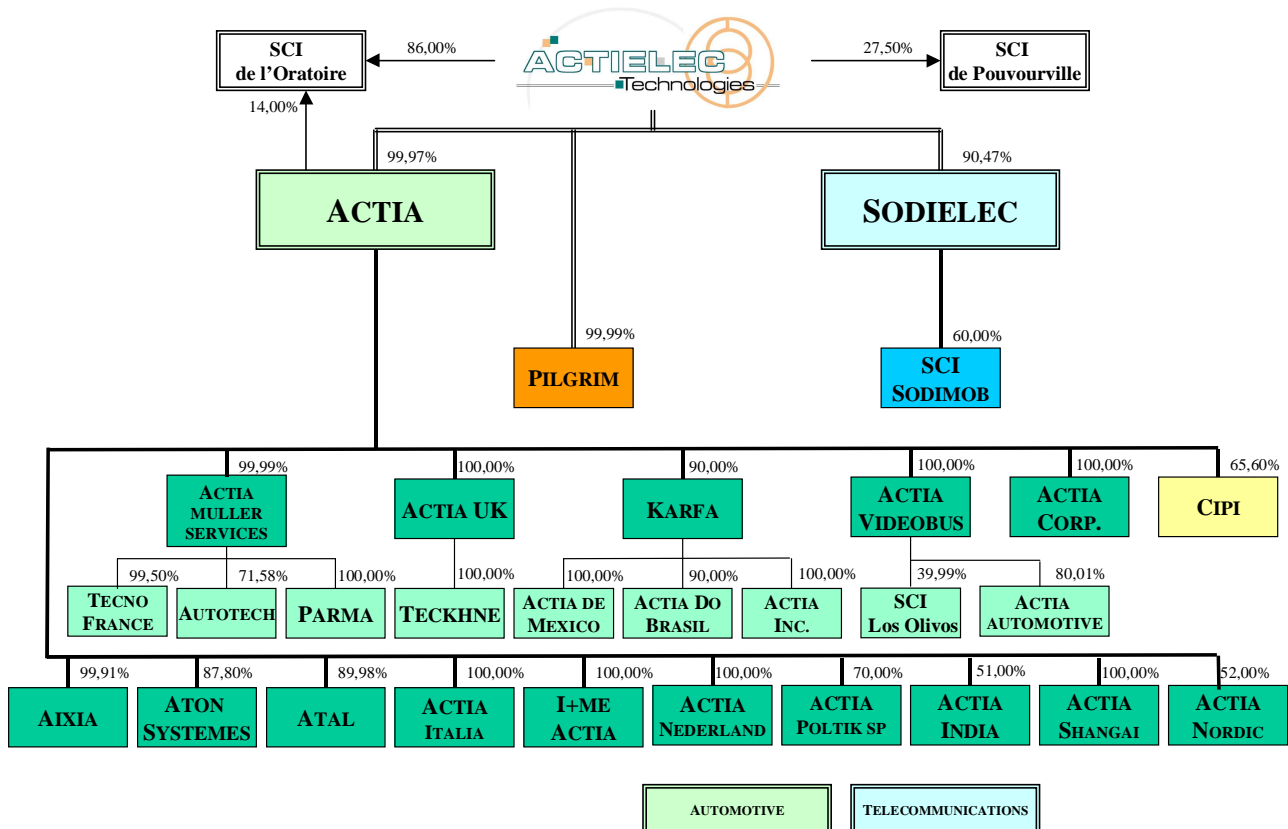
2.3.3 Consolidated companies

Name	Headquarters	SIREN No.	% of Control		Consolidation Method		Business sector
			déc-03	déc-04	déc-03	déc-04	
ACTIELEC Technologies	Toulouse	542 080 791	Concolidating Company				Holding company
<u>Automotive</u>							
- ACTIA	Toulouse	389 187 360	99.97	99.97	I.G.	I.G.	Electronic engineering & manufacture
- ACTIA MULLER SERVICES	Toulouse	350 183 182	99.99	99.99	I.G.	I.G.	Manufacture and distribution of electronic equipment for garages
- TECNOFRANCE	Méry sur Oise	342 201 563	99.50	99.50	I.G.	I.G.	No industrial activity
- AUTOTECH	Méry sur Oise	392 235 586	71.58	71.58	I.G.	I.G.	No industrial activity
- PARMA	Méry sur Oise	400 812 897	100.00	100.00	I.G.	I.G.	Real estate
- AIXIA	Le Bourget du Lac	381 805 514	99.91	99.91	I.G.	I.G.	Electronic engineering & manufacture
- ATON Systemes	Maison Alfort	384 018 263	75.97	87.80	I.G.	I.G.	Electronic engineering & manufacture
- ACTIA UK	Newtown (<i>Wales</i>)		100.00	100.00	I.G.	I.G.	Electronic engineering & manufacture
- TEKHNE	Farnborough (<i>England</i>)		100.00	100.00	I.G.	I.G.	No industrial activity
- ACTIA VIDEOBUS	Getafe Madrid (<i>Spain</i>)		100.00	100.00	I.G.	I.G.	Audio & video equipment engineering and manufacture
- ACTIA AUTOMOTIVE	Getafe Madrid (<i>Spain</i>)		80.01	80.01	I.G.	I.G.	Diagnostic products distribution
- SCI Los Olivos	Getafe Madrid (<i>Spain</i>)		39.99	39.99	M.E.	M.E.	Real estate
- KARFA	Mexico (<i>Mexico</i>)		90.00	90.00	I.G.	I.G.	Equity management
- ACTIA DE MEXICO	Mexico (<i>Mexico</i>)		100.00	100.00	I.G.	I.G.	Audio & video equipment engineering and manufacture
- ACTIA DO BRASIL	Porto Alegre (<i>Brazil</i>)		80.00	90.00	I.G.	I.G.	Electronic engineering & manufacture
- ACTIA INC	Elkhart-Indiana (<i>USA</i>)		100.00	100.00	I.G.	I.G.	No activity
- ATAL	Tabor (<i>Czech Republic</i>)		89.98	89.98	I.G.	I.G.	Electronic engineering & manufacture
- ACTIA ITALIA	Torino (<i>Italy</i>)		100.00	100.00	I.G.	I.G.	Electronic engineering & manufacture
- I + ME ACTIA	Braunsweig (<i>Germany</i>)		100.00	100.00	I.G.	I.G.	Electronic engineering & manufacture
- ACTIA Corporation	Elkhart-Indiana (<i>USA</i>)		100.00	100.00	I.G.	I.G.	Electronic engineering & manufacture
- ACTIA NL	Nuenen (<i>Netherlands</i>)		100.00	100.00	I.G.	I.G.	Electronic engineering & manufacture
- ACTIA POLTIK SP	Lodz (<i>Poland</i>)		70.00	70.00	I.G.	I.G.	Electronic engineering & manufacture
- CIPI	Tunis (<i>Tunisia</i>)		65.60	65.60	I.G.	I.G.	Fabrications électroniques
- ACTIA INDIA	New Delhi (<i>India</i>)		51.00	51.00	I.G.	I.G.	Electronic engineering & manufacture
- ACTIA SHANGAI	Shanghai (<i>China</i>)		100.00	100.00	I.G.	I.G.	Electronic engineering & manufacture
- ACTIA NORDIC (1)	Spanga (<i>Sweden</i>)		-	52.00	-	I.G.	Electronic engineering & manufacture
<u>Télécommunications</u>							
- SODIELEC	St Georges de Luzeçon	699 800 306	90.47	90.47	I.G.	I.G.	Electronic engineering & manufacture
- DATENO	Dinard	897 280 418	99.97	-	I.G.	-	
- MORS Technologies	Puy-Sainte-Réparade	432 005 569	99.96	-	I.G.	-	
- EBIM	Manosque	278 940 555	100.00	-	I.G.	-	
- SCI Sodimob	St Georges de Luzeçon	419 464 490	60.00	60.00	I.G.	I.G.	Real estate
- PILGRIM	Toulouse	403 566 375	99.99	99.99	I.G.	I.G.	Electronic engineering & manufacture
- SCI de l'Oratoire (3)	Colomiers	345 291 405	100.00	100.00	I.G.	I.G.	Real estate
- SCI Les Coteaux de Pourville	Toulouse	343 074 738	27.50	27.50	M.E.	M.E.	Real estate

During 2004, the Group strengthened its control of:

- ✓ ATON Systèmes: the percentage of control increased from 75.97% to 87.80%,
- ✓ ACTIA do Brasil: from 80.00% to 90.00%.

SCOPE OF CONSOLIDATION AS OF 31ST DECEMBER 2004



2.3.4 Intangible fixed assets

The changes in the gross value of **intangible fixed assets** are as follows:

<i>Figures in € thousands</i>	on 12/31/2003	Change in scope Currency conversion adjustment	Acquisitions <Transfer>	Disposals and other reductions	on 12/31/2004
Acquisition goodwill	27,415		811		28,226
Start-up costs	147	2		140	9
R&D expenditure	20,724	445	3,426		24,595
Concessions, patents & licences	5,153	164	1,333	15	6,635
Commercial goodwill	76				76
Other intangible fixed assets	0				0
Advances and payments on account	6		3		9
Total	53,521	611	5,573	155	59,550

Depreciation and amortization:

<i>Figures in € thousands</i>	on 12/31/2003	Change in scope Currency conversion adjustment	Attributions <Transfer>	Write-backs and other reductions	on 12/31/2004
Acquisition goodwill	6,321		1,652		7,973
Start-up costs	5		2		7
R&D expenditure	3,281	178	2,583		6,042
Concessions, patents & licences	4,202	15	724	8	4,933
Commercial goodwill	6		6		12
Other intangible fixed assets	0				0
Total	13,815	193	4,967	8	18,967

The details of **consolidated goodwill** are as follows:

<i>Figures in € thousand</i>	Gross value					Amortizations					Net values		
	on 31/12/03	Acquisitions and other increases	Disposals and other reductions	Remov ed from balance sheet	on 31/12/04	Amortizati on period	on 31/12/0 3	Attribution s	Write- backs, disposals	Remov ed from balance sheet	on 31/12/04	on 31/12/03	on 31/12/0 4
CIPI	2,633				2,633	10 ans	1,711	263			1,974	922	659
ATON Systemes	352	223			575	5 ans	185	67			252	167	323
KARFA	85				85	5 ans	54	15			69	31	16
ACTIA Corp.	9,093				9,093	20 ans	1,592	455			2,047	7,501	7,046
ACTIA POLTIK	298				298	10 ans	75	30			105	223	193
ACTIA Automotive	42				42	5 ans	4	9			13	38	29
ACTIA Nordic		588			588	5 ans		88			88		500
SODIELEC	1,680				1,680	20 ans	685	56			741	995	939
MORS Techno.	5,763				5,763	20 ans	988	296			1,284	4,775	4,479
EBIM	7,469				7,469	20 ans	1,027	373			1,400	6,442	6,069
Total	27,415	811			28,226		6,321	1,652			7,973	21,094	20,253

The acquisition of ACTIA NORDIC (52.00% for € 710,000) on 1st April 2004 created a **new consolidated goodwill** of € 588,000, which will be amortized over 5 years.

When the consolidated goodwill has been fully amortized is removed from the balance sheet both as a gross value and an amortizement.

Monitoring the actual value of acquisition goodwill:

The actual values of consolidated goodwill are assessed using, notably, the updated future flow method. This approach is based on future business and profitability prospects, which appeared to be the most probable on the closing date for these financial statements. It should be noted that this approach, which contains the uncertainties inherent in any forecasting procedure, confirms that the assets in question have lost none of their value.

The increase in **fixed assets for Research & Development (R&D)** essentially stems from:

- ✓ ACTIA SA (electronic tachograph: + 1 M€),
- ✓ ACTIA DE MEXICO (Multibus/IAMSA projects + 0.3 M€),
- ✓ The acquisition of ACTIA NORDIC (+ 0.5 M€),
- ✓ SODIELEC SA (+1.7 M€ of which 0.6 M€ for aeronautical projects and 0.5 M€ for digital business).

The table below summarizes the changes in the **total cost** of R & D:

<i>Figures in € thousands</i>		2003	2004
Automotive		19,174	24,422
	<i>of which the cost of studies ordered by customers</i>	7,603	11,337
	<i>of which fixed assets</i>	2,827	1,708
	<i>of which expenses for the year</i>	8,744	11,377
Telecommunications		9,606	11,273
	<i>of which the cost of studies ordered by customers</i>	938	1,553
	<i>of which fixed assets</i>	1,894	1,718
	<i>of which expenses for the year</i>	6,774	8,002
Total		28,780	35,695
Amortization of R&D fixed assets not included in the overall cost calculation		1,387	2,583

2.3.5 Tangible fixed assets

The changes in the gross value of **tangible fixed assets** are as follows:

<i>Figures in € thousands</i>	on 12/31/2003	Change in scope Conversion adjustment Other changes	Acquisitions and transfers	Disposals and other reductions	on 12/31/2004
Land	1,641	<70>			1,571
Buildings	11,459	<178>	81		11,362
Plant, equipment & tools	23,424	36	3,051	626	25,885
Other tangible fixed assets	11,572	470	1,355	307	13,090
Fixed assets under construction	58	<30>	303	25	306
Total	48,155	228	4,790	958	52,215
Capital leases:					
Land	62				62
Buildings	2,257				2,257
Plant, equipment & tools	2,090		1,361		3,451
Other tangible fixed assets	2,050		20		2,070

The acquisition of ACTIA NORDIC affects the change in scope column in terms of:

- ✓ Plant, equipment and tools + 0.4 M€,
- ✓ Other tangible fixed assets + 0.5 M€.

Conversion adjustments are mainly linked to the exchange rate variations for the following currencies:

- ✓ Tunisian Dinar (Tunisia) - 0.5 M€,
- ✓ US Dollar (USA) - 0.6 M€.

The most significant acquisitions in 2004 concern:

- ✓ ACTIA: 2.2 M€ (2 M€ of plant, of which 1.4 M€ on capital lease in relation to financing the production tool for the Tunisian subsidiary CIPI for a major contract and 0.2 M€ of other tangible fixed assets)
- ✓ CIPI: 0.6 M€ of plant,
- ✓ ACTIA NORDIC 0.4 M€ of other tangible fixed assets.

Amortizements:

<i>Figures in € thousands</i>	on 31/12/03	Change in scope Conversion adjustment Other changes	Attributions	Write-backs	on 31/12/04
Land	13				13
Buildings	4,926	<19>	554	2	5,459
Plant, equipment & tools	18,652	<105>	1,902	567	19,882
Other tangible fixed assets	8,369	390	1,151	285	9,625
Total	31,959	266	3,607	854	34,978
Capital lease:					
Land	792		102		894
Buildings	1,818		371		2,189
Plant, equipment & tools	1,722		301		2,023

2.3.6 Financial fixed assets: shareholdings

<i>Figures in € thousands</i>	on 31/12/03		on 31/12/04		Holding 31/12/04
	Gross value	Net value	Gross value	Net value	
Shareholdings					
C.Y.T.	33	0	33	0	15%
STEM	23	0	23	0	NS
C.G.C.	1	1	1	1	NS
ACTIMUR	53	53	53	53	37%
EURODIO	23	0	23	0	Being broken up
CAST	8	0	8	0	Being broken up
3 I S	27	0	27	0	45%
MIDI PYRENEES CREATION	2	2	2	2	NS
INTECS	350	350	350	350	14%
S.T.A.	203	0	203	0	5%
Total	723	406	723	406	
Other fixed asset shareholdings					
GTI Siglo XXI	94	3	94	3	
Tunisian shares	52	52	52	47	
Other (partnership shares in banks linked to borrowings)	16	16	16	16	
Total	162	71	162	66	

2.3.7 Equity accounted shareholdings

<i>Figures in € thousands</i>	Value of shares		Share of earnings	
	12/31/2003	12/31/2004	12/31/2003	12/31/2004
SCI Los Olivos	96	122	19	25
SCI de Pouvoirville	551	506	133	56
Total	647	628	152	81

2.3.8 Inventories

<i>Figures in € thousands</i>		12/31/2003	12/31/2004
By type			
	Raw materials	18,684	22,142
	WIP goods	3,405	4,483
	WIP services	7,306	8,725
	Intermediate and finished products	7,046	9,177
	Goods	9,594	7,756
	Total	46,035	52,283
By sector			
	Automotive	28,720	35,093
	Telecommunications *	17,315	17,190
	Total	46,035	52,283

* including DGA stock carried by ACTIELEC Technologies (Company accounts)

In 2004, inventories increased by 6.2 M€. This increase is mainly related to the business activities of ACTIA SA (+ 4.5 M€) and ACTIA Nordic (+ 1.0 M€, including directly linked to the acquisition 0.4 M€).

2.3.9 Trade accounts receivable and related accounts, other receivables

Trade account receivables are due within 12 months.

Other receivables include in particular:

➤ A research tax credit worth 1.7 M€ of which 0.9 M€ for ACTIA SA and 0.8 M€ for SODIELEC SA.

If these amounts cannot be set off against taxes due, they will be refunded by the government according to the following timetable:

✓	in 2005	0.2 M€
✓	in 2006	1.0 M€
✓	in 2007	0.5 M€

➤ A corporation tax credit worth 1.8 M€ with the main companies concerned being:

✓	ACTIA SA	0.4 M€
✓	ACTIA MULLER SERVICES SA	0.2 M€
✓	SODIELEC SA	0.5 M€

➤ VAT deductible to the value of 2.4 M€ divided up as follows:

✓	ACTIA SA	0.2 M€
✓	ACTIA MULLER SERVICES SA	2.0 M€
✓	SODIELEC SA	0.2 M€

2.3.10 Deferred taxes

<i>Figures in € thousands</i>	31/12/03	31/12/04
Tax assets attributed to:		
Timing differences between book and fiscal	790	866
Tax loss carry-forwards	6,980	7,698
Net total of tax assets	7,770	8,564
Tax liabilities attributed to:		
Deferred tax liabilities	17	43
Net total of tax liabilities	17	43
Net total of tax assets or liabilities	7,754	8,521

The long-term capital losses for the French companies in the Group, which have not been used, represent a total tax base of 2.3 M€ (9.4 M€ on 31st December 2003 including tax loss carry-forwards), i.e. recoverable tax of 0.4 M€ (29 M€ on 31st December 2003).

2.3.11 Share buyback plan

The share buyback plan was first authorized by the COB on 14th December 2000 under Visa No. 00-2041 and then again on 11th April 2002 under Visa No. 02-357. Two new 18-month buyback plans were successively authorized at the General Meetings of 9th May 2003 and 30th April 2004. These new plans do not require prior COB authorization because:

- ✓ The bought-back shares cannot be cancelled,
- ✓ The authorised buyback limit is 0.5% of shareholders' equity,
- ✓ The aims of both plans are to regulate the share price by systematic intervention against trends and buying and selling according to the market situation.

As of 31st December 2004 and since the beginning of the plan, ACTIELEC TECHNOLOGIES SA has purchased 61,996 of its own shares, which it records under Current assets for a gross value of €290,318, this being an average purchase price of €4.68.

Excluding the buyback plan, ACTIELEC TECHNOLOGIES owns an additional 1400 shares of treasury stock, booked at the gross value of €153,152. These shares were held by Mors SA at the time of the merger.

Actielec earmarks a provision covering these shares depending on the stock's closing price. This had risen on 31st December 2004 to € 146,531 for a share price of € 4.3.

2.3.12 Financial liabilities and related accounts, conditional advances

On 31st December 2004, financial liabilities are as follows, according to type and maturity:

<i>Figures in € thousands</i>	31/12/03				31/12/04			
	<31/12/04	>01/01/05 <31/12/08	>01/01/09	Total	<31/12/05	>01/01/06 <31/12/09	>01/01/10	Total
Conditioned advances	396	252		648	145	268		413
Convertible bond		1,499		1,499	495	1,060		1,555
Bank borrowings and financial liabilities	8,791	20,214	2,022	31,027	7,557	17,189	3,154	27,900
Lease financing liabilities	536	729	817	2,082	582	1,499	668	2,749
Other borrowings and financial liabilities	1,117			1,117	1,850			1,850
Banking facilities and overdrafts	29,951			29,951	27,985			27,985
Total	40,791	22,694	2,839	66,324	38,614	20,016	3,822	62,452

- Banking facilities and overdrafts as of 31st December 2004 are generally authorized for a one-year period and are renewable midway through the year.
- Convertible bonds were issued at the end of December 2001 by Sodielec SA under the following conditions:
 - ✓ Nominative bonds issued at €18 par value,
 - ✓ Duration of the loan: 6 years from issue date
 - ✓ Interest rate: 2.5 % per year payable on 30th June and 31st December of each year,
 - ✓ Conversion rate: one share for one bond,
 - ✓ Conversion option can be exercised at any time.

In the case of non-conversion, the bonds will be redeemable by thirds during the 4th, 5th, and 6th years and will be entitled to a non-conversion premium calculated at a rate which will give an annual gross actuarial rate of 6%. As of 31st December 2004, no conversion option had been exercised.

- At the end of 2003, Actia SA took a €4m loan in order to finance development costs for the secure electronic tachograph. An initial tranche of €2m was drawn on 31st December 2003. The balance will be released at the beginning of July 2004 following the tachograph's homologation. This loan is subject to covenants on 31st December according to the Automotive sector's indebtedness.
- The guarantees given on borrowings and other financial liabilities are listed in Paragraph 2.3.24.

Depending on the bank rate, the ratios of "Net Indebtedness/Shareholder's Equity" were as follows on 31st December 2004:

<i>Figures in € thousands</i>	31/12/03	31/12/04	<i>Figures in € thousands</i>	31/12/03	31/12/04
Conditioned advances	252	268	Convertible bond	1 499	1 555
Convertible bond	1 499	1 555	Bank borrowings and financial liabilities	31 027	27 900
Bank borrowings and financial liabilities	31 027	27 900	Lease financing liabilities	2 083	2 749
Lease financing liabilities	2 083	2 749	Other borrowings and financial liabilities	1 117	1 850
Sub-Total A	34 861	32 472	Banking facilities and overdrafts	29 951	27 985
Available funds	6 332	10 421	Sous-Total A	65 677	62 039
Sub-Total B	6 332	10 421	Shareholders' equity	204	297
Total net indebtedness = A - B	28 529	22 051	Other movable assets	223	90
Total shareholders' equity	42 954	53 098	Available funds	6 332	10 421
Net indebtedness / Shareholders' equity ratio	66%	42%	Sous-Total B	6 759	10 808
			Total net indebtedness = A - B	58 918	51 231
			Total shareholders' equity	42 954	53 098
			Net indebtedness / Shareholders' equity ratio	137%	96%

2.3.13 Change in shareholders' equity

The details of the changes in shareholders' equity are as follows:

	Group share							Minority interests			Total shareholders' equity
	Capital	Premiums	Retained earnings	Consolidated reserves	Net income	Conversion adjustments	Total Group share	Minority interests	Share of net income	Total minority interests	
<i>Figures in € thousands</i>											
Situation on 31.12.2002	12 865	9 277	10 406	8 389	-3 370	-789	36 778	3 046	-101	2 945	39 723
Appropriation of previous year's net income			1713	-5083	3 370			-101	101		
ACTIA shares purchase warrants				1600			1 600				1 600
Net income					1 941		1 941		56	56	1 997
Conversion adjustments and other						-908	-908	-106		-106	-1 014
Situation on 31.12.2003	12 865	9 277	12 120	4 906	1 941	-1 697	39 411	2 839	56	2 895	42 306
Appropriation of previous year's net income			122	1819	-1 941			56	-56		
net income					3 866		3 866		562	562	4 428
Increase in capital	1406	4515,3					5 922				5 922
Conversion adjustments and other				41		-2	40	-12		-12	28
Situation on 31.12.2004	14 271	13 792	12 241	6 766	3 866	-1 699	49 239	2 883	563	3 446	52 685

In 2003, Anvar (*Agence Française de l'Innovation*) and ACTIELEC TECHNOLOGIES signed an agreement to convert an innovation grant, initially paid in the form of a reimbursable advance, into warrants (*bons de souscription d'actions*) to purchase shares in Actia, a subsidiary of ACTIELEC TECHNOLOGIES. On 11 June 2003, Anvar subscribed 943 share purchase warrants with the following conditions:

- ✓ The issued warrants entitle the holder to purchase one Actia share per warrant.
- ✓ The new shares subscribed via the exercise of warrants must be fully released at their subscription at a price of €283 per share,
- ✓ The warrants may be exercised at any time within 8 years of issuance. Beyond that date, any unused warrants will lose all value.

On 31st December, no warrants have been used.

ACTIELEC TECHNOLOGIES has also pledged to purchase, from 1 January 2008 to 11 June 2011, stock purchase warrants issued by Actia SA and entirely subscribed by Anvar if asked to by Anvar. The price of the warrants purchased by ACTIELEC TECHNOLOGIES will depend on its share price at the time of purchase.

2.3.14 Share capital

After the increase in capital on 14th October 2004, ACTIELEC TECHNOLOGIES' share capital consists of 19,028,208 shares of 0.75 Euros each, this being a share capital of 14,271,156 Euros. The company is quoted on the Euronext Paris Stock Exchange (ISIN Code FR 0000076655).

This increase in capital was made under the following conditions:

- ✓ 1,875,000 new shares created,
- ✓ The share subscription price was set at € 3.35,
- ✓ A share purchase warrant is attached to each share.

The difference between the nominal value for the new shares (€ 0.75 a share, giving a total of € 1,406,250) and their subscription price (€ 3.35 a share, giving a total of € 2,812,500) has been assigned to the “Issue premium” item after deducting the expenses inherent in increasing the capital (€359,675.58).

The purchase warrants have the following characteristics:

- ✓ The only right attached to the warrant is the right to purchase or acquire company shares, whether existing or to be issued, against payment of the respective price,
- ✓ Parity has been set at two warrants per company share,
- ✓ The price has been set at 4.50 Euros,
- ✓ The holder of the warrant may use the warrant at any time from 15th October 2004 to 14th October 2007. Once this three-year period has expired, any warrants that have not been used will become void,
- ✓ In the case of increase in capital or the issue of securities providing direct or indirect access to the capital, merger, split-up or other financial operations containing a preferential subscription right or reserving a preferential subscription period for company shareholders, the Company reserves the right to suspend the use of the warrants for a period not exceeding three months,
- ✓ The warrants are subject to quotation separate from the original share quotation on Euronext Paris (ISIN Code FR 0010121061). On 31st December 2004, the unit exchange was set at € 0.48.

The net equity of ACTIELEC TECHNOLOGIES SA has changed as follows during the year:

	Balance on 31/12/03 before appropriation	Appropriation of 2003 net income		Increase in capital	Balance on 31/12/2004
		Dividends	Other		
<i>Figures in € thousands</i>					
Share capital	12,865			1,406	14,271
Issue and merger premiums	9,277			4,515	13,792
Legal reserves	1,286				1,286
Undistributable reserves	189				189
Retained earnings (including dividends on own shares)	12,120		122		12,241
ACTIELEC Technologies net income 2003	122		<122>		
ACTIELEC Technologies net income 2004					<1,019>
Net equity	35,859			5,922	40,761

In 2003, the company adopted a stock option plan for its officers, in respect of their directorships. The plan comprises 240,000 shares at a unit price of €1.92 and expires 31 August 2008. As of 31st December 2003, no options had been exercised.

This is the only stock option plan currently in place at the company.

2.3.15 Income per share

Income per share on 31st December 2004 was calculated on the basis of the Group’s consolidated net income for the year, namely € 3,866,442 (1,941,038 on 31st December 2003), divided by the averaged weighted number of shares in circulation during 2004, namely 17,480,437 shares (17,090,681 shares on 31st December 2003), calculated as follows:

	2004	2003
Group consolidated net income (in €)	3,866,442	1,941,038
Weighted average number of shares		
Shares issued on 1st January	17,153,208	17,153,208
Own shares held on 31st December	63,396	63,396
Shares issued in October 2004	1,875,000	
Weighted average number of shares on 31st December (as a figure)	17,480,437	17,090,681
Basic net income per share (in Euros)	0.221	0.114

2.3.16 Provisions for risks and expenses

Changes for the period are as follows:

<i>Figures in € thousands</i>	On 31/12/03	Change in scope Conversion adjustment	Increases	Reductions	On 31/12/04
Provisions for risks	1,422	<6>	1,882	1,225	2,073
Provisions for Social Security charges / deferred taxes	389	<2>	361	49	699
Provision for retirement indemnities	1,595		1,410		3,005
Provisions for deferred taxes	17		26		43
Total	3,423	<8>	3,679	1,274	5,820

The provisions for risks mainly concern product warranties.

The increase in the provision for retirement indemnities mainly concerns a provision for breach of contract (€ 1,190,000).

The write-back provisions are as follows:

✓ Provisions used:		
- Tax adjustment:	ACTIA SA	€ 52,000
- Product warranty:	ACTIA SA	€ 381,000
	ACTIA MULLER SERVICES	€ 322,000
	I + ME ACTIA	€ 140,000
✓ Provisions unused		
- ACTIA SA:		€ 52,000

2.3.17 Information by sector

The operating profit per sector is as follows:

Figures in € thousands	2003				2004			
	Automotive sector	Telecommunications sector	Other	Group consolidated statements	Automotive sector	Telecommunications sector	Other	Group consolidated statements
Operating profit								
Net sales	151 228	48 012	-661	198 580	177 818	50 190	-266	227 741
Production stocked	-265	565	0	300	2 369	2 411	0	4 780
Production to fixed assets	2 380	1 905	0	4 285	1 091	1 730	0	2 821
Operating subsidies	186	95	0	281	508	150	0	659
Write-backs for deprec., provisions, transfers	2 081	940	32	3 053	2 267	1 406	-1	3 672
Other profits	215	62	-0	277	133	202	0	335
Total operating income	155 824	51 581	-629	206 776	184 186	56 089	-267	240 009
Operating expenses								
Purchases consumed	70 866	21 803	-804	91 865	85 394	24 336	-359	109 371
Exteral expenses	27 795	5 957	-1 258	32 494	38 123	6 140	-1 503	42 760
Taxes and duties	2 072	988	116	3 176	2 442	1 032	142	3 616
Personnel expenses	42 961	15 801	1 020	59 783	45 259	15 997	1 253	62 508
Depreciation	4 053	1 594	186	5 833	4 569	2 477	174	7 220
Provisions	2 319	174	0	2 493	2 858	878	1 206	4 942
Other profits and expenses	605	263	0	869	488	40	0	528
Total operating expenses	150 672	46 582	-740	196 513	179 133	50 900	912	230 945
Operating Profit	5 153	4 999	111	10 263	5 053	5 189	-1 179	9 063

Consolidated net sales breaks down by activity as follows:

Figures in € thousands	2003		2004	
	Consolidated Sector Sales	Net contribution to consolidated group sales	Consolidated Sector Sales	Net contribution to consolidated group sales
Automotive	151 228	150 824	177 818	177 742
Telecommunications	48 012	47 756	50 190	49 999
Total		198 580		227 741

Consolidated net sales breaks down by geographic area as follows:

Figures in € thousands	2003	2004
Sales realized by French companies	128,087	146,758
* Sales in France	109,020	110,709
* Export sales (A)	19,067	36,049
Sales realized by foreign companies (B)	70,493	80,983
* To Europe	46,213	55,782
* To the Americas	24,276	24,904
* To Asia	4	298
Total	198,580	227,741
<i>International sales (A+B)</i>	<i>89,560</i>	<i>117,032</i>

In order to protect the sales networks, sales are not broken down by country.

2.3.18 Income tax

<i>Figures in € thousands</i>	2003	2004
Results of consolidated companies after amortization of acquisition goodwill	1,845	4,348
Tax <credit>	2,275	<775>
Results of consolidated companies before tax	4,120	3,573

The Group, ACTIELEC TECHNOLOGIES, through its Automotive and Telecom divisions, assumes significant R&D expenditure. Over the last 3 years, this has averaged 17.6% of consolidated sales (Cf. § 2.3.4). The consequences in tax terms of this deliberate policy is the gain of a research tax credit, which reduces the standard tax rate applicable in France.

The details in the table below explain the tax expense or credit in the consolidated financial statements:

<i>Figures in € thousands</i>	2003	2004
Im] Theoretical tax calculated according to the standard French tax rate	1,284	1,440
IF/ research tax credit	<164>	<1,284>
Do Acquisition goodwill amortization	533	567
Eff Effect on theoretical tax		
Rate differential (abroad, French rate)	288	174
Unused tax-loss carry-forwards	168	339
Updating of prospects for using tax losses	31	<1,651>
Adjustment of previous year's tax	69	
Other (incl. permanent differences)	66	<360>
Tax charge/credit	2,275	<775>

For the details on deferred taxes, please see Paragraph 2.3.10.

The distribution of tax between income before exceptional items and taxes and exceptional result is as follows:

<i>Figures in € thousands</i>	2003	2004
Income before exceptional items and tax	2,355	<584>
Exceptional result	<80>	<191>
Total	2,275	<775>

2.3.19 Note on the financial result

Significant items in financial expenses include:

✓ Bank interest and financial charges:	2003	2004
✓ Exchange losses:	€ 3,694,000	€ 3,347,000
	€ 2,664,000	€ 1,375,000

Significant items in financial income include:

✓ Exchange gains:	2003	2004
	€ 1,607,000	€ 1,133,000

2.3.20 Note on the exceptional result

There was no significant exceptional result for the 2004 fiscal period.

2.3.21 Operations with related companies

<i>Figures in € thousands</i>	2003	2004
ASSETS		
Other receivables	776	1
LIABILITIES		
Trade accounts payable	43	369
Income statement		
Operating expenses	1,796	2,053
Financial expenses	2	
Financial profit		26

2.3.22 Compensation of corporate officers

Neither the Chairman of the Managing Board nor the Chairman of the Supervisory Board of ACTIELEC TECHNOLOGIES SA is compensated by ACTIELEC TECHNOLOGIES. Only one member of the Managing Board has a contract stipulating compensation. That board member received a gross salary of €58,278 in 2004.

2.3.23 Personnel

Average number of employees per region	2003	2004
France	1,030	1,014
Abroad	843	928
Total	1,873	1,942

The increase in the number of employees abroad is due to:

- ✓ The acquisition of the company ACTIA NORDIC in Sweden (17 employees),
- ✓ The hiring of 22 employees at CIPI,
- ✓ The hiring of 22 employees at ACTIA INDIA.

The breakdown of personnel per sector is as follows:

	Management	Mid-level	Salaried manual workers	Total
AUTOMOTIVE	474	572	535	1 581
TELECOMMUNICATIONS	154	106	94	354
ACTIELEC Technologies	6		1	7
Total	634	678	630	1 942

2.3.24 Off balance sheet commitments

Below is a breakdown of off balance sheet commitments as of 31st December 2004:

<i>Figures in € thousands</i>	12/31/2003	12/31/2004
<u>Commitments received</u>		
Bank guarantees	194	312
Total commitments received	194	312
<u>Commitments given</u>		
Purchase of warrants issued by ACTIA (1)	1,600	1,600
Discounted effects not due and DAILLY disposals (2)	8,672	9,147
Contract premium		1,332
Total commitments given	10,272	12,079

(1) The amount changes according to ACTIELEC Technologies' share price (Cf. § 2.3.13)

(2) Only the AUTOMOTIVE sector

The above information does not include outstanding capital leases, which are listed in Paragraph 2.3.5.

2.3.25 Asset-backed guarantees

Asset-backed guarantees are broken down as follows:

<i>Figures in € thousands</i>	31/12/03	31/12/04
Discounted notes receivable *	10,995	8,757
Pledged equipment	172	246
Pledged research tax credit	1,738	104
Mortgages	2,463	2,169
Total asset-backed guarantees	15,368	11,276

* Incl. ACTIA SA € 3,069,000 and SODIELEC SA € 5,68,000 on 31/12/2004 (respectively € 2,091,000 and € 8,904,000 on 31/12/2003)

2.3.26 Risk management policy:

Currency risk: In countries where currency risks are highest, the Group switched all inter-group invoicing to euros in 1999 and has limited customer credit in countries with weak currencies.

Interest rate risk: The Group has taken out 35% of its medium and long-term loans at fixed rates compared with 65% at variable rates. Of the variable rate loans, 62% are covered by caps or swap agreements.

Short-term loans are at variable rates.

As of 31 December 2003, ACTIELEC TECHNOLOGIES SA has entered into the following agreements:

- ✓ An interest rate cap covering €2.6m of borrowings at a maximum rate of 4.5% over a 5-year period starting 1st January 2003.
- ✓ An interest rate swap (floating for fixed rate) covering €2.6m of borrowings at 2.76% for a 2-year period starting 1st July 2003.

Actia SA monitors its interest rates daily. As of 31 December 2003, the company has entered into the following agreements:

- ✓ An interest rate cap covering €4m of borrowings at a maximum rate of 4.25% versus E3M over a 5-year period starting 1 January 2003.
- ✓ An interest rate swap (floating for fixed rate) covering €4m of borrowings at 2.77% for a 2-year period starting 1 July 2003.

2.3.27 Changeover to IAS / IFRS norms:

As a quoted group, ACTIELEC Technologies is required to present its consolidated financial statements for 2005 in accordance with the unique accounting system of reference relating to application of IAS/IFRS norms.

Detailed analysis of the norms and their effects began in 2003 and has enabled identification of the norms likely to have a significant effect:

- ✓ **Intangible fixed assets (IAS 38)**

For the Group, this norm would have little effect on the assets balance sheet because the development costs are already fixed if they comply with certain criteria. Project by project analysis confirms that the specific criteria for norm IAS 38 are met.

The method of depreciation applied to these projects today (linear depreciation) may also change depending on the project concerned (depreciation according to the production unit method).

- ✓ **Acknowledgement of revenue (IAS 18 – IAS 11)**

Strict application of norm IAS 11 to the Group's long-term contracts could create certain differences.

- ✓ **Sector information (IAS 14)**

The Group is continuing to develop its reporting system in order to refine the sector information available and make it more reliable.

The main distribution method used will be distribution by sector of activity.

- ✓ **Presentation of financial reports (IAS 1)**

The Group will present its consolidated financial statements in accordance with CNC Guideline No. 2004-R-02, opting for presentation of net income by type.

2.3.28 Post balance sheet events:

On 4th February 2005, SCI ORATOIRE sold its building in Colomiers (31700) to NATIOCREDMURS under sale and leaseback.

2.4 CONSOLIDATED CASH FLOW STATEMENT

in euros	31/12/03		31/12/04	
Net income of consolidated companies	1 845 498		4 348 088	
Elimination of expenses and income without effect on cash flow or not related to the business				
- Amortization and provisions (1)	7 843 563		11 309 674	
- Other income and expenses	(28 215)		(718 798)	
+ Gross margin for self-financing consolidated companies	9 660 846		14 938 964	
Dividends received from equity-accounted investments	90 750		100 650	
Change in operating working capital requirement	1 274 686		(2 566 749)	
Net cash flow generated by activity		11 026 282		12 472 865
Cash flow from investment operations				
Acquisition of fixed assets	(8 695 480)		(8 171 381)	
Disposal of fixed assets, net of tax	259 259		77 400	
Impact of change in consolidation scope (2)	(967 000)		(1 108 740)	
Cash flow from investment operations		(9 403 221)		(9 202 721)
Cash flow from financing operations				
Dividends paid to parent company shareholders				
Dividends paid to consolidated company shareholders	(8 860)		(23 400)	
Capital increases by minority shareholders in consolidated companies			5 967 042	
Debt issues	2 649 516		6 076 454	
Debt repayments	(6 698 244)		(9 311 300)	
Net cash flow from financing operations		(4 057 588)		2 708 796
Impact of currency fluctuations	229 721		36 405	
Change in cash position		(2 204 806)		6 015 345
Cash position at beginning of period	(20 987 718)		(23 192 524)	
Cash position at end of period	(23 192 524)		(17 177 179)	

(1) Excludes provisions on current assets.

(2) Acquisition or selling price adjusted by cash in the entities acquired or sold

(3) Details of cash position at end of period:

Net cash assets	€ 10 421 012
Shareholders' equity	€ 296 939
Other securities	€ 89 651
Current bank overdrafts (included in the Bank loans entry)	€ (27 984 781)

2.5 AUDITORS' REPORT



KPMG Audit
9, avenue Parmentier
B.P. 2398
31086 Toulouse Cedex 02
France

Eric Blache
14, rue Clapeyron
75008 Paris
France

Actielec Technologies S.A., a public limited company governed by a Board of Management and a Supervisory Board)

Registered headquarters: 25, chemin de Pouvoirville – BP 4215 – 31432 Toulouse cedex 04.
Registered capital: € 14,271,156

Report of the Statutory Auditors on the company's consolidated accounts

For the financial year ending on December 31, 2004

Dear Sirs

Pursuant to the mandate that was entrusted to us by your General Meeting, we proceeded to audit the consolidated accounts of Actielec Technologies S.A. for the financial year that ended on December 31, 2004, which you will find appended to this report.

The consolidated accounts were drawn up by the company's Management Board. Having audited these accounts, it is our duty to inform you of our opinion thereof.

I - The Statutory Auditors' opinion on the consolidated accounts

We performed our audit in accordance with the professional standards applicable in France; these standards call for investigations to be carried out in order to end up with reasonable certainty that the consolidated accounts do not incorporate significant anomalies. An audit involves an in-depth analysis of the salient elements underlying the data featuring in these accounts. It also involves assessing the accounting methods used and any significant estimates made in the process of drawing up these accounts, as well as checking the general presentation of the accounts. We consider that the checks that we have carried out form a reasonable basis for the opinion expressed below.

We hereby certify that the consolidated accounts are, in light of France's accounting rules and principles, accurate and truthful and properly reflect the situation of the company's assets, its financial position, as well as the performance of the block of companies whose results are thereby consolidated.



Eric Blache

Actielec Technologies S.A.
Report of the Statutory Auditors on the company's consolidated accounts

II - Justification for our assessments

In accordance with the provisions of article L.225-235 of France's *Code de commerce*, whereby we must provide substantiation for our assessments, we hereby draw your attention to the following elements:

- Points I-3 and IV of the note to the consolidated accounts sets out methods of calculating, accounting and amortising consolidated goodwill.

The accounting rules and methods used in connection with Research & Development expenses and the accounting rules and methods used in connection with Design Costs and with Long-Term Contracts valued according to the percentage of completion method are described in points II-1 and II-4 of the note to the consolidated accounts.

Point II-6 of the note to the consolidated accounts describes the accounting rules and methods used in connection with the calculation of Deferred Taxes and the calculation of Deferred Tax Debit.

As part of our assessment of the accounting rules and methods used by your group, we proceeded to ascertain whether the above-mentioned accounting methods and the information provided in the various sections of the notes to the accounts were appropriate and whether they had been properly applied.

- Your company has constituted a reserve to cover contract termination risks as described in note XVI of the notes to the consolidated accounts

Our work consisted in assessing the data and hypotheses upon which these estimations are based, to review the calculations made by the company, and to examine the procedures used by management to approve said estimations.

Within the scope of our assessment, we have substantiated the reasonable nature of these estimations.

Our resulting assessments were incorporated into our overall audit of the consolidated accounts and thus contributed to the formation of the opinion expressed without reservation featuring in the first part of this report.



Eric Blache

*Actielec Technologies S.A.
Report of the Statutory Auditors on the company's
consolidated accounts*

III - Specific checks

We also proceeded to check information regarding the group featuring in the management report. Further to these checks, we have no comments to make about their accuracy and concordance with the consolidation accounts.

Toulouse and Paris, March 21, 2005

The Statutory Auditors

KPMG Audit
A unit of KPMG S.A.

[signature]
Philippe Saint-Pierre
Partner

Eric Blache

[signature]

PSP – 051.129 RCC – FY closed on 31 December 2004

3. COMPANY FINANCIAL STATEMENTS ON 31ST DECEMBER 2004

3.1. BALANCE SHEET

Assets in €	31/12/04			31/12/03	31/12/02
	Gross	Depreciation	Net	Net	Net
Uncalled capital					
INTANGIBLE FIXED ASSETS					
Start-up costs					
R&D expenditure					
Concessions, patents and brands	45 411	34 999	10 412	437	1 416
Commercial goodwill					
Other intangible fixed assets					
Advances and payments on account					
TANGIBLE FIXED ASSETS					
Land					
Buildings	50 171	50 171	0	0	0
Plant, equipment and tools					
Other tangible fixed assets	332 938	306 548	26 389	34 135	38 583
Fixed assets under construction					
Advances and payments on account					
FINANCIAL FIXED ASSETS					
Shareholdings					
Equity-accounted investments	40 362 316	2 572 097	37 790 219	37 790 791	37 791 120
Receivables on investments	12 340 140	306 724	12 033 416	10 007 329	10 272 074
Other holdings	233 008		233 008	233 008	233 008
Loans	339		339		
Other financial fixed assets	12 909		12 909	7 382	7 382
FIXED ASSETS	53 377 231	3 270 539	50 106 692	48 073 082	48 343 583
INVENTORIES AND WIP					
Raw materials					
Goods in progress					
Services in progress					
Intermediate and finished products					
Merchandise	418 111		418 111	1 975 440	2 148 733
Advances and payments on account for orders	1 089 544		1 089 544		
RECEIVABLES					
Trade accounts receivable and related accounts	8 390 942		8 390 942	3 940 976	3 602 489
Other receivables	1 709 344		1 709 344	3 012 491	2 143 198
Unpaid called-up capital					
OTHER					
Marketable securities	444 279	147 340	296 940	203 501	123 792
(of which own shares = 443470)					
Cash and equivalents	1 717 103	42 863	1 674 240	181 457	113 639
ADJUSTMENT ACCOUNTS					
Pre-paid expenses	81 998		81 998	94 523	101 048
CURRENT ASSETS	13 851 322	190 203	13 661 120	9 408 388	8 232 900
Deferred charges					
Bond redemption premiums					
Unrealized exchange losses					
TOTAL ASSETS	67 228 554	3 460 742	63 767 812	57 481 470	56 572 483

Liabilities in €	31/12/04	31/12/03	31/12/02
Company or individual capital (of which 14 271 156 paid)	14 271 156	12 864 906	12 864 906
Issuance, merger and transfer premiums	13 792 304	9 276 980	9 276 980
Re-evaluation reserves (of which equivalence reserve)			
Legal reserve	1 286 491	1 286 491	1 286 491
Statutory or contractual reserves			
Regulated reserves (incl. Share price fluctuation provisions)	189 173	189 173	189 173
Other reserves (incl. Purchase of original artistic works)			
Retained earnings	12 241 114	12 119 544	10 406 178
GROUP NET INCOME (Profit or loss)	(1 018 840)	121 570	1 713 366
Investment subsidies			
Regulated provisions			
SHAREHOLDERS' EQUITY	40 761 398	35 858 664	35 737 094
Proceeds from issuance of non-voting shares			
Conditional advances			
OTHER SHAREHOLDERS' EQUITY	0	0	0
Provisions for liabilities			
Provisions for expenses	1 189 649		
PROVISIONS FOR LIABILITIES AND EXPENSES	1 189 649	0	0
FINANCIAL LIABILITIES			
Convertible bond debt			
Other convertible debt			
Bank borrowings	10 340 658	14 497 020	13 407 777
Other borrowings and financial debt (incl. Non-voting shares)			
Advances and payments on account for orders in progress	170 900		
OPERATING LIABILITIES			
Trade accounts payable and related accounts	6 088 505	2 965 388	4 790 122
Tax, personnel and social security	228 390	229 203	148 294
OTHER LIABILITIES			
Amounts payable for fixed assets and related accounts	655 531	981 772	1 311 050
Other debts	4 332 782	2 949 423	1 182 146
ADJUSTMENT ACCOUNTS			
Pre-paid income			
LIABILITIES	21 816 765	21 622 806	20 839 389
Unrealized exchange gains			
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	63 767 812	57 481 470	56 576 483

3.2. INCOME STATEMENT

	<i>France</i>	<i>Export</i>	31/12/04	31/12/03	31/12/02
Sales of merchandise	12 484 621		12 484 621	9 205 696	6 109 174
Goods sold					
Services sold	4 167 738		4 167 738	3 683 508	3 476 766
NET SALES	16 652 359		16 652 359	12 889 205	12 889 205
Inventories					
Own work capitalized					
Operating subsidiaries					
Write-back of provisions and depreciation, transfers of expenses			50 594	46 289	58 986
Other income					
OPERATING INCOME			16 702 954	12 935 493	9 644 926
Purchases of merchandise (incl. Customs duties)			10 927 293	9 032 402	4 493 484
Change in inventories (merchandise)			1 557 328	173 294	1 615 690
Purchase of raw materials and other supplies (incl. Customs duties)					
Change in inventories of raw material and other supplies					
Other purchases and external expenses			3 218 946	2 874 789	2 802 685
Tax, duties and related payments			105 842	80 999	80 353
Salaries and other compensation			786 270	687 909	716 135
Social security charges			326 414	282 850	283 540
ALLOCATION OF OPERATING INCOME					
Fixed assets depreciation			10 503	12 085	24 857
Fixed assets provisions					
Provisions on current assets					
Provisions for risks and expenses			1 189 649		
Other expenses					
OPERATING EXPENSES			18 122 244	13 144 32	10 016 744
OPERATING RESULT			(1 419 291)	(208 835)	(371 817)
Joint venture					
Profits attributed or losses transferred out					
Losses taken or profits transferred out					
FINANCIAL INCOME					
Income from investments			648 456	677 406	1 586 550
Income from other marketable securities and receivables on fixed assets			124 299	122 400	109 562
Other interest and related income					
Write-back of provisions and depreciation, transfer of expenses			181 758	2 580 754	7 852
Exchange gains					
Net profit on sale of marketable securities			13 255		9 627
FINANCIAL INCOME			967 767	3 380 561	1 713 591
Financial provisions and amortizations			18 385		172 334
Interest and related expenses			545 630	596 082	782 329
Exchange losses					
Net loss on sale of marketable securities					
FINANCIAL EXPENSES			564 015	596 082	954 663
FINANCIAL RESULT			403 753	2 784 478	758 928
INCOME BEFORE EXCEPTIONAL ITEMS AND TAX			(1015 538)	2 575 643	387 111

	31/12/04	31/12/03	31/12/02
Exceptional income from revenue operations	144 339	296 403	3 241
Exceptional income on capital operations	7 009	2 083	3 851 993
Write-back of provisions, transfer of expenses	121 928	266 513	
EXCEPTIONAL INCOME	273 276	564 999	3 855 234
Exceptional expenses from revenue operations	121 933	362 374	56 008
Exceptional expenses from capital operations	150 895	2 641 453	2 469 160
Exceptional depreciation and provisions			
EXCEPTIONAL EXPENSES	272 828	3 003 828	2 525 168
EXCEPTIONAL RESULT	448	(2 438 828)	1 330 066
Employee profit-sharing			
Corporate income tax	3 750	15 245	3 811
TOTAL INCOME	17 943 997	16 881 053	15 213 751
TOTAL EXPENSES	18 962 837	16 759 483	13 500 386
PROFIT OR LOSS	(1 018 840)	121 570	1 713 366

3.1 APPENDIX

3.1.1 Accounting principles

3.1.1.1 Significant events

ACTIELEC TECHNOLOGIES acted as the Group's lead holding company in 2004.

On 14th October 2004, the Company proceeded to increase its capital in the form of the issue of purchase warrants for existing shares and/or subscription to new shares (ABSEANE). Details of the conditions and methods for this increase are provided in Paragraph 3.3.2.8.

However, as the result of a contract signed in 2001 with the French Ministry of Defense for the supply of ground stations by its subsidiaries Sodielec and Dateno, ACTIELEC TECHNOLOGIES purchased equipment from those subsidiaries and billed the Ministry of Defense 36% more than in fiscal year 2002.

3.1.1.2 Accounting principles

The financial statements for the fiscal year are presented in accordance with the legal requirements and the regulations in force. Application of CRC rule 2004-03 in 2004 has had no effect on shareholders' equity or the Company's results.

3.1.1.3 Intangible fixed assets

Concessions and licenses are subject to straight-line depreciation over two years.

3.1.1.4 Tangible fixed assets

Tangible fixed assets are recorded at acquisition cost.

Depreciation is calculated over the estimated lifetime of the asset according to the following accounting methods:

- ✓ Buildings, plant and equipment: Straight line, 10 to 20 years
- ✓ Others: Straight line 4 to 10 years

3.1.1.5 Financial fixed assets

Equity investments are recorded on the balance sheet at acquisition cost or contribution value.

When the net position of a company owned by ACTIELEC TECHNOLOGIES is less than its acquisition cost and a rebound is unlikely, the company can depreciate the asset so that its useful value is less than the value of the shares held in that company.

The useful value is assessed using, notably, the updated future flow method. This approach is based on future business and profitability prospects, which appeared to be the most probable on the closing date for these financial statements. It should be noted that this approach, which contains the uncertainties inherent in any forecasting procedure, confirms that the assets in question have lost none of their value.

When the net position of a company owned by ACTIELEC TECHNOLOGIES is less than its acquisition cost, a provision is made for the amount of the difference. The useful value is estimated from the share of the net equity held and the anticipated future profitability prospects.

3.1.1.6 Pension commitments

Under Off Balance Sheet Commitments, Pension Commitments represent a total of €98,051.

3.1.2 Additional information pertaining to the balance sheet and income statement

The financial statements cover a 12-month period ended 31st December 2004.

3.1.2.1 Intangible fixed assets

Changes in the gross value of **intangible fixed assets** for the period:

<i>Figures in €</i>	on 12/31/2003	Acquisitions	Disposals Transfers	on 12/31/2004
Start-up costs	0			0
Other intangible fixed assets	34,361	19,350	8,300	45,411
TOTAL	34,361	19,350	8,300	45,411

Depreciation and amortization:

<i>Figures in €</i>	on 12/31/2003	Expense	Write-back	n 12/31/2004
Start-up costs	0			0
Other intangible fixed assets	33,924	2,425	1,350	34,999
TOTAL	33,924	2,425	1,350	34,999

3.1.2.2 Tangible fixed assets

Changes in the gross value of **tangible fixed assets** for the period:

<i>Figures in €</i>	on 12/31/2003	Acquisitions	Disposals Transfers	on 12/31/2004
Land	0			0
Buildings	50,171			50,171
Plant, equipment and tools	0			0
Other	332,605	332		332,937
Fixed assets under construction	0			0
TOTAL	382,776	332	0	383,108

Depreciation and amortization:

<i>Figures in €</i>	on 12/31/2003	Expense	Write-back	on 12/31/2004
Land	0			0
Buildings	50,171			50,171
Plant, equipment and tools	0			0
Other	298,470	8,078		306,548
TOTAL	348,641	8,078	0	356,719

3.1.2.3 Financial fixed assets

Changes in financial fixed assets for the period:

Figures in €	Carrying value of shares on the balance sheet				% holding on 31/12/04	Shareholders' equity before appropriation of profit for FYE 31/12/03	Net sales in 2004 excl. tax	Net profit on 31/12/04
	on 31/12/03		on 31/12/04					
	Gross value	Net value	Gross value	Net value				
EQUITY SHARES								
Subsidiaries and shareholdings > 10%								
ACTIA	17,974,389	17,974,389	17,974,059	17,974,059	99.97%	24,994,288	94,544,194	2,285,568
SODIELEC	19,563,240	19,563,240	19,563,230	19,563,230	90.47%	33,906,847	48,632,647	5,927,978
PILGRIM	2,515,791	0	2,515,791	0	99.99%	8,658	185,794	18,974
MORS INC	0	0	0	0	100.00%	NC	NC	NC
CYT	33,494	0	33,494	0	0.00%	NC	NC	NC
SCI ORATOIRE	199,098	199,098	199,098	199,098	86.00%	<34,674>	309,741	79,705
SCI POUVOURVILLE	41,161	41,161	41,161	41,161	27.50%	4,043,651	595,630	3,204,887
ACEM (liquidée en 2003)								
Subsidiaries and shareholdings < 10%								
DATENO	206	206	0	0	0.000%	NC	NC	NC
CIPI	10,138	10,138	10,138	10,138	0.200%	1,350,437	3,884,048	225,502
MORS Technologies	10	10	0	0	0.000%	NC	NC	NC
EBIM	17	17	0	0	0.000%	NC	NC	NC
Outside the Group								
MPC	1,525	1,525	1,524	1,524	0.024%	NC	NC	NC
CONTINENTALE	47	47	47	47	NS	NC	NC	NC
STEM	22,813	0	22,812	0	NS	NC	NC	NC
CGC	960	960	960	960	NS	NC	NC	NC
Total	40,362,888	37,790,791	40,362,313	37,790,217				
OTHER SECURITIES								
1% Construction	15,550	15,550	15,550	15,550				
SODIELEC convertible bonds	217,458	217,458	217,458	217,458				
Total	233,008	233,008	233,008	233,008				
OTHER FINANCIAL ASSETS								
Loan	0	0	339	339				
Security deposit	30	30	30	30				
Misc accounts receivable	7,352	7,352	12,879	12,879				
Total	7,382	7,382	13,248	13,248				

N.S. : Not significative

N.C. : Not communicated

3.1.2.4 Inventories

As part of its contract with the Ministry of Defense, ACTIELEC TECHNOLOGIES purchases certain items from its SODIELEC subsidiary. As of 31st December 2004, inventories amounted to €418,111 due to billing lags stipulated in the contract.

3.1.2.5 Advances and deposits paid against orders

As part of its contract with the Ministry of Defense, ACTIELEC TECHNOLOGIES purchases certain items from its SODIELEC subsidiary. As of 31st December 2004, the amount of advances against orders amounted to €1,089,544 due to billing lags stipulated in the contract.

3.1.2.6 Trade accounts receivable and other receivables

<i>Figures in €</i>	Gross value	Net value	Due < 1 year	Due > 1 year
Receivables linked to shareholdings	12,340,140	12,033,416	1,232,447	10,800,969
Trade accounts receivable	8,390,942	8,390,942	8,390,942	
Charge accounts linked to shareholdings	1,628,509	1,628,509	1,628,509	
Other receivables (incl. pre-paid expenses)	162,834	162,834	145,378	17,456
TOTAL	22,522,424	22,215,700	11,397,275	10,818,425

3.1.2.7 Own shares

The share buyback plan was first authorized by the COB on 14th December 2000 (Visa No. 00-2041) and then again on 11th April 2002 (Visa No. 02-357). The 9th May 2003 shareholders' meeting approved a new 18-month buyback plan. The new plan does not require COB authorization because it does not entail the possibility of canceling shares purchased through the plan, as was the case with the previous two plans. The plan is designed to allow Actielec to buy and sell shares in the market to regulate its share price.

As of 31st December 2004, ACTIELEC TECHNOLOGIES, since the beginning of the plan, has purchased 61,996 of its own shares, which it records under Current Assets for a gross value of €290,318, or an average purchase price of €4.68.

Excluding the buyback plan, ACTIELEC TECHNOLOGIES owns an additional 1400 of treasury stock, booked at a gross value of €153,152. These shares were held by Mors SA at the time of the Actielec/Mors merger.

Actielec earmarks a provision covering these shares depending on the stock's closing price. On 31st December 2004, given the closing price of €4.73, it set aside a total provision of €146,530.21.

3.1.2.8 Share capital

After the increase in capital on 14th October 2004, ACTIELEC TECHNOLOGIES' share capital consists of 19,028,208 shares of 0.75 Euros each, this being a share capital of 14,271,156 Euros.

This increase in capital was made under the following conditions:

- ✓ 1,875,000 new shares created,
- ✓ The share subscription price was set at € 3.35,
- ✓ A share purchase warrant is attached to each share.

The difference between the nominal value for the new shares (€ 0.75 a share, giving a total of € 1,406,250) and their subscription price (€ 3.35 a share, giving a total of € 6,281,250) has been assigned to the "Issue premium" item after deducting the expenses inherent in increasing the capital (€ 359,675.58).

The purchase warrants have the following characteristics:

- ✓ The only right attached to the warrant is the right to purchase or acquire company shares, whether existing or to be issued, against payment of the respective price,
- ✓ Parity has been set at two warrants per company share,
- ✓ The price has been set at 4.50 Euros,

- ✓ The holder of the warrant may use the warrant at any time from 15th October 2004 to 14th October 2007. Once this three-year period has expired, any warrants that have not been used will become void,
- ✓ In the case of increase in capital or the issue of securities providing direct or indirect access to the capital, merger, split-up or other financial operations containing a preferential subscription right or reserving a preferential subscription period for company shareholders, the Company reserves the right to suspend the use of the warrants for a period not exceeding three months,
- ✓ The warrants are subject to quotation separate from the original share quotation. On 31st December 2004, the unit exchange was set at € 0.49.

Consequently, the net equity of ACTIELEC TECHNOLOGIES SA has changed as follows during the year:

Figures in €	Balance on 12/31/2003 before appropriation	Appropriation of profits 2003		Increase in share capital	Balance on 12/31/2004 before proposed appropriation
		Reserves Retained earnings	Dividends		
Capital	12,864,906			1,406,250	14,271,156
Issue premiums	6,409,976			4,515,324	10,925,301
Merger premium	2,867,003				2,867,003
Legal reserve	1,286,491				1,286,491
Undistributable reserves	189,173				189,173
Regulated reserves	0				0
Retained earnings	12,119,544	121,570			12,241,114
2003 net income	121,570	<121,570>			0
2004 net income					<1,018,840>
Net equity (before appropriation of profits)	35,858,664	0	0	5,921,574	40,761,398

In 2003, the company adopted a stock option plan for its officers, in respect of their directorships. The stock option plan comprises 240,000 shares at a unit price of €1.92 and expires 31st August 2008. As of 31st December 2004, no options had been exercised. This is the only stock option plan currently in place at the company.

3.1.2.9 Provision for expenses

Provision for expenses exclusively comprises a provision for breach of contract.

3.1.2.10 Liabilities

At the end of the year, financial liabilities are as follows, according to type and maturity:

Figures in €	Échéances Maturity			Total
	<31/12/05	>01/01/06 <31/12/09	>01/01/10	
Bank borrowings				
* MLT borrowings	2,297,491	3,622,651		5,920,142
* Commercial paper, ST credit facilities	4,402,778			4,402,778
* Accumulated interest on financial debt	17,737			17,737
Avances and deposits against orders	170,900			170,900
Trade accounts payable and related accounts	6,414,746	329,290		6,744,036
Taxes, personnel and Social Security	228,390			228,390
Other liabilities	4,332,782			4,332,782
TOTAL	17,864,824	3,951,941	0	21,816,765

Medium-term and long-term borrowings:

<i>Figures in €</i>	Initial Amount	Date of Issuance	Duration	Remaining capital due on 12/31/2004
Crédit Agricole	424,000	27.12.04	2 years	424,000
Banque Courtois	500,000	30.09.02	4 years	250,000
Banque Populaire Toulouse-Pyrénées	1,000,000	23.12.02	5 years	619,410
Société Bordelaise de CIC	457,347	09.03.01	5 years	182,938
Société Bordelaise de CIC	457,347	11.12.01	5 years	114,250
Société Bordelaise de CIC	400,000	25.11.02	5 years	240,000
Natexis Banque	762,245	28.06.01	5 years	300,000
Crédit Lyonnais	1,524,490	20.12.00	7 years	729,718
Crédit Lyonnais	3,048,980	08.02.01	6 years	1,306,706
Crédit Lyonnais	912,000	28.12.01	4 years	228,000
Société Générale	3,048,980	19.04.01	7 years	1,525,120
TOTAL				5,920,142

3.1.2.11 Financial result

The following significant items are included under **financial income**:

- Interest on current accounts invoiced to subsidiaries: € 547,749.33
- Dividends received from subsidiaries: € 100,707.00
- Revenue from off balance sheet commitments in favour of subsidiaries: € 118,636.97

The **financial expenses** are mainly composed of:

- Interest and related charges stemming from bank borrowings € 502,589.88

3.1.2.12 Exceptional result

The following significant items are included under **exceptional income**:

- Default interest paid by Ministry Of Defense: €143,712.50
- Ministry of Defense market penalties (reimbursed to SODIELEC): €121,927.99

The following significant items are included under **exceptional expenses**:

- Default Ministry of Defense interest (paid to SODIELEC): €143,712.50
- Ministry of Defense market penalties (paid by SODIELEC): €121,927.99

3.1.2.13 Financial commitments and securities

As of 31 December 2004, ACTIELEC TECHNOLOGIES has given €10,111,255 in security to banks on behalf of its subsidiaries.

ACTIELEC TECHNOLOGIES has also pledged to purchase, from 1st January 2008 to 11th June 2011, stock purchase warrants issued by Actia SA and entirely subscribed by Anvar (€1.6m) if asked to by Anvar. The price of the warrants purchased by ACTIELEC TECHNOLOGIES will depend on the share price at the time of purchase.

3.1.3 Other information

3.1.3.1 Future tax benefits and liabilities

As of 31 December 2004, items with an impact on future taxes were as follows:

- Tax-loss carry-forwards: €2,181,372
- ARD (perpetual deferred depreciation without expiry date): €527,029
- Tax-loss carry-forwards linked to LT capital losses: €2,076,442

3.1.3.2 Staff at year end

	2003	2004
Executives and managers	6	6
Administrative employees	1	1
Trainees	-	-
Labourers	-	-
TOTAL	7	7

3.1.3.3 Operations with related companies

Amount involving companies as of 31/12/04	related	with which the Group has ownership ties
ASSETS		
Receivables linked to shareholdings	12,340,140	
Provisions on receivables linked to shareholdings	-306,724 (*)	
Other fixed asset securities	217,458	
Other financial fixed assets	8,306	
Advances and deposits against orders	1,089,544	
Trade account receivables and related accounts	1,190,172	117
Other receivables	1,587,634	
LIABILITIES		
Trade accounts payable and related accounts	5,608,070	368,649
Other liabilities		
Income statement		
Operating expenses	13,081,899	2,052,729
Financial expenses		
Exceptional expenses	129,111	
Operating income	4,223,595	147
Financial income	816,713	25,841
Exceptional income	128,937	

(*) Provision on CYT receivable at Mors SA at the time of the merger

3.1.3.4 Risk management policy:

ACTIELEC TECHNOLOGIES has entered into the following agreements:

- ✓ An interest rate cap on 11th July 2002 covering €4.1m of borrowings at a rate of 4.5% over a 5-year period starting 1st January 2003. There remained €2.6m outstanding as of 31st December 2004.

- ✓ An interest rate swap (floating for fixed rate) on 13th March 2003 covering €3.6m of borrowings at 2.76% for a 2-year period starting 1st July 2003. There remained €2.6m outstanding as of 31st December 2003.

3.1.3.5 Compensation of corporate officers

Neither the Chairman of the Managing Board nor the Chairman of the Supervisory Board of ACTIELEC TECHNOLOGIES SA is compensated by ACTIELEC TECHNOLOGIES. Only one member of the Managing Board has a contract stipulating compensation. That board member received a gross salary of €58,278.34 in 2004.

3.1.3.6 Consolidating company

S.A. LP2C	Share capital of €3,967,820
Registered office:	25, Chemin de Pouvoirville 31400 Toulouse
Registered at Chamber of Commerce:	Toulouse B 384 043 352

3.2 THE STATUTORY AUDITORS' GENERAL REPORT AND SPECIAL REPORT



KPMG Audit
9, avenue Parmentier
B.P. 2398
31086 Toulouse Cedex 02
France

Eric Blache
14, rue Clapeyron
75008 Paris
France

Actielec Technologies S.A. (a French public limited company governed by a Board of Management and a Supervisory Board)

Registered office: 25, chemin de Pouvoirville, P.O. Box 74215, 31432 Toulouse cedex 04, France – share capital: € 14,271,156

The Statutory Auditors' General Report

For the trading year which ended on December 31, 2004

Dear Sirs,

Pursuant to the assignment entrusted to us by your General Meeting, we hereby present our report for the trading year which ended on December 31, 2004 concerning:

- Our audit of the accounts of Actielec Technologies S.A. which are appended to this report;
- The justifications for our assessments;
- The specific checks which we carried out and the information stipulated by law.

The accounts were drawn up by the company's Board of Management. It is our duty to express our opinion of these accounts based on our audit thereof.

1. The Statutory Auditors' opinion on the company's accounts

We performed our audit in accordance with the professional standards applicable in France; these standards call for investigations to be carried out in order to achieve reasonable certainty that the consolidated accounts do not incorporate significant anomalies. An audit involves an in-depth analysis of the salient elements underlying the data featuring in these accounts. It also involves assessing the accounting methods used and any significant estimates made in the process of drawing up these accounts, as well as checking the general presentation of the accounts. We consider that the checks that we have carried out form a reasonable basis for the opinion expressed below.

We hereby certify that the consolidated accounts are, in light of France's accounting rules and principles, accurate and truthful and properly reflect the outcome of the company's activities during the past trading year as well as the company's financial position and assets at the end of that trading year.



Eric Blache

Actielec Technologies S.A.
Report of the Statutory Auditors on the company's consolidated accounts

2. Justifications for our assessments

In accordance with the provisions of article L.225-235 of France's *Code de commerce* [commercial laws], whereby we must provide justification for our assessments, we hereby draw your attention to the following elements:

- Point I.5 of the note to the accounts sets out the accounting methods used to value the company's shareholdings.

As part of our assessment of the accounting rules and methods used by your company, we proceeded to ascertain whether the above-mentioned accounting methods and the information provided in the various sections of the note to the accounts were appropriate and whether they had been properly applied.

- Your company has set aside provisions to cover risks linked to the termination of contracts, as described in point II.9 of the note to the accounts.

We proceeded to assess the data and the assumptions upon which these estimates are based, we reviewed the company's calculations and examined the process whereby these estimates were approved by the company's management.

Having performed this assessment, we ascertained that these estimates were in fact reasonable.

Our resulting assessments were incorporated into our overall audit of the company's accounts and thus contributed to the formation of the opinion which is expressed without reservation and features in the first part of this report.

3. Specific checks and information

We also proceeded to carry out the checks stipulated by law in accordance with the professional standards applicable in France.

Further to these checks, we have no comments to make about the accuracy and concordance of the information set out in the Board of Management's Management Report and in the documents about the company's financial position and accounts which were sent out to the shareholders together with the company's accounts.

We have made sure that all requisite information concerning the identity of the holders of shares (or voting rights) in the company was notified to you in the Management Report as provided by law.

Toulouse and Paris, March 21, 2005

KPMG Audit
A unit of KPMG S.A.

Eric Blache

[signature]
Philippe Saint-Pierre
Partner

[signature]



KPMG Audit
9, avenue Parmentier
B.P. 2398
31086 Toulouse Cedex 02
France

Eric Blache
14, rue Clapeyron
75008 Paris
France

Actielec Technologies S.A. (a French public limited company governed by a Board of Management and a Supervisory Board)

Registered office: 25, chemin de Pouvoirville, P.O. Box 74215, 31432 Toulouse cedex 04, France – share capital: € 14,271,156

The Statutory Auditors' Special Report concerning regulated agreements

For the trading year that ended on December 31, 2004.

Dear Sirs,

As Statutory Auditors of your company, we hereby present our special report on regulated agreements.

Regulated agreements authorised during the past trading year

In accordance with article L. 225-88 of France's *Code de commerce*, we have requested and received information about all agreements that had to be authorised beforehand by your Supervisory Board.

Our duties do not extend to investigating whether any other such agreements may have been withheld from us; our role is merely to inform you about the core characteristics and terms of those that we know of based on the information provided to us, without purporting to assess them on their merits. According to the provisions of article 117 of France's decree dated March 23, 1967, it is up to you to assess the utility and probity of entering into these agreements prior to approving them.

With Actia

- Parties involved:
 - Actielec Technologies, represented by Jean Louis Pech
 - Mr. Pierre Calmels
 - Mrs. Marine Candelon – Bonnemaïson
 - Mr. Christian Desmoullins
 - Mr. Louis Pech



Eric Blache

Actielec Technologies S.A.
Report of the Statutory Auditors on the company's consolidated accounts

- **Nature and subject-matter: joint and several guarantee**

- Terms:

Your company provided a joint and several guarantee to its subsidiary Actia to cover a mid-term loan of € 1,500,000. This guarantee is remunerated on the usual terms extended to the subsidiaries.

On December 31, 2004, the balance outstanding on this loan amounted to € 1,261,522.

During the trading year that ended on December 31, 2004, your company paid out € 8,979 in commissions.

- **Nature and subject-matter: joint and several guarantee**

- Terms:

Your company provided a joint and several guarantee to its subsidiary Actia to cover a mid-term loan of € 900,000. This guarantee is remunerated on the usual terms extended to the subsidiaries.

The loan was not fully taken up and come December 31, 2004, the amount which was taken up amounted to € 300,000.

During the trading year that ended on December 31, 2004, your company received commissions amounting to € 200.

- **Nature and subject-matter: guarantee**

- Terms:

Your company provided a guarantee to Airbus on behalf of Actia as part of the signature of a contract to manufacture, upgrade and repair avionics for use in the ATR and AIRBUS programmes.

On December 31, 2004, the contract had still not been signed, so no interest was billed over the trading year.

With Sodielec

- Parties involved:
 - Actielec Technologies represented by Mr. Louis Pech
 - Mr. Pierre Calmels



Eric Blache

Actielec Technologies S.A.
Report of the Statutory Auditors on the company's consolidated accounts

- **Nature and subject-matter: comfort letter**

- Terms:

Your company issued a comfort letter in favour of a bank remunerated at the usual rate applicable to the subsidiaries to cover a loan of € 500,000 taken out for a period of 5 years which was granted by the bank to Sodielec.

On December 31, 2004, the amount outstanding on this loan was € 500.000.

In return, your company received fees of € 2,083 excluding tax during the trading year that ended on December 31, 2004 in accordance with the normal terms applicable within the group.

- **Nature and subject-matter: renewal of comfort letter**

- Terms:

Your company renewed a comfort letter remunerated at the usual rate applicable to the subsidiaries in favour of Crédit Agricole to cover a one year overdraft facility of up to € 300,000.

On December 31, 2004, the amount outstanding on this overdraft facility was € 300,000.

In return for this comfort letter, your company received fees of € 1,500 excluding tax.

With S.C.I. Les Coteaux de Pouvourville

- Parties involved:

- Mr. Louis Pech
- Mr. Pierre Calmels

- **Nature and subject-matter: Authorisation to pledge shares**

- Terms:

Your company pledged all its shares in S.C.I. Les Coteaux de Pouvourville as security for the lease-back agreement over the property development to the extent of € 4.5 million over the entire 12 year period of the operation.



Eric Blache

Actielec Technologies S.A.
Report of the Statutory Auditors on the company's consolidated accounts

With S.C.I. L'Oratoire

- Parties involved:
 - Mr. Louis Pech
 - Mr. Pierre Calmels
- **Nature and subject-matter: Authorisation to pledge shares**
- Terms:

Your company pledged all its shares in S.C.I. L'Oratoire as security for the lease-back agreement over the property development to the extent of € 3 million over the entire 12 year period of the operation.

Agreements approved during previous trading years which continued to be performed during the past trading year

Furthermore, in accordance with France's decree dated March 23, 1967, we have been informed that the following agreements, which were approved during previous trading years, continued to be performed during the past trading year.

With Actia

- **Nature and subject-matter: Group Agreement**
- Terms:

The Group Agreement with your subsidiary gave rise to the following services and remuneration during the past trading year:

- Continuous and recurrent services: € 2,132,083 excluding tax.
- Financial services:

Your company charges interest on the advances in current account which it provides to its subsidiary at the average interest rate applicable to the moneys plus one point.

On December 31, 2004, the balance of the current account amounted to € 10,800,968.

The interest earned during the trading year as a whole amounted to € 408,252 excluding tax.



Eric Blache

Actielec Technologies S.A.
Report of the Statutory Auditors on the company's consolidated accounts

- **Nature and subject-matter: joint and several guarantee in favour of a bank**

- Terms:

Your company provided a joint and several guarantee to cover a loan of € 762,245 borrowed by Actia.

On December 31, 2004, the loan had been paid back in full.

In return for providing this guarantee, your company received fees of € 2,668 excluding tax during the 2004 trading year.

- **Nature and subject-matter: joint and several guarantee in favour of a bank**

- Terms:

Your company provided a joint and several guarantee to cover a loan of € 457,347 borrowed by Actia.

On December 31, 2004, the balance outstanding on this loan amounted to € 91,531.

In return for providing this guarantee, your company received fees of € 1,655 excluding tax during the 2004 trading year.

- **Nature and subject-matter: guarantee in favour of a bank**

- Terms:

Your company provided a guarantee to cover an overdraft facility of € 300,000 which was granted to your subsidiary Actia.

In return for providing this guarantee, your company received fees of € 0 during the 2004 trading year.

- **Nature and subject-matter: comfort letter granted to BDPME**

- Terms:

Your company issued a comfort letter in favour of BDPME to cover a loan of € 564,061 which that bank granted to Actia. This loan was taken out by Actia in order to grant an advance in current account to CIPI.

On December 31, 2004, this loan had been repaid in full.



Eric Blache

Actielec Technologies S.A.
Report of the Statutory Auditors on the company's consolidated accounts

- **Nature and subject-matter: comfort letter granted to a bank**

- Terms:

Your company issued a comfort letter in favour of a bank to cover a credit facility of € 500,000 granted to Actia. This credit facility was negotiated by Actia in order to finance its working capital.

On December 31, 2004, the balance outstanding on this loan amounted to € 200,000. Your company received fees of € 3,000 excluding tax during the trading year that ended on December 31, 2004.

- **Nature and subject-matter: joint and several guarantee in favour of a bank**

- Terms:

Your company provided a joint and several guarantee to cover a loan of € 1,000,000 borrowed by Actia.

On December 31, 2004, the balance outstanding on this loan amounted to € 571,432.

In return for providing this guarantee, your company received fees of € 6,607 excluding tax during the 2004 trading year.

- **Nature and subject-matter: miscellaneous services**

- Terms:

- Your company makes premises available to its subsidiaries. In return for this service and the costs involved, your company invoiced the subsidiaries a total of € 534,888 excluding tax pro rata in accordance with the surface area occupied by each.

Land tax, amounting to € 47,119 excluding tax, was also charged.

- Your company granted Actia licenses over patents that are not part of the partial merger of the Electronics arm into that company (see art. 2 and 9 of the merger agreement). This service was provided free of charge.

- **Nature and subject-matter: joint and several guarantee of debt owed to supplier**

- Terms:

Your company provided a joint and several guarantee to Classic Composants on behalf of Actia S.A. to cover payment of your subsidiary's debt to that company.

On December 31, 2004, the debt in question amounted to € 398,092.

In return for providing this guarantee, your company received commissions of € 6,760 excluding tax.



Eric Blache

Actielec Technologies S.A.
Report of the Statutory Auditors on the company's consolidated accounts

- **Nature and subject-matter: joint and several guarantee in favour of ANVAR**
- Terms:

France's ANVAR provided your subsidiary Actia S.A. with a reimbursable loan of € 1,200,000 as part of the Government's scheme to back innovation, in connection with the development and pre-production of the secure digital tachograph. Your company in return provided a joint and several guarantee to cover the repayment of this € 1,200,000 loan.

On December 31, 2004, the amount outstanding on this loan amounted to € 1,200,000.

In return for providing this guarantee, your company received commissions of € 12,000 excluding tax.

- **Nature and subject-matter: joint and several guarantee in favour of two banks**

- Terms:

Your company provided a joint and several guarantee to cover repayment of a loan of € 4,000,000 borrowed by Actia. This loan was taken out with a view to financing part of the Research & Development costs already incurred as part of the secure digital tachograph project.

On December 31, 2004, the amount outstanding on this loan amounted to € 4,000,000.

In return for providing this guarantee, your company received fees of € 30,000 excluding tax.

With Actia Muller Services

- **Nature and subject-matter: joint and several guarantee in favour of S.C.I. Luce Investissement**

- Terms:

Your company provided a joint and several guarantee to cover full payment of the rent, charges and other costs incurred in connection with the lease granted by S.C.I. Luce Investissement to your subsidiary AMS.

On December 31, 2004, the extent of your potential commitment amounted to € 2,235,000.

In return for providing this guarantee, your company received fees of € 24,212 excluding tax.



Eric Blache

Actielec Technologies S.A.
Report of the Statutory Auditors on the company's consolidated accounts

With Sodielec

- **Nature and subject-matter: Group Agreement**

- Terms:

The Group Agreement with your subsidiary gave rise to the following services and remuneration during the past trading year:

- Continuous and recurrent services: € 599,988 excluding tax.
- Financial services:

Your company charges interest on the advances in current account which it provides to Sodielec at the average interest rate applicable to the moneys plus one point.

On December 31, 2004, the balance of the current account amounted to € 1,232,447.

The interest earned during the trading year amounted to € 7,632 excluding tax.

- **Nature and subject-matter: comfort letter in favour of a bank**

- Terms:

Your company issued a comfort letter in favour of a bank to cover the repayment of a loan of € 2,286,735 taken out by Sodielec.

On December 31, 2004, the amount outstanding on this loan stood at € 1,260,716.

In return for issuing this comfort letter, your company received fees of € 14,590 excluding tax.

- **Nature and subject-matter: comfort letter in favour of a bank**

- Terms:

Your company issued a comfort letter in favour of a bank to cover the repayment of a loan of € 762,245 taken out by Sodielec.

On December 31, 2004, the amount outstanding on this loan amounted to € 252,652.

In return for issuing this comfort letter, your company received fees of € 3,512 excluding tax.



Eric Blache

Actielec Technologies S.A.

Report of the Statutory Auditors on the company's consolidated accounts

- **Nature and subject-matter: comfort letter in favour of a bank**

- Terms:

Your company issued a comfort letter in favour of a bank to cover a 1-year € 300,000 overdraft facility granted to your subsidiary Sodielec in connection with the pre-financing of conditional phases 3 and 4 of the DGA contract

On December 31, 2004, this overdraft facility had been paid back in full.

In return for issuing this comfort letter, your company received fees of € 870 excluding tax.

With Mors Technologies S.A.S. (taken over by Sodielec on December 30, 2004, effective January 1, 2004)

- **Nature and subject-matter: Group Agreement**

- Terms:

The Group Agreement with your subsidiary gave rise to the following services and remuneration during the past trading year:

- Financial services:

Your company charges interest on the advances in current account which it provides to its subsidiary at the average interest rate applicable to the moneys plus one point.

On December 31, 2004, the balance of the current account had been paid back in full.

The interest earned during the trading year as a whole amounted to € 105,830 excluding tax.



Eric Blache

Actielec Technologies S.A.
Report of the Statutory Auditors on the company's
consolidated accounts

With LP2C

- **Nature and subject-matter: Group Agreement**

- Terms:

The Group Agreement with LP2C gave rise to the following services and remuneration during the past trading year:

- Continuous and recurrent services:

- . Yearly fixed fee: € 91,469 excluding tax.

- . 0.85% of the consolidated turnover: € 1,935,217 excluding tax.

- Financial services:

The remunerated advance in current account granted by LP2C to your company was settled come December 31, 2004.

The interest billed to your company during the trading year as a whole amounted to € 0 excluding tax.

- **Nature and subject-matter: advance in current account**

- Terms:

Your company has granted LP2C an advance into current account that is remunerated in accordance with the Group Agreement.

On December 31, 2004, the outstanding balance of this overdraft facility had been paid back in full.

The interest received during the past trading year amounted to € 25,841 excluding tax.

With S.C.I. Les Coteaux de Pourville

- **Nature and subject-matter: Lease agreement**

- Terms:

Under a 12 year lease signed on December 1, 1987 and renewed in 1999, S.C.I. Les Coteaux de Pourville leases premises located at chemin de Pourville in Toulouse, France, to your company, which is responsible for paying half the security costs in accordance with the rider to the lease.

The rent paid out over the past trading year amounted to € 595,630 excluding tax.



Eric Blache

Actielec Technologies S.A.
Report of the Statutory Auditors on the company's consolidated accounts

With Actia and Sodielec

- **Nature and subject-matter: Group Agreement**
- Terms:

Your company provides management personnel so its subsidiaries. This service is billed at cost, including social security charges (and including paid leave provision).

During the 2004 trading year, the fees charged by your company amounted to € 899,350 excluding tax.

We have performed our duties in keeping with the professional standards applicable in France; these standards call for investigations to be carried out in order to ascertain that the information which was provided to us concords with the documents from which it originated.

Toulouse and Paris, March 21, 2005

KPMG Audit
A unit of KPMG S.A.

[signature]
Philippe Saint-Pierre
Partner

Eric Blache

[signature]

4. AGENDA AND MOTIONS PASSED BY THE GENERAL MEETING THAT WAS HELD ON MAY 9, 2005

4.1 AGENDA

- The Board of Management's Management Report for the trading year which ended on December 31, 2004, including the Group Management Report,
- The Board of Management's report on its use of the authorisation which it was granted to increase the company's share capital,
- The Board of Management's report on the options to subscribe to and buy shares stipulated by article L225-184 of France's *Code de Commerce*,
- The Supervisory Board's Standard Report,
- The Supervisory Board's report drawn up in accordance with article L225-68 of France's *Code de Commerce*,
- The Statutory Auditors' report on their internal audit,
- The Statutory Auditors' report on the performance of their tasks and on regulated agreements covered by article L225-86 of France's *Code de Commerce*,
- Approval of the company's accounts and regulated agreements,
- Approval of the consolidated accounts,
- Allocation of the earnings,
- Granting the Board of Management the right to have the company buy up its own shares under article L225-209 of France's *Code de Commerce*.

4.2 MOTIONS

These are set out in section 1.10 of the 2004 Management Report.

4.3 RESOLUTIONS

This subject is developed in the 2004 Management Report, paragraphe 1.10.

5. CONTACT DETAILS

Our contact details are:

ACTIELEC TECHNOLOGIES

Public Limited Company with a Capital of 14,879,024.25 €
RCS TOULOUSE: 542 080 791 – NAF: 741J

25, Chemin de Pouvoirville
B.P.74215
31432 TOULOUSE Cedex 4

Tel.: 05.61.17.61.08
Fax: 05.61.55.42.31

E-mail: contact@actielec.com

Shareholder information:
Catherine MALLET: catherine.mallet@actia.fr

Our website:

www.actielec.com