ACTIELEC Technologies

AUTOMOTIVE & TELECOMMUNICATIONS

FINANCIAL REPORT

2005

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Only the French language version of this document shall be deemed authentic in the event of litigation.

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1. MANAGEMENT REPORT

ACTIELEC Technologies
Limited Company with Management and Supervisory Board
And a Capital of € 14,894,955.75
Registered Office: 25, chemin de Pouvourville
31400 TOULOUSE
Registration No. TOULOUSE: 542 080 791

MIXED GENERAL MEETING

9th MAY 2006

MANAGEMENT REPORT
Including Group Management Report

Dear Shareholders,

We have met in a General Meeting in accordance with the law and the stipulations in our Articles of Association to reveal to you the Company's activities during the financial year closed 31st December 2005, to listen to the Supervisory Board's and Auditors' reports and to ask you to rule on the accounts for that year, the allocation of the profits and the conduct of the on-going agreements.

The procedure for calling the present meeting has been conducted correctly and the documents envisaged in the prevailing legislation have been sent to you or made available to you within the time periods allowed.

This report is particularly intended to present to you the situation both of our Company and of our Group.

The company accounts for the financial year closed 31st December 2005 have been drawn up in accordance with the general presentation rules laid down in Rule CRC 99-03 of 29th April 1999 relating to general accounting standards.
Rules CRC 2002-10 (relating to the amortization and depreciation of assets) and CRC 2004-06 (relating to the definition, recording and evaluation of assets) have also been applied as from 1st January 2005.

The consolidated accounts for the financial year closed 31st December 2005 have been drawn up in accordance with the IFRS system of reference as adopted by the European Union on 31st December 2005. The provisions of IFRS I (the first application of the international financial information standards) have been applied. The IAS/IFRS standards differ from the standards previously applied by the Group for certain subjects. The description of the effects on the financial statements of the transition to IAS/IFRS standards is provided in Note II in the Appendix to the consolidated accounts. The comparative data presented below are therefore all presented in accordance with IFRS standards.

1.1 ACTIELEC TECHNOLOGIES: CONSOLIDATED ACCOUNTS

The scope of consolidation for the Group and the Branches whose activities we are describing to you is as follows on 31st December 2005:

NAME	Head Office	% of Control	Sector of Activities
ACTIELEC TECHNOLOGIES SA	Toulouse	Consolidating Company	Holding & Guidance
AUTOMOTIVE			
ACTIA SA	Toulouse	99.97	Electronic studies and production
ACTIA MULLER SERVICES SA	Toulouse	99.99	Production and distribution of mechanical equipment for garages and inspection centres
TECNOFRANCE SA	Méry sur Oise	99.50	No industrial activity
AUTOTECH SARL	Méry sur Oise	92.89	No industrial activity
PARMA	Méry sur Oise	100.00	Real estate
AIXIA SA	Le Bourget du Lac	99.91	Electronic studies and production
ATON SYSTÈMES SA	Maison Alfort	87.80	Electronic studies and production
ACTIA UK LTD	Newtown *(Wales)*	100.00	Electronic studies and production
TEKHNE LTD	Farnborough *(England)*	100.00	No industrial activity since 1995
ACTIA VIDEOBUS SAS	Getafe Madrid *(Spain)*	100.00	Study and production of audio and video equipment
ACTIA AUTOMOTIVE	Getafe Madrid *(Spain)*	80.01	Distribution of diagnostic products
SCI LOS OLIVOS	Getafe Madrid *(Spain)*	39.99	Real estate
KARFA SA DE CV	Mexico (*Mexico*)	90.00	Participation management
ACTIA DE MEXICO SA DE CV	Mexico (*Mexico*)	100.00	Production and distribution of audio and video equipment
ACTIA DO BRASIL LTD	Porto Alegre (*Brazil*)	90.00	Electronic studies and production
ACTIA INC.	Elkhart-Indiana (*USA*)	100.00	Company with no activity
ATAL SARL	Tabor (*Czech Rep.*)	89.98	Electronic studies and production
ACTIA ITALIA SPA	Torino *(Italy)*	100.00	Electronic studies and production
I + ME ACTIA GMBH	Braunsweig *(Germany)*	100.00	Electronic studies and production
ACTIA CORP.	Elkhart-Indiana (*USA)*	100.00	Electronic studies and production
ACTIA NL BV	Nuenen *(Netherlands)*	100.00	Electronic studies and production
ACTIA POLTIK SP SARL	Lodz *(Poland)*	70.00	Electronic studies and production
CIPI SA	Tunis (*Tunisia*)	65.60	Electronic production
ACTIA INDIA PRIVATE LTD	New Delhi *(India)*	51.00	Electronic studies and production
ACTIA SHANGAI	Shanghai *(China)*	100.00	Electronic studies and production
ACTIA NORDIC	Spanga *(Sweden)*	52.00	Electronic studies and production
TELECOMMUNICATIONS			
SODIELEC SA	St Georges de Luzençon	91.10	Electronic studies and production
SCI SODIMOB	St Georges de Luzençon	60.00	Real estate
PILGRIM SA	Toulouse	99.99	Electronic studies and production
ARDIA	Tunis (*Tunisia)*	60.00	Electronic studies
SCI DE L'ORATOIRE	Toulouse	100.00	Real estate
SCI LES COTEAUX DE POUVOURVILLE	Toulouse	27.50	Real estate

1.1.1 THE CONSOLIDATED RESULTS

Our group's consolidated accounts show a turnover of M€ 217.5, a reduction of 4.5 % and a net income ascribable to the Group of M€ <0.9> (M€ 5.5 in 2004).

The consolidated results for the 2005 financial year are as follows:

GROUP'S CONSOLIDATED INCOME	2004	2005
Sales turnover	€ 227,741,485	€ 217,570,116
Operating income	€ 8,283,971	€ 2,049,407
Net financial indebtedness cost	€<3 149,247>	€ <3,022,274>
Net income before income from ceased activities or activities being transferred	€ 6,044,317	€ <1,557,135>
Net tax income from ceased activities or activities being transferred	€ 0	€ 0
Net income	€ 6,044,317	€ <1,557,135>
✓ Attributable to Group	€ 5,405,756	€ <1,631,936>
✓ minority interests	€ 638,561	€ 74,801
EBITDA (§1.1.3.3)	**€ 18,172,170**	**€ 10,434,132**

We shall ask you to approve these accounts.

1.1.1.1 Group overall activity during the past financial year

Turnover has paused in its progress. In fact, 2005 has been a transition year for both branches of activity. The reason why is provided in Paragraph 1.1.3.

The financial situation has stabilised during the financial year, in particular by:
- Strengthening shareholders' equity by an increase in capital in April 2005;
- Renewing medium-term debts at the same level;
- Installing long-term financing via a property sale and lease-back.

Gearing has therefore been stabilised at 120% after processing in accordance with IFRS standards (including financing the transformer vault).

1.1.2 HIGHLIGHTS OF THE 2005 FINANCIAL YEAR

1.1.2.1 Completion of reorganisation of the Telecommunications Branch

The second stage in the reorganisation consisted of combining together the activities located on the sites in Manosque and Puy-Sainte-Réparade (PSR). The transfer was completed in February 2005 but this relocation was only fully operational as from the second half of 2005. It has enabled reorganisation of the purchasing, scheduling, supplies, finance, human resources, control management and design department sections.

1.1.2.2 Reorganisation of ACTIA MULLER SERVICES

Because of the losses recorded in 2004 on this structure, due in large part to lack of invoicing relating to the privatisation of the heavy goods vehicle inspection centres, restructuring was carried out with the closure of the CHAMPLAN site in the Parisian region, thereby combining together all the activities in LUCE (28). This must enable optimisation of the commercial, purchasing and supplies functions. In addition, the building in MERY SUR OISE is in the process of being assigned; the transaction should take place during 2006.

The expense relating to this reorganization entered in the accounts for 2005 is k€ 180 . The future saving will be k€ 550 over a full year which is explained by the departure of some employees who did not wish to relocate and by the non-renewal of certain fixed term employment contracts on the LUCE site.

1.1.2.3 The new international subsidiaries

The decision was taken to create a subsidiary in which ACTIELEC Technologies holds 60%, in the engineering sector (studies, development and industrialisation), in Tunisia. Our choice took into account local training, the time zone, the language and the relocation costs in comparison to other countries. Because of increasingly pressing demand from our customers for a reduction in software costs, it became necessary to set up a structure to ensure the development of these products with a target workforce of 25 people in due course.

1.1.2.4 Transactions regarding existing participations within the Group

- SCI de l'ORATOIRE conducted a lease-back transaction on its building in Colomiers in February 2005 with the company NATIOCREDIMURS. The accounting appreciation on this transaction in the company accounts has been spread over the term of the agreement, namely 12 years. This agreement was reprocessed in the consolidated accounts. For its part, tax has been fully imposed on this appreciation in 2005.
- ACTIA MULLER SERVICES has increased its participation in its AUTOTECH subsidiary through repurchase of shares, strengthening its holding from 71.58% to 92.89%.
- ACTIELEC Technologies has participated in increasing the capital of its SODIELEC SA subsidiary on 27th May 2005, increasing its percentage of control from 90.47% to 91.10%.

1.1.3 GROUP ACTIVITY BY BUSINESS SECTOR

1.1.3.1 Automotive Branch

CONSOLIDATED AUTOMOTIVE INCOME	2004	2005
Sales turnover	€ 177,817,547	€ 177,452,385
Operating income	€ 4,731,923	€ 2,151,752
Net financial indebtness cost	€ <2,369,598>	€ <2,558,280>
Net income before revenue from activities that have ceased or are in the process of ceasing	€ 1,583,740	€ <942,957>
Net tax revenue from activities that have ceased or are in the process of ceasing	€ 0	€ 0
Net income	€ 1,583,740	€ <942,957>
✓ attributable to the Group	€ 1,378,248	€ <1,025,606>
✓ minority interests	€ 205,492	€ 82,649
EBITDA (§1.1.3.3)	**€ 10,709,172**	**€ 7,713,519**

Business has developed among the three "Business Groups" as follows:

Description	2004	2005
BG Diagnostic	k€ 91,245	k€ 79,944
BG On-board Systems	k€ 64,871	k€ 76,783
BG Services	k€ 21,702	k€ 20,724

<u>B.G. Diagnostic:</u>

- MULTIDIAG: strong development in this sector, in line with expectations:
  - ✓ Negotiations have advanced with various major operators in the automobile distribution sector (AUTO DISTRIBUTION – VALEO and MIDAS);
  - ✓ Success of our products at the EQUIP'AUTO trade fair: 58.8% increase in orders taken compared to the previous fair;
- The ACTIA Group provides four major diagnostics-related services:
  - ✓ The supply of communication cards,
  - ✓ The provision of services,
  - ✓ The supply of diagnostic equipment,
  - ✓ The production of associated software for each new vehicle.

A market leader in the first two sectors, the Group seeks to develop these activities to strengthen its position.

- PSA Group: a mixed year:
  - ✓ Setback in the invitation to tender presented in partnership with CAP GEMINI for OEMs (Own Equipment Manufacturers) for the "Group diagnostics" solution. However, for PSA, ACTIA remains and will remain a well-known supplier both for studies and the sale of equipment;
  - ✓ Factory diagnostics: Start of deliveries against two contracts won in 2004 (COC for Colisée Contev and ORUS for Outil de Retouche Usine). Deliveries will continue in 2006;
- RENAULT TRUCKS: continued marketing of the DiagNG3 diagnostics tool;
- MERCEDES: the STARBASIC continues to be marketed and changes to become the STAR Facelift with good potential in 2006;
- FIAT: sustained sequence of sales of SMART EXAMINER;
- Software publication: the studies sold in 2005 continue to progress (+ 28 %) in the same sectors as in 2004 (production of updates for diagnostics, repair and associated services software: supply of updating Internet platform, remote diagnostics);
- Favourable follow-up of contacts taken for studying diagnostics solutions outside the automobile sector;
- Signature of an agreement with FACOM enabling the take-over of FACOM customers in all countries but especially in France and Great Britain to result in the creation of a network of independent customers as an intermediary for "major accounts";
- Signature of an agreement with ETAI (Editions Techniques pour l'Automobile et l'Industrie) for the issue of documentation and a repairs protocol for a multi-make solution.

B.G. On-board Systems:

- Chronotachograph:
  - ✓ Despite the new postponement of the effective commissioning date, the chronotachograph has become a reality in the main European countries for some months now. Advantage has been taken of this period of preparation to enable the successful launch of the various supports: TACHOTEACH for training, D-box/ D-Store for the approved sales outlets and D-Box/ TACHOSTORE for fleet management. The D-Box/ D-Store support has been sold in the majority of the sales outlets in France and Belgium and the French OEM factories have been equipped with data transfer solutions (RENAULT TRUCKS, IRISBUS);
  - ✓ The market launch date for vehicles equipped with a digital chronotachograph is tacitly set by the dominant manufacturers as 1st May 2006 following publication of the social section. This postponement has an impact on 2005/2006 in business activity terms, with a displacement in sales;
  - ✓ Objective maintained of conquering 30% of the market in 5 years. Signature of the first contracts, in particular with MERCEDES - DAIMLER CHRYSLER – FIAT/IVECO - IRISBUS, confirms the first deliveries for 2006;
  - ✓ Expansion of commercial potential, in particular thanks to the telematic portal (Gateway) outside Europe (Brazil - India - the United States…), with an important sales turnover potential and new contacts: manufacturers or managers of fleet.
- OEM (Own Equipment Manufacturer) for vehicle manufacturers: continuance of our development:
  - ✓ Bus and coaches for IRISBUS with the Multibus system and the Podium dashboard;
  - ✓ Trucks with the SCANIA step-down transformer and VOLVO-RENAULT TRUCKS flasher;
  - ✓ Industrial vehicles: selection of ACTIA to respond to development of the safety requirements imposed on industrial engine manufacturers (MANITOBAN, PINGUELY HAULOTTE …).

The business activity remains based on our know-how and a family of technical products:

- ✓ Increase in production of the 20 Amp step-down transformer;
- ✓ Continuance of the success recorded in the instrumentation field;
- ✓ Secure sensor: the ElectricFil development has definitively been transferred to ACTIA;
- ✓ Telematics: development of the Dynafleet telematic platform can be connected to Smartach.

The Group has continued its policy of reducing material, component and production costs, in particular by manufacturing computers in Tunisia.

B.G. Services:

- Services:
  - ✓ The sub-contracting contracts for the new customers only compensate for part of the volume of turnover relating to the cessation of certain products but they enable a better margin to be recorded. The relevant reorganization of the working methods and the production lines for these new contracts was completed during the financial year;
  - ✓ In France, a M€ 16.5 three-year contract has been signed with AIRBUS, strengthening the long-term continuance of activity on the Colomiers site by opening it up to the aeronautics sector;

  - ✓ In Tunisia, in spite of a delay in production build-up, the SIEMENS contract is a technological success in terms of throughput rate and of quality (with a defect level generally lower than 30 ppm). The second half-year saw the start of production of a second computer.
- ➢ Long-term continuance:
  - ✓ Activity is centred around services of the "Obsolescence Monitor" type, with the continued retention of DASSAULT AVIATION and the signing of a contract with the COGEMA Group;
  - ✓ This activity still in the process of building up; the sales turnover generated by has not yet achieved profitability level;
  - ✓ Expansion of the services with the production of expert assessments at the end of the financial year.

1.1.3.2 Telecommunications Branch

CONSOLIDATED TELECOMMUNICATIONS INCOME	2004	2005
Sales turnover	€ 50,189,975	€ 40,040,648
Operating income	€ 4,664,407	€ 126,067
Net financial debts cost	€ <769,993>	€ <656,334>
Net income before revenue from activities that have ceased or are in the process of ceasing	€ 5,259,205	€ 158,532
Net tax revenue from activities that have ceased or are in the process of ceasing	€ 0	€ 0
Net income	€ 5,259,205	€ 158,532
✓ attributable to the Group	€ 5,247,459	€ 144,936
✓ minority interests	€ 11,746	€ 13,596
EBITDA (§1.1.3.3)	**€ 7,221,497**	**€ 3,038,499**

Business has developed among the four "Business Groups" as follows:

Description	2004	2005
BU Broadcasting	k€ 6,376	k€ 10,647
BU Earth Stations	k€ 25,000	k€ 10,434
BU Networks	k€ 12,915	k€ 14,748
BU Aeronautics / Defence	k€ 5,899	k€ 4,212

<u>B.U. Earth Stations:</u>

- ➢ The sales turnover generated in 2005 by the first DGA contract (operating condition and maintenance work) has not compensated for the reduction in activity;
- ➢ The second DGA contract for the HD stations (via THALES, the industrial project manager) has been finalised but activity on this new contract did not start in 2005 as expected: the anticipated sales turnover for this contract has been re-assigned to future financial years;
- ➢ Continuance of the R&D efforts in preparation for the expected winning back of business in this sector.

<u>B.U. Broadcasting:</u>

- ➢ The main activity is centred on TNT with the selection of SODIELEC by several broadcasting operators and certain channels for deploying TNT in France;
- ➢ In collaboration with our main customer, TDF, the first contacts with the Finnish and Spanish markets have enabled us to respond to several important invitations to tender;
- ➢ The product range was finalised during the financial year, with most of the products selected and qualified.

<u>B.U. Networks:</u>

- ➢ SODIELEC has been selected as the supplier for 8 of the first 11 EDF installations for the CNC medium voltage network control stations. EDF has announced that it will be upgrading its network over 10-15 years (2200 stations);
- ➢ A high level of activity and a good level of responsiveness to it has provided constant sales turnover from the telephony sector.

<u>B.U. Aeronautics / Defence:</u>

- ➢ The SYMEO-SYSTEME optical helicopter-borne measurement project with the DGA (an optronic measurement platform for on-board a helicopter or a boat) has continued to advance and should be completed in 2006.
- ➢ The Autocoms for planes (eCTU) have been qualified for AIRBUS, BOEING and ROCKWELL.

1.1.3.3 EBITDA

	31/12/2005		
	Automotive Branch	Telecom Branch	Consolidated A/T
Sales turnover	€ 177,452,385	€ 40,040,648	€ 217,570,116
Net income	€ <942,957>	€ 158,532	€ <1,557,135>
- Taxes	€ 557,404	€ <688,799>	€ 678,298
- Interest and financial expenses	€ 2,707,988	€ 756,119	€ 3,280,857
- Net allocations to amortizations	€ 3,591,459	€ 2,874,602	€ 6,571,222
- Net allocations to provisions	€ 1,799,625	€ <61,955>	€ 1,460,890
EBITDA	**€ 7,713,519**	**€ 3,038,499**	**€ 10,434,132**

1.1.4 PROGRESS MADE AND DIFFICULTES ENCOUNTERED

1.1.4.1 The progress made

- Continuance of the rationalisation and restructuring operations (ACTIA MULLER SERVICES – SODIELEC);
- Implementation of new means to improve productivity (creation of ARDIA) and development methods;
- Better use of the Group's studies and development skills, in particular with export resources: Brazil – Czech Republic – Germany – United States;
- Adaptation of the basic model for the chronotachograph to customers' specific requirements and homologation of the model specially for the transport of hazardous materials;
- Commercial launch of the Multi-Di@g at European level in May 2005 and development of a Pocket version forecast to be introduced in April 2006;
- Support for emerging market subsidiaries: India, China.

1.1.4.2 The difficulties encountered

2005 has been, above all, a year of transition.

For the Telecommunications branch, the business for the 3-band earth stations for the DGA contract (Syracuse II) reached the end of the deliveries phase. Despite the turnover generated by Maintenance in Operating Condition for these products, postponement of the new contract has caused a sharp reduction in turnover. The period has been put to profitable use in reinforcing product reliability. The signing of this important contract for the HD stations has been materialized.

For the Automotive branch, despite the success recorded in marketing the chronotachograph, the delay in setting up the obligation for it under European regulations has affected the turnover for 2005. The effect on 2006 should be less because the obligation should be introduced on 1st May 2006.

Moreover, the Automotive branch has not benefited from a new temporary contract, as was the case in 2004 with MITSUBISHI: this has had certain repercussions on the level of turnover recorded.

The activities of ACTIA MULLER SERVICES, a company specializing in garage equipment and associated services, have still shown a deficit over the financial year. However, the restructuring during 2005 and the improvement in operating efficiency have restored customer confidence (Cf. orders taken during EQUIP AUTO) and operating profitability during the latter months of the financial year.

1.1.4.3 The priorities for 2006

Efforts will be made regarding the following points in 2006:

- Increase in sales of the Group's different products in the various markets in France and throughout the world via our subsidiaries and distribution networks;
- Pursuit of reductions in purchase costs (materials, sub-assemblies, etc…);
- Optimisation of the use of own capital resources in developing new differentiatory technological units.

1.1.5 RESEARCH & DEVELOPMENT ACTIVITY

R&D activity remains important because it enables us to maintain a high technical level within the Group. The table below summarizes the changes in its total cost (expenses for the year, customer re-invoicing and fixed assets; apart from amortizations for the financial year):

In M€	2000	2001	2002	2003	2004	2005
Automotive	19.,5	23.7	23.6	19.1	24.4	24.5
Telecommunications	8.3	10.1	8.7	9.6	11.3	10.8
Oceanography	0.3	1.3	0.3	-	-	-
TOTAL	**28.1**	**35.1**	**32.6**	**28.7**	**35.7**	**35.3**
% T/O	20.9%	19.1%	18.5%	14.5%	15.7%	16.2%

The expenses of M€ 35.3 in 2005 are divided up into expenses of M€ 16.8, R&D sold of M€ 15.1 and fixed assets of M€ 3.4.

1.1.5.1 Automotive Branch

Total expenses on R&D in 2005 were k€ 24,530, distributed as follows:

- Cost of studies sold k€ 12,748,
- Fixed assets k€ 2,146,
- Expenses for the year k€ 9,636.

1.1.5.2 Telecommunications Branch

Total expenses on R&D in 2005 were k€ 10,820, distributed as follows:

- Cost of studies sold k€ 2,399,
- Fixed assets k€ 1,283,
- Expenses for the year k€ 7,138.

1.1.6 TARGETS FOR 2006 – CHANGES AND FUTURE PROSPECTS

1.1.6.1 Changes in turnover

TARGET FOR 2006	AUTOMOTIVE	TELECOMMUNICATIONS	TOTAL
Consolidated T/O	M€ 180 / 183	M€ 45 / 48	M€ 225 / 231

1.1.6.2 *Future prospects*

Automotive

B.G. Diagnostics:

The opportunities for 2006:

- For the OEM (Own Equipment Manufacturer) sector:
  - ✓ Winning of the invitation to tender from MANITOU;
  - ✓ Winning of the MITSUBISHI TRUCKS network following the temporary contract signed in2004.
  - ✓ Replacement of the SMART 10 by the SMART 12 for FIAT;
- For Multidiag: launch of the Pocket+ in western Europe and the Handi in eastern Europe;
- Follow-up of the important invitation to tender in Turkey for mobile stations for vehicle technical inspection.

B.G. On-board electronics:

- ✓ The contracts won recently (HAULOTTE, RENAULT, VOLVO DYNAFLEET, QUALCOMM, MANITOU, IRISBUS…) will strengthen turnover in 2006;
- ✓ Change-over to stabilized production of "instrumentation" products: Podium;
- ✓ Start of mass production of the Smartach digital tachograph.

B.G. Services:

- Services
  - ✓ High-volume production coming on-stream in Tunisia with the start-up of a third product;
  - ✓ Development of aeronautics production with increase in the scope of production for AIRBUS and extension into being second-level equipment suppliers.
- Long-term continuance
  - ✓ Extension of the "Obsolescence Monitor" activities to all the COGEMA sites and extension of the framework contract to the AREVA Group;
  - ✓ Attempt to resume purchase for resale activities following stabilization of the structures with our current customers;
  - ✓ Pursuit of development of expert assessment services with the overall installation taken into account.

Telecommunications

B.U. Earth stations:

- Achieving qualification for the HD station;
- Export development with an initial stage at European level (Spain, Italy…).

B.U. Broadcasting:

- Continuance of the existing export efforts to realize the potential markets;
- The playing of a significant role in the TNT market for local associations that will benefit from assistance from the French State (subsidy voted with the financial legislation for 2006).

B.U. Networks:

- Follow-up of the EDF offer in the deployment of digital networks.

B.U. Aeronautics / Defence:

- Establishment of an aeronautics strategy and development of the sales force in the Defence market.

1.1.7 IMPORTANT EVENTS SINCE THE CLOSING DATE

During the first quarter of 2006, SODIELEC completed a lease-back transaction on its building in PUY SAINTE REPARADE jointly with NATEXIS LEASE, SOFIMUR and UCABAIL for an amount of k€ 2700, based on a fixed rate of 4.6 % over a 12-year period.

1.1.8 INDEBTEDNESS SITUATION

During the 2005 financial year, the "Net Indebtedness / Own capital" ratio was maintained at 120% as compared to 118% on 31/12/04, according to the new standards, i.e. taking into account financing the customer item in the net debts.

Therefore, during this transition year characterized by a reduction in the level of business and therefore of income in a world context of increases in material prices, the Group has been able to maintain its ratios, in particular thanks to the increase in capital (in April 2005) and start to reconstruct its medium and long-term debt, in particular via a lease-back transaction. The distribution of the various types of financial debts is shown in paragraph 2.3.12 of the appendix to the consolidated accounts.

1.1.9 COMMITMENTS OUTSIDE THE BALANCE SHEET AND SIGNIFICANT RISKS

1.1.9.1 Commitments outside the balance sheet

The commitments outside the balance sheet and the guarantees on elements of the assets are detailed in the appendix to the consolidated accounts (notes 2.3.22 and 2.3.23) and represent, as on 31st December 2005:

- Commitments made: M€ 0.3;
- Commitments received: M€ 0.4;
- Guarantees on elements of the assets: M€ 11.7.

1.1.9.2 Liquidity risk

The liquidity risks are detailed in the appendix to the consolidated accounts (note 2.3.12).

Financial debts of less than a year amount to M€ 52.

Details of the covenants to be observed are also shown in note 2.3.12.

1.1.9.3 Policy for covering risk

Risks on exchange and risks on rates are covered by CAP, SWAP and term exchange policies, whose amounts and conditions are detailed in note 2.3.24 of the Appendix to the Consolidated Accounts.

1.2 ACTIELEC TECHNOLOGIES: COMPANY ACCOUNTS

The company accounts for ACTIELEC Technologies S.A. show a sales turnover of M€ 7,1, a sharp reduction (57.5 %) because of the end of deliveries on the DGA contract, on which the company is a co-contractor; invoicing is now related to Maintenance in operating Condition. The significant reduction in expenses is mainly related to these contracts.
The main company accounts indicators for the 2005 financial year are:

Sales turnover net	€ 7,139,786
Operating revenue	€ 7,841,546
Operating income	€ <528,444>
Financial income	€ 398,724
Extraordinary income	€ 4,998
Net loss	€ <139,722>

We shall ask you to approve these company accounts.

1.2.1 THE DIFFICULTIES ENCOUNTERED

2005 saw the Capital of ACTIELEC Technologies increase by 9.7% thanks to a call on the market (Cf. §1.2.2) and the Net Indebtedness stabilize. The funds collected have mainly been used to support the Group's subsidiaries:

- SODIELEC via an increase in capital of M€ 3.4 (in May 2005) enabling the entity to consolidate its Capital at the time of a major invitation to tender for new terrestrial stations and a significant reduction in its activity;
- ACTIA via contributions to the current account of M€ 4.6 to support the company when the start-up of the chronotachograph was postponed and to support its developing subsidiaries (in INDIA and CHINA) and those undergoing restructuring (ACTIA MULLER SERVICES and ACTIA CORP).

1.2.2 SIGNIFICANT EVENTS

The Extraordinary General Meeting of 21st September 2004 authorized a call on the market up to a maximum of 4,125,000 shares.
As part of this authorization, the Management Board conducted a market operation involving the free issue of Share Subscription forms reserved for shareholders at a rate of 5.20 Euros consisting of 0.75 Euros nominal value plus 4.45 Euros issue premium.
This operation generated an increase in capital of € 607,868.25. The Company's Capital increased from € 14,271,156 to € 14,879,024.25, based on a nominal value of € 0.75 / share.
A report from the Management Board on this increase will be presented to you during this General Meeting.

1.2.3 ALLOCATION OF INCOME

In accordance with the Law and our Articles, we propose to allocate the income from the financial year, which amounts to a loss of € 139,721.81, as a "Carried Forward" item.

Origin		
Carried forward "creditor balance"		€ 11,222,273.95
Income from the financial year: a loss of		- € 139,721.81
Allocation		
"Carried Forward" account amounting to	€ 11,082,552.14	
TOTALS	**€ 11,082,552.14**	**€ 11,082,552.14**

1.2.3.1 Previous dividend distributions

In accordance with the provisions of Article 243 A of the General Tax regulations, we inform you that no distribution of dividends has taken place over the last three financial years

1.2.3.2 Non tax-deductible expenses (CGI 39-4)

We shall ask you to approve the overall amount of expenditure and expenses covered by Article 39-4 of the General Tax Regulations, namely the sum of € 271.18, corresponding to surplus amortizations on the company occupational vehicles.

However, no tax is due for the 2005 financial year.

1.2.4 CAPITAL

1.2.4.1 Distribution of the Company's Capital

We inform you of the identity of the people with an indirect or directly holding on 31st December 2005 of more than 5% - 10% - 15 % - 20% - 25 % - 33.33 % - 50% - 66.66 % - 90 % or 95 % of the Company Capital or the voting rights in the General Meetings:

	Holding		Control	
LP2C	8,215,833	41.413%	16,179,252	49.270%
SIDMIA International	1,147,073	5.782%	1,873,970	5.707%
SALVEPAR	3,069,617	15.473%	5,839,234	17.782%
Other	826,063	4.164%	1,443,900	4.397%
Total Shareholders' Pact	13,258,586	66.832%	25,336,356	77.156%
SGPFEC	977,660	4.928%	1,841,046	5.606%
Public	5,539,092	27.921%	5,660,474	17.238%
Cross-shareholding	63,361	0.319%	-	0.00%
TOTAL	**19,838,699**	**100.00%**	**32,837,876**	**100.00%**

Through two joint protocols, the families of the directors (Louis PECH and Pierre CALMELS), an industrialist and a financier hold 13,258,586 shares (66.83%) and control 25,336,356 voting rights (77.16%).
The float is therefore 33.17% of the total number of shares, including cross-shareholding.

This list experienced some changes during the past financial year, mainly relating to the increase in capital on 27th April 2005. On this occasion, LP2C stated that it had fallen below the threshold of 50% of the voting rights.

1.2.4.2 Own shares held by the Company

Since the ACTIELEC – MORS merger, ACTIELEC Technologies has held 1,400 of its shares.
Through successive decisions at the General Meetings of 29th December 2000, 30th April 2002, 9th May 2003, 30th April 2004 and 9th May 2005, the Company was authorized to proceed to repurchase its own shares.

During the 2005 financial year, the Company has made no share acquisitions on the Stock Exchange. 35 of its own shares have been allocated as part of the conversion of 70 ABSEANE, a transaction realized in March 2005. Following this allocation, the number of own shares held by the Company on 31st December 2005 is: 63,361 shares.

The purchase value remains unchanged at € 443,470 excluding negotiation fees. This number of shares, with a total nominal value of € 47,521, represents 0.32% of the Company Capital.

1.2.4.3 Other securities providing access to the Company Capital

We would remind you that, on 11th October 2004, our Company issued securities providing access to the Company Capital in the form of Stock Subscription Warrants (1,875,000 securities).

During the 2005 financial year, the Stock Subscription Warrants exercise has made the following alterations:

- 70 Stock Subscription Warrants were exercised in March 2005 with the allocation of 35 existing shares, coming from the cross-shareholding held by the Company;
- 42,400 Stock Subscription Warrants were exercised in June 2005 with the issue of 21,242 new shares.

An increase in Company Capital of 21,242 shares was therefore recorded by the Management Board on 20th March 2006; the number of shares therefore increased from 19,838,699 shares to 19,859,941, raising the Company Capital from € 14,879,024.25 to € 14,894,955.75.

The number of Stock Subscription Warrants currently remaining in circulation is therefore 1,832,530.

Please find attached the Management Board's special report regarding the plans for subscription options or share purchase, which details the currently valid transactions.

1.2.4.4 Adjustment of the conversion bases for securities providing access to the Capital, subscription, purchase and free share options

We would remind you that our Company has issued securities providing access to the Company Capital.

Because our Company made an increase in capital during the last financial year, an adjustment has been made to the conversion bases, in accordance with the issue agreement.

The adjustment was calculated as per paragraph 2.3.9 – b of the transaction note dated 28th September 2004, i.e.:

$$\frac{\text{Value of the share ex right + Value of the allocation right}}{\text{Value of the share ex right}}$$

The first price quoted during the 11 days of the Stock Subscription Warrants being quoted on the Stock Exchange ahs been taken into account:

Average of the Stock Subscription Warrant opening prices for the period 29th March to 12th April 2005: € 0.01
Average of the share's opening prices for the period 29th March to 12th April 2005: € 5.54

The adjustment coefficient was therefore as follows:

$$\frac{\text{Value of the share ex right (€ 5.54) + Value of the allocation right (€ 0.01)}}{\text{Value of the share ex right (€ 5.54)}} = 1.0018\text{, rounded to } 1.002$$

2 Stock Subscription Warrants provide the right to 1.002 of new shares. The consequence for the Company is the potential creation of 939,375 new shares as opposed to the 937,500 initially envisaged, i.e. 1,875 additional shares.

1.2.4.5 Stock history on the Stock Exchange

As already mentioned in paragraphs 1.2.2 and 1.2.4.3, an increase in capital took place on 27th April 2005, providing an increase in the float to 33% compared to 30% in 2004. Since this operation, the stock has shown more sustained activity.

During the 2005 financial year, the total securities exchanged under code ISIN FR0000076655 was 4,744,689 compared with 1,871,581 in 2004, i.e. a daily average of 18,534 over 256 Stock Exchange days (compared with 7,226 in 2004).

During 2005, the share price varied compared to the closing value as follows:

- Highest € 6.85 (09/03/2005)
- Lowest € 3.77 (23/11/2005)
- Closing € 3.84 (30/12/2004)

The Stock Subscription Warrants matched to new shares and quoted for the first time on 22nd October 2004 recorded a share price varied compared to the closing value as follows:

- Highest € 2.00 (09/03/2005)
- Lowest € 0.40 (01/12/2005)
- Closing € 0.51 (30/12/2005)

The average daily volume exchanged was 48,289 Stock Subscription Warrants.

1.2.4.6 Authorization for a share repurchase programme by the Company

We propose to grant the Management Board, for a period of eighteen months, the necessary powers to purchase the Company's shares, on one or several occasions and at the times it shall deem appropriate, up to a limit of 5% of the number of shares comprising the Company Capital, namely 991,935 shares, based on the current capital base.

This authorization would terminate the authorization given to the Management Board by the General Meeting on 9th May 2005.

The acquisitions could be made with a view to:

- Encouraging the secondary market for the share or its liquidity, via an investment services provider by means of a liquidity contract in accordance with the AFEI professional code of ethics charter accepted by AMF,
- Retaining the purchased shares and put them subsequently for exchange or in payment as part of any potential external growth operations, it being specified that the shares acquired for this purpose may not exceed 5% of the Company Capital,
- Providing cover for share purchase option plans and other forms of share allocation to employees and/or company directors in the Group under the terms and conditions stipulated by the Law, particularly as participation in the company income, as a company savings plan or through free allocation of shares,
- Providing cover for securities providing the right to allocation of the Company's shares under the prevailing Stock Exchange regulations.

We propose to set the maximum purchase price at 6 Euros per share and the maximum amount for the operation would therefore be 5,951,610 Euros.

The Management Board would therefore have the requisite powers to do whatever is necessary in similar matters.

1.3 TABLE OF THE FINANCIAL RESULTS FOR THE PAST 5 YEARS

In Euros	2001	2002	2003	2004	2005
CAPITAL AT END OF FINANCIAL YEAR					
Company capital	12,864,906	12,864,906	12,864,906	14,271,156	14,879,024
Number of existing ordinary shares	17,153,208	17,153,208	17,153,208	19,028,208	19,838,699
Number of existing preferential shares (without voting rights)	0	0	0	0	0
Maximum number of future shares to be created	0	0	240,000	1,177,500	1,158,098
TRANSACTIONS AND INCOME FROM THE FINANCIAL YEAR					
Sales turnover net of taxes	3,770,448	9,585,941	12,889,205	16,652,359	7,139,786
Income before taxes and calculated expenses (amortizations and provisions)	11,602,345	1,914,298	<2,380,375>	91,623	<224,187>
Corporate income tax	0	3,811	15,245	3,750	15,000
Employees' participation due for the financial year	0	0	0	0	0
Income after taxes and calculated expenses (amortizations and provisions)	11,558,375	1,713,366	121,570	<1,018,840>	<139,722>
Income distributed	1,029,192	0	0	0	0
INCOME PER SHARE					
Income after taxes but before calculated expenses (amortizations and provisions)	0.68	0.11	<0.14>	0.00	<0.01>
Income after taxes and calculated expenses (amortizations and provisions)	0.67	0.10	0.01	<0.05>	<0.01>
Dividends attributed to each share (gross)	0.00	0.06	0.00	0.00	0.00
Dividends attributed to each preferential share (gross)	0.00	0.00	0.00	0.00	0.00
PERSONNEL					
AVERAGE number of employees during the financial year	6	6	7	7	7
Amount for salaries and wages during the financial year	595,984	716,135	687,909	786,270	1,363,759
Amount of sums paid for social contributions during the financial year (Social Security, social works, etc…)	238,617	283,540	282,850	326,414	338,289

1.4 COMPANY DIRECTORS

1.4.1 COMPOSITION OF THE MANAGEMENT AND SUPERVISORY BOARDS

Louis PECH	Chairman of Supervisory Board
Pierre CALMELS	Vice-Chairman of the Supervisory Board
SALVEPAR S.A. - permanent representative Pierre DEGEORGE	Member of the Supervisory Board
Günther THRUM	Member of the Supervisory Board
Véronique VEDRINE	Member of the Supervisory Board
Alain COSTES	Member of the Supervisory Board
Christian DESMOULINS	Chairman of the Management Board
Catherine MALLET	Member of the Management Board
Marine CANDELON-BONNEMAISON	Member of the Management Board

1.4.2 LIST OF THE MANDATES AND FUNCTIONS OF THE COMPANY OFFICERS DURING THE LAST 5 YEARS

➢ **Louis PECH**, Chairman of the Supervisory Board of ACTIELEC Technologies, also holds the following mandates and functions in the companies listed below:

- *Mandates*

FUNCTION	COMPANY	COUNTRY	Term of office ending
Chairman of the Administrative Board	ACTIA S.A. ENERTEC HOLDING S.A.	FRANCE FRANCE	
Chairman Managing Director	FONDERIES FINANCIERE MERCIE S.A.	FRANCE	
Chairman of the Management Board	LP2C S.A.	FRANCE	
Chairman of the Steering Committee	OSEO ANVAR MIDI-PYRENEES	FRANCE	
Director	IDE INGENIERIE S.A. ENERTEC S.A. ACTIA VIDEOBUS Paher SA ACTIA DE MEXICO SA de CV KARFA CORPORATIVO SA de CV ACTIA ITALIA Srl ACTIA INC ACTIA INDIA PRIVATE LIMITED ACTIA NORDIC AB INPT FACE ESPORTEC YMCA CEPIERE COMPANY LOCALE D'EPARGNE TOULOUSE NORD EUROSUD TRANSPORT ATLANTIQUE MEDITERANNEE	FRANCE FRANCE SPAIN MEXICO MEXICO ITALY USA INDIA SWEDEN FRANCE FRANCE FRANCE FRANCE FRANCE FRANCE	2002 (INPT) 01/09/2005 (ESPORTEC)
Member of the Advisory Board	ACTIA DO BRASIL	BRAZIL	
Member of the Board of Directors	ACTIA CORP	USA	
Permanent representative for ACTIELEC Technologies	PILGRIM S.A. SODIELEC S.A.	FRANCE FRANCE	
Permanent representative for LP2C	CIPI S.A.	TUNISIA	
Permanent representative for ACTIA	ACTIA MULLER SERVICES S.A. AIXIA S.A.	FRANCE FRANCE	
Administrator	ORBIEU S.C. LA VOIX S.C. SCI DE L'ORATOIRE SCI du 4 Rue Jules Védrines	FRANCE FRANCE FRANCE FRANCE	30/12/2004 30/12/2004

FUNCTION	COMPANY	COUNTRY	Term of office ending
Chairman	IERSET Société d'Épargne locale de Toulouse Nord	FRANCE FRANCE	2003 2004
Vice-Chairman	LE CERCLE D'OC	FRANCE	
Advisor	BANQUE DE FRANCE de TOULOUSE Conseillers du Commerce Extérieur de la France	FRANCE FRANCE	2005
Honorary Chairman	CCI de Toulouse Conseillers du Commerce Extérieur de Midi-Pyrénées	FRANCE FRANCE	2005
Honorary Advisor	BANQUE DE FRANCE		
Censor	BANQUE TOFINSO S.A. COS de la Caisse d'Épargne Midi-Pyrénées	FRANCE	2005

▪ *Function*

Director in the company LP2C, a public limited company with Supervisory and Management Boards with a Capital of € 5,876,400, 25 chemin de Pouvourville 31400 TOULOUSE.

➢ **<u>Pierre CALMELS</u>**, Vice-Chairman of the Company's Supervisory Board, also holds the following mandates and functions in the companies listed below:

▪ *Mandates*

FUNCTION	COMPANY	COUNTRY	Term of office ending
Chairman of the Administrative Board	SODIELEC S.A. ENERTEC S.A.	FRANCE FRANCE	
Chairman Managing Director	PILGRIM S.A.	FRANCE	
Chairman of the Supervisory Board	LP2C S.A.	FRANCE	
Vice-Chairman and Director	FONDERIES FINANCIERE MERCIE S.A. ACTIA S.A.	FRANCE FRANCE	
Director	IDE INGENIERIE S.A. ENERTEC S.A. ENERTEC HOLDING S.A. ACTIA VIDEOBUS Paher SA ACTIA DE MEXICO SA de CV KARFA CORPORATIVO SA de CV ACTIA ITALIA Srl ACTIA INC AIXIA S.A. ALPHA RECYCLAGE FRANCHE COMTE S.A. ACTIA MULLER SERVICES S.A.	FRANCE FRANCE FRANCE SPAIN MEXICO MEXICO ITALY USA FRANCE FRANCE FRANCE	 22/09/2005 02/03/2005
Member of the Advisory Board	ACTIA DO BRASIL	BRAZIL	
Member of the Steering Committee	ACTIA CORP	USA	
Permanent representative for ACTIELEC Technologies	CIPI S.A.	TUNISIA	
Permanent representative for ACTIA MULLER SERVICES	TECNOFRANCE	FRANCE	
Permanent representative for FFM	M3S S.A.	FRANCE	18/11/2002
Permanent representative for LP2C	FONDERIE MERCIE EUROPE	FRANCE	
Administrator	ORBIEU S.C. LA VOIX S.C. SCI DE L'ORATOIRE SCI les Coteaux de POUVOURVILLE SCIPIA S.C. SCI du 4 Rue Jules Védrines	FRANCE FRANCE FRANCE FRANCE FRANCE FRANCE	30/12/2004 30/12/2004

- *Function*: none

➢ **The company, SALVEPAR**, Member of the Company's Supervisory Board, also holds the following mandates in the companies listed below:

- *Mandates*

FUNCTION	COMPANY	COUNTRY	Term of office ending
Director	AFFINAGE CHAMPAGNE ARDENNES	FRANCE	
	CONFANDLEY	FRANCE	08/12/2003
	CROMETAL	FRANCE	16/11/2004
	FAVI-LE LAITON INJECTE	FRANCE	
	GEODIS	FRANCE	06/03/2003
	LATECOERE	FRANCE	
	GROUP LIPPI	FRANCE	
	LOHR S.A.	FRANCE	
	NORINCO	FRANCE	28/07/2004
	SOCIETE SAVOISIENNE DE PARTICIPATIONS	FRANCE	19/05/2003
	RG SAFETY	FRANCE	
	SAMSE	FRANCE	17/01/2005

➢ **Pierre DEGEORGE**, permanent representative of the company, SALVEPAR, Member of the Company's Supervisory Board, also holds the following mandates and functions in the companies listed below:

- *Mandates*

FUNCTION	COMPANY	COUNTRY	Term of office ending
Permanent representative of SALVEPAR	AFFINAGE CHAMPAGNE ARDENNES	FRANCE	
	FAVI-LE LAITON INJECTE	FRANCE	
	GROUP LIPPI	FRANCE	
	LOHR S.A.	FRANCE	
	SG FINANCE PRAHA	CZECH Rep	01/08/2003
	SOCIETE SAVOISIENNE DE PARTICIPATIONS	FRANCE	19/05/2003
	RG SAFETY	FRANCE	

- *Function*

Deputy Managing Director of SOCIETE ALSACIENNE ET LORRAINE DE VALEURS, D'ENTREPRISES ET DE PARTICIPATIONS – SALVEPAR, S.A. with a Capital of € 12,523,408, 8, rue Félix Pyat 92972 PARIS LA DEFENSE CEDEX, 552 004 327 RCS NANTERRE.

➢ **Günther THRUM,** Member of the Company's Supervisory Board, also holds the following mandates and functions in the companies listed below:

- *Mandates*

FUNCTION	COMPANY	COUNTRY	Term of office ending
Director	ENERTEC HOLDING S.A.	FRANCE	
Administrator	SIDMIA SCS	FRANCE	
	SIDMIA INTERNATIONAL SARL	FRANCE	

- *Function: none*

➢ **Alain COSTES,** Member of the Company's Supervisory Board, also holds the following mandates and functions in the companies listed below:

- *Mandates*

FUNCTION	COMPANY	COUNTRY	Term of office ending
Chairman of the Administrative Board	RENATER	FRANCE	
Vice Chairman	ADERMIP IERSET	FRANCE FRANCE	
Director	ACTIA S.A. Université Technologique de Compiègne	FRANCE FRANCE	
Associate Member	CCI de TOULOUSE	FRANCE	

- *Functions*

  - ✓ Teacher at INP – 6 Allées Émile Monso – 31000 TOULOUSE;
  - ✓ Scientific Officer at LAAS-CNRS – 7 Avenue du Colonel Roche – 31077 TOULOUSE Cedex 04;
  - ✓ Member of the Technologies Academy.

➢ **Véronique VEDRINE,** Member of the Company's Supervisory Board, also holds the following mandates and functions in the companies listed below:

- *Mandates*

FUNCTION	COMPANY	COUNTRY	Term of office ending
Censor	BANQUE TOFINSO Company Midi-Pyrénées Création S.A.	FRANCE FRANCE	04/2005 02/2005
Director	OSEO SOFARIS régions S.A.	FRANCE	
Technical advisor	Institut Régional Developpement Industriel	FRANCE	02/2005

- *Function*

Regional Director of the Banque du Developpement des PME Company Anonyme (Small & medium-sized enterprises development bank) with a Capital of € 337,230,064, 27 avenue du Général Leclerc – 94700 MAISONS ALFORT, 320 252 489 RCS CRETEIL.

➢ **Christian DESMOULINS,** Chairman of the Company's Management Board, also holds the following mandates and functions in the companies listed below:

- *Mandates*

FUNCTION	COMPANY	COUNTRY	Term of office ending
Director	SODIELEC S.A. CIPI S.A. ACTIA NORDIC AB ENERTEC HOLDING S.A. ENERTEC S.A. OSEO École Nationale Supérieure des Mines de SAINT ETIENNE École Nationale Supérieure des Ingénieurs en Arts Chimiques and Technologiques Club des Affiliés du LAAS-CNRS Association Nationale de la Recherche Technique	FRANCE TUNISIA FRANCE FRANCE FRANCE FRANCE FRANCE FRANCE FRANCE	2004

FUNCTION	COMPANY	COUNTRY	Term of office ending
Managing Director and Director	ACTIA S.A.	FRANCE	
Chairman du Administrative Board	École Nationale Supérieure Mécanique and Microtechnique de Besançon	FRANCE	
Chairman du Conseil d'Évaluation Scientifique	École des Mines d'Alès	FRANCE	
Permanent representatived'ACTIELEC Technologies	ARDIA	TUNISIA	
Administrator	SCI les Coteaux De POUVOURVILLE	FRANCE	

▪ *Function*

Employment contract with Company LP2C, a public limited company with Supervisory and Management Boards and a Capital of € 5,876,400, 25 chemin de Pouvourville - 31400 TOULOUSE, 384 043 352 RCS TOULOUSE .

➢ **Marine CANDELON-BONNEMAISON,** Member of the Company's Management Board, also holds the following mandates and functions in the companies listed below:

▪ *Mandates*

FUNCTION	COMPANY	COUNTRY	Term of office ending
Member du Management Board	LP2C S.A.	FRANCE	
Chairman Managing Director	M3S S.A.	FRANCE	18/11/2002
Director	FONDERIES FINANCIERE MERCIE S.A. ACTIA S.A.	FRANCE FRANCE	12/11/2002

▪ *Function*

Director of Company LP2C, a public limited company with Supervisory and Management Boards and a Capital of € 5,876,400, 25 chemin de Pouvourville - 31400 TOULOUSE, 384 043 352 RCS TOULOUSE .

➢ **Catherine MALLET,** Member of the Company's Management Board, also holds the following mandates and functions in the companies listed below:

▪ *Mandates*

FUNCTION	COMPANY	COUNTRY	Term of office ending
Member du Management Board	LP2C S.A.	FRANCE	
Managing Director	ENERTEC S.A.	FRANCE	
Director	PILGRIM S.A. FONDERIES FINANCIERE MERCIE S.A. M3S S.A.	FRANCE FRANCE FRANCE	 18/11/2002
Permanent representativede LP2C	ENERTEC HOLDING S.A. ENERTEC S.A.	FRANCE FRANCE	

▪ *Function*

Employed as Finance Director in ACTIELEC Technologies, a public limited company with a Capital of € 14,879,024.25, 25 chemin de Pouvourville - 31400 TOULOUSE, 542.080.791 RCS TOULOUSE.

1.4.3 NOMINATIONS, RENEWALS & RATIFICATIONS OF CO-OPTED MEMBERS

No term of office for any Member of the Supervisory Board will be expiring at the close of the present Meeting.

1.4.4 REMUNERATIONS AND ATTENDANCE FEES

The remunerations paid for the financial year closed on 31st December 2005 are as follows:

Officers	In the Company, the companies controlled and in the controlling company					
	Remuneration			Attendance fees	Benefits in kind	Total
	Fixed	Variable	Extraordinary			
Louis PECH - Paid in n^{-1} - Paid in n - Yet to be paid for N	 € 209,820 € 216,515 € 0	 € 32,738 € 50,000 € 0	 € 0 € 0 € 0	 € 0 € 0 € 0	 € 3,317 € 3,380 € 0	 € 245,875 € 269,895 € 0
Pierre CALMELS - Paid in n^{-1} - Paid in n - Yet to be paid for N	 € 72,000 € € 84,000 € € 0 €	 €0 € 0 € 0	 € 0 € 0 € 0	 € 0 € 0 € 0	 € 0 € 0 € 0	 € 72,000 € 84,000 € 0
Christian DESMOULINS - Paid in n^{-1} - Paid in n - Yet to be paid for N	 € 179,648 € 184,481 € 0	 € 45,000 € 68,962 € 0	 € 0 € 0 € 0	 € 0 € 0 € 0	 € 1,782 € 1,816 € 0	 € 226,430 € 255,259 € 0
Catherine MALLET - Paid in n^{-1} - Paid in n - Yet to be paid for N	 € 56,929 € 64,240 € 0	 € 0 € 0 € 0	 € 0 € 0 E 0	 € 0 € 0 € 0	 € 1,349 € 1,338 € 0	 € 58,278 € 65,578 € 0
Marine CANDELON - Paid in n^{-1} - Paid in n - Yet to be paid for N	 € 30,940 € 31,915 € 0	 € 0 € 0 € 0	 E 0 E 0 € 0	 € 0 € 0 € 0	 € 1,795 € 1,829 € 0	 € 32,735 € 33,744 € 0

Two types of remuneration appear:

- Remunerations paid for mandates exercised at LP2C SA level and voted by the latter's Supervisory Board; these remunerations are not specifically remunerations paid for ACTIELEC Technologies;
- Remunerations in relation to employment contracts.

In general, the fixed remunerations follow the changes in salaries decoded within the Group.

The variable part translates to premiums on achieving targets with a minimum indexed to the salary for n^{-1}.

The benefits in kind correspond to the provision of a company vehicle. No commitment of any kind whatsoever has been made corresponding to elements of remuneration, indemnities or benefits due or liable to be due because of the take-up, cessation or change of job of any company officer or subsequent to this.

Furthermore, no attendance fees have been paid.

A stock option plan was taken out in 2003: this is detailed in the Management Board's special report on the plans for subscribing to options and purchasing shares.

1.4.5 COMPANY STOCK TRANSACTIONS

Over the whole of the financial year, the company officers have made the following transactions:

	Gross flows 2005		Positions open on the last day of the financial year	
	Purchase	Sales	Positions on purchase	Positions on sale
No. of officers concerned	3	4	None	None
No. of securities	83,597	4,.028	None	None
Weighted average price	5.15	5.24	None	None

1.5 THE AUDITORS

The mandates held by the titular Auditors, KPMG S.A. represented Philippe SAINT-PIERRE and the substitute Auditors Christian LIBEROS expire at the end of the present Meeting.

The Supervisory Board submits to you its decision to renew these mandates.

1.6 THE EMPLOYEES

1.6.1 THE QUOTA OF CAPITAL HELD AT THE CLOSE OF THE FINANCIAL YEAR

At the close of the financial year, there was no employee participation in the Company's Capital as defined in Article L. 225-102 of the Commercial Code.

1.6.2 RESERVED INCREASE IN CAPITAL

We would remind you that the Extraordinary General Meeting of 21st September 2004 granted full powers to the Management Board to create an increase in the capital reserved for subscribers to an economic expansion item up to the limit of 3% of the Capital at the times and under the conditions the board may deem appropriate.

1.6.3 NOMINATION OF SALARIED SHAREHOLDERS AS MEMBERS OF THE SUPERVISORY BOARD

We would inform you that the Board has received no applicants.

1.6.4 APPOINTMENT OF MEMBERS OF THE SUPERVISORY BOARD BY THE EMPLOYEES

Because employee participation as defined in Article L. 225-102 of the Commercial Code is less than 3% of our Company's capital, there is no requirement to make provisions for the appointment of Members of the Supervisory Board by the employees.

1.7 THE REGULATED AGREEMENTS

We ask you to approve the agreements provided for in Article L. 225-86 of the Commercial Code regularly authorized by the Supervisory Board.

Your Auditors present these to you and provide you with all the requisite information in their regard in their Special report, which will be read to you in a few moments.

1.8 THE SOCIAL CONSEQUENCES OF THE ACTIVITIES

1.8.1 EMPLOYMENT

1.8.1.1 The workforce

The details for the 31st December 2005 collected and presented below concern the following structures, with the specified number of employees:

Holding: 8 employees
Including:
- ✓ ACTIELEC Technologies Pouvourville (8 employees)

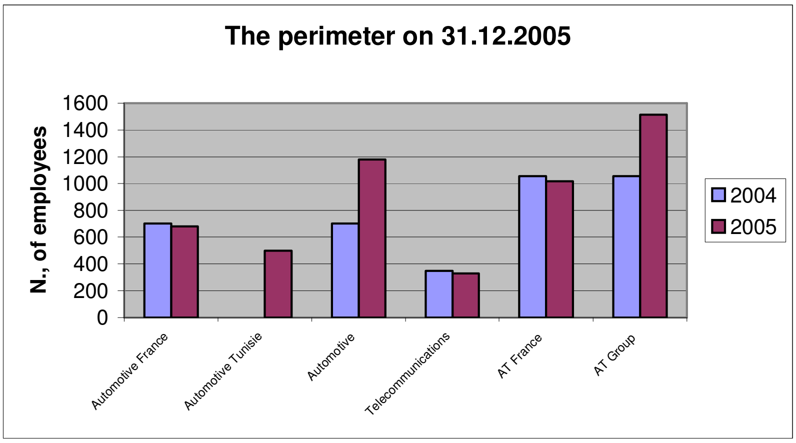
Automotive: 1,177 employees (out of 1,762)
Including:
- ✓ ACTIA (491 employees)
- ✓ ACTIA Muller Services (165 employees)
- ✓ ATON (13 employees)
- ✓ AIXIA (10 employees)
- ✓ PILGRIM Pouvourville (1 employee)
- ✓ CIPI / Tunisia (497 employees)

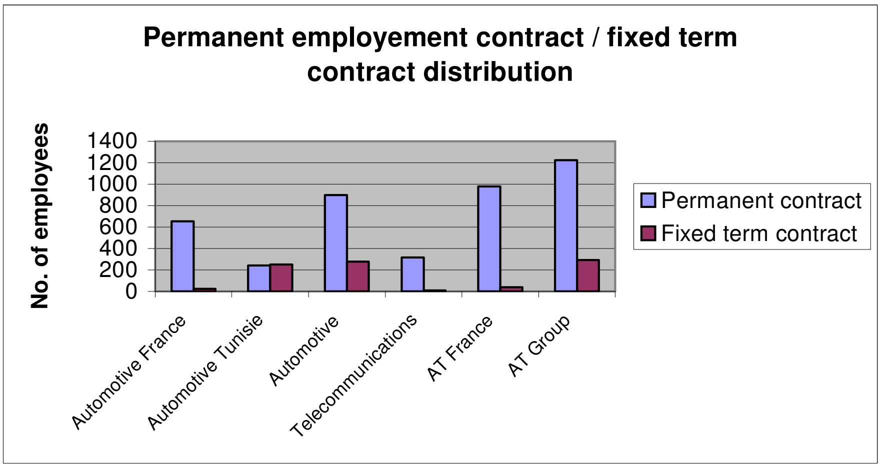
Telecommunications: 329 employees (out of 329)
Including:
- ✓ SODIELEC Aveyron (100 employees)
- ✓ SODIELEC Brittany (67 employees)
- ✓ SODIELEC Manosque (26 employees)
- ✓ SODIELEC Provence (136 employees)

On 31st December 2005, the Group's workforce comprised 2,121 people. The employees concerned in this report number 1,514 people, compared to 1,054 on the same date in 2004.

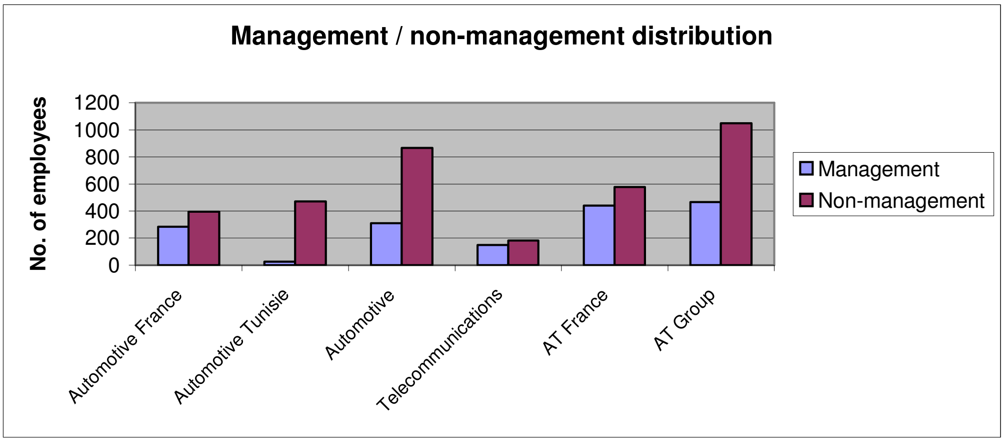
A new structure now appears as an item in the Company report for 2005: CIPI (Tunisia), with its 497 employees, which constitutes an extension of the perimeter being considered for the company details of the ACTIELEC Technologies Group.

The changes in the workforce and its distribution on 31st December 2005 are as follows:





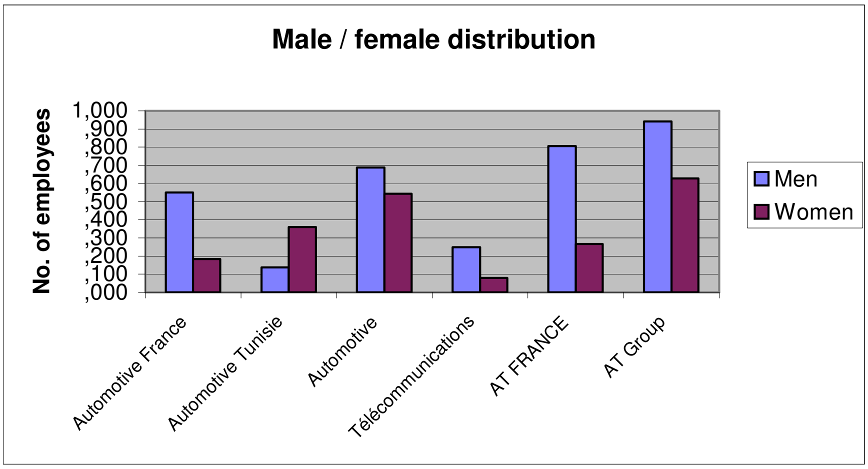
Recourse is had to fixed term contract personnel particularly in Tunisia (51%) as opposed to 4% in France, which represents a reduction on the national territory compared to 2004 when fixed term contract personnel represented 6% of the workforce.



The workforce is divided up as follows:

- ✓ 31% management / supervisory staff as compared to 42% on 31st December 2004
- ✓ 69 % non-management as compared to 58 % on 31st December 2004

The change in the ratios above is essentially due to a change in the perimeter considered (inclusion of the Tunisian CIPI unit where the non-management workforce is largely in the majority) and not to any significant transformation in the structure of the company's corpus through recruitment or elimination of jobs. The distribution is homogeneous throughout the national territory (43% management – in accordance with the position on 31st December 2004) whereas management only represents 5% of the Tunisian workforce because this is a production site.

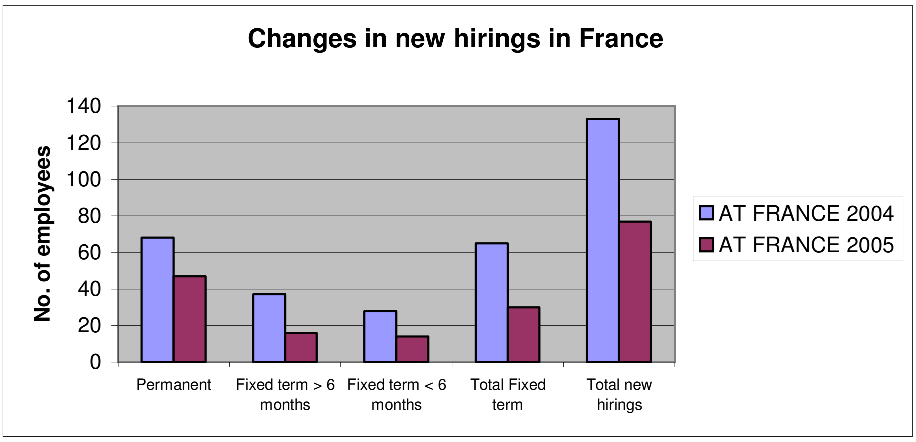


Here again, the subsidiary in Tunisia is very different from the French concerned: Tunisia employs 72% women compared to 25% on the French sites, which have a homogeneous distribution.

1.8.1.2 Hirings

All the sites considered have made new hirings during 2005. Within the perimeter audited, the Group has hired 192 people (133 in 2004), of whom 145 people as fixed term contract employees and 47 people as permanent employees. As regards the fixed term contract hirings, long-duration contracts (more than 6 months) represent 11%, while contracts of less than 6 months represent 89%.

New hirings have changed as follows or the French sites considered:



The only problem with recruitment was recorded on the Toulouse site regarding the specific recruitment of finishing operatives at local level.

As in 2004, recourse was also made to temporary workers in 2005, with close to 207 temporary workers on the majority of the French subsidiaries. Please note that the Telecommunications branch has only called on 7 temporary workers, while all the others fall under the Automotive branch and particularly on the Colomiers production site. The average duration of temporary assignments is slightly less than one month.

The Group has also employed 20 people on assisted contract during the 2005 financial year. To date, these contracts, which may last up to 5 years, have not been followed by hiring. The majority of these contracts concerned the Automotive branch.

Lastly, the Group has called on trainees as part of diploma training: 3 of these trainees have subsequently been hired.

1.8.1.3 Layoffs and resignations

35 people were laid off in 2005, solely within the national territory. The distribution is as follows:

- ✓ 16 executives and 19 non-management personnel;
- ✓ 22 men and 13 women;
- ✓ 26 for economic reasons, 8 for fault or serious fault, 1 for unsuitability.

Regarding resignations, the Group recorded over its subsidiaries:

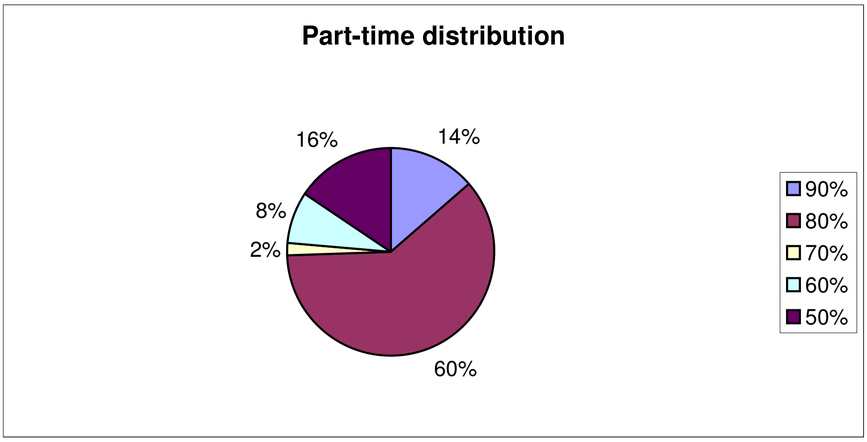
- ✓ 11 resignations from non-management personnel;
- ✓ 3 resignations from executive personnel.

1.8.2 ORGANIZATION OF WORKING HOURS

Organization of working hours:
Under French legislation, all the French subsidiaries (except for AIXIA: 10 employees) have signed a "35-hour week" agreement. The executive staff and similar employees are employed according to a fixed number of working days per year (in general, 213 days); the other employees benefit from the legal working week of 35 hours full time calculated on an annual basis.

In France, working within the subsidiaries is organized over 5 days; only the Colomiers site, which has a production activity, is organized for a 2x8-hour shift operation.
In Tunisia, the legal working week applied is 40 hours / week spread over 6 days. The teams work in 3x8-hour shifts.

Part time:
Over the 1,514 employees in the Group (for the perimeter considered), 51 people are employed as part time as compared to 41 in 2004. Of these, 94% are women. The distribution of the part-time work is detailed in the graph opposite.



Overtime:
The overall volume of overtime amounts to 23,816 hours; this is performed by non-management personnel. The production site in Tunisia is responsible alone for 73% of the overtime worked within the Group. It should also be

stated that overtime working only concerns the Automotive branch, representing 6,430 hours in France worked by non-management personnel, essentially in the production unit on the Colomiers site.

1.8.3 PROFESSIONAL AND SOCIAL RELATIONS

Collective agreements:
All the Group's sites are attached to the national metallurgical collective agreement via its regional branches. The agreement in Tunisia is the Electricity & Electronics collective agreement.

Representation from union organizations and employee representatives:
Of the 11 sites considered, the employees of 6 are represented by union organizations. This represents 87% of all the employees with union representatives within their structure. All the sites with union representatives provides specific premises for them.

There are 70 employee representatives within the French perimeter. These representatives are divided into several chapters: executives / workers / ETAM.

Company relations and employee information:
The employees receive information from management via different methods, which vary from one subsidiary to another. Overall, display on a notice board is the most used method, followed by e-mails, meetings, magazines or even regular mail. The employees on all the sites are informed of the company's income and objectives. Tunisia meets the same criteria but with also the establishment of an equal representation committee on its site to facilitate communication between the personnel and Management.

Remuneration and changes:
Apart from the legal obligations, the following services are offered to the employees:
- ✓ Health: additional insurance, contingency fund…: all the sites except for ATON – covering therefore 99% of the personnel,
- ✓ Additional retirement benefit: 3 sites out of 11 – covering 15% of the personnel,
- ✓ Restaurant vouchers: all the sites except for CIPI – covering 67% of the personnel,
- ✓ Maternity (birth premium): 2 sites out of 11 – covering 15% of the personnel.

Except for ATON, which is engaged in engineering and design activities, all the sites hold annual interviews as part of a career monitoring/development policy.

1.8.4 HEALTH AND SAFETY

Occupational accidents:
In 2005, 24 occupational accidents were recorded, of which 5 were for the Telecommunications branch and 19 for the Automotive branch. In total, these accidents represent 204 days of stoppage of work compared to 322 in 2004. A net reduction is noted compared to 2004, whereas the perimeter has incorporated a major production site.

Sick leave:
Sick leave represented 6,473 days in 2005, i.e. 4.28 days / employee / year as compared to 5.61 days / employee / year in 2004. Distributed by branch of activity and by employee, this is equivalent to 6.6 days / employee / year for the Automotive branch in France and 6.0 days / employee / year for the Telecommunications branch. Please note that these data only concern the French perimeter.

Occupational health and safety:
All the Group's subsidiaries comply with the EVIN Law regarding smoking and non-smoking areas.
Furthermore, the vast majority of the sites have implemented diagnostics or evaluation operations for evaluating the workstations' ergonomics, most of the time as part of CHSCT.
Most of the sites considered, in addition to the regulatory medical visits, also provide monitoring of personnel at risk through additional medical visits.
The fire and electrical installations safety standards are observed in all the subsidiaries.
Of the 11 subsidiaries considered, 3 have introduced the single risk evaluation document and 2 are in the process of doing this.

1.8.5 TRAINING AND EDUCATION

All the units state that they have an annual training programme. These programmes are drawn up via:

- ✓ Projected skills management;
- ✓ Annual interviews;
- ✓ Negotiations with the employee representatives or the site manager.

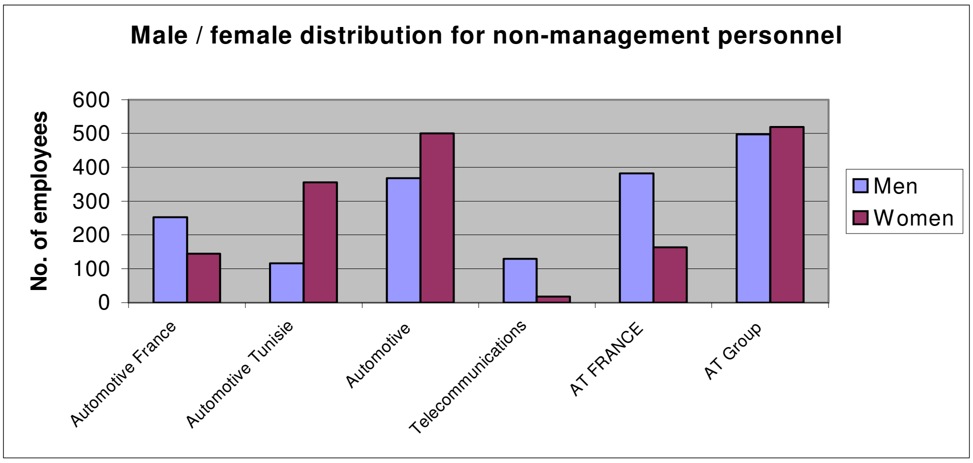
Therefore, in 2005, the following hours of training were dispensed on the national territory:

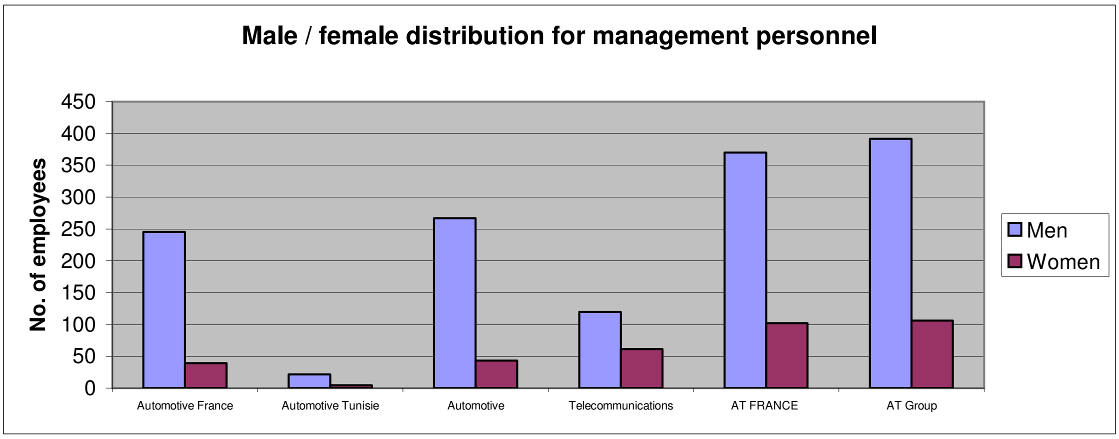
- ✓ 10,333 hours of continuous training, i.e. 10.2 hours of training / employee;
- ✓ 864 hours of individual training leave, i.e. 0.8 hours of training / employee;
- ✓ 6,125 hours of block release training, i.e. 6 hours of training / employee.
- ✓ For the most part, the training hours correspond to technical training, with some team management training.

1.8.6 DIVERSITY AND EQUAL OPPORTUNITY

Of the 1,514 Group employees within the perimeter considered, 68.3% are of French nationality. European Union nationals represent 0.4% and other nationalities, outside the EU, 31.3%. The entry of Tunisia into the perimeter of assessment significantly alters the percentages. In terms of French territory, the percentages are as follows: French nationality: 99% - European Union: 0.6% - outside the EU: 0.4%.

Professional equality between men and women is observed at salary level.
The following graphs show the management / non-management personnel distribution for men and women as categories.





Proportionately, women are therefore less well represented among management compared to non-management personnel.

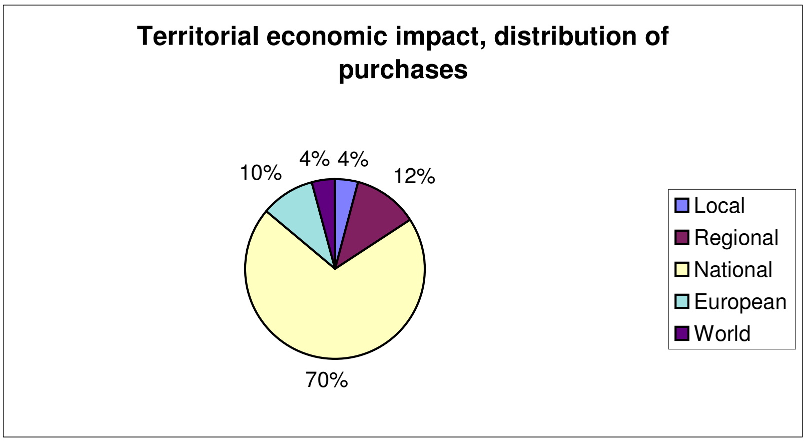
Certain sites are under an obligation to employ handicapped workers. Over the Group as a whole, the companies concerned employed, during 2005, 26 people falling under this category out of the 58 legally required. A deficit in the number of handicapped persons employed within the Group is therefore noted.
To mitigate this deficiency, these sites have recourse to work via the CATs. This sub-contracting still only partially covers the deficiency.

1.8.7 SUB-CONTRACTING

Most of the sites considered call on sub-contractors for certain work. The current sub-contractors vary according to the units within the Group and some of our subsidiaries now have established sub-contractor evaluation procedures (audits), as part of observance of the quality standards required and the environmental standards desired according to their level of certification. As regards the sub-contractors' ethics, none of the partners of the sites studied (national territory) is currently established in developing countries where the ILO rules may be flouted.

1.8.8 TERRITORIAL ECONOMIC IMPACT

This impact is calculated based on distribution of purchases. The data have not all been centralized and concern the Telecommunications branch. The purchases are geographically distributed as follows:



For the subsidiaries considered, the territorial impact of our plants is primarily on their national territory (86% of purchases).

For the Automotive branch, purchases represent a volume of M€ 32 distributed as follows, according to the products:

- ✓ Printed circuits, representing 5% of purchases, are manufactured in France;
- ✓ Electronic components, representing 65% of purchases, are manufactured in Asia;
- ✓ Mechanical products, representing 30% of purchases, are manufactured in Europe and Asia (10% and 20% respectively).

Otherwise, while growing internationally, the Group's long-term continuance provides a positive effect in terms of economic impact on French territory.

1.8.9 RELATIONS WITH STAKEHOLDERS AND SOCIAL WORKS

The companies within the Group are members of certain professional organizations (UIMM, for example). The Group also enjoys excellent relations with the higher education institutions through which it conducts important research activities and makes agreements with a view to preparing for future Group hirings via training course agreements, theses, etc.

Lastly, there are no disputes or differences to report with the associations or with anyone living close to our sites.

1.9 THE ENVIRONMENTAL CONSEQUENCES OF THE ACTIVITIES

The details collected and presented below concern the following structures:

Automotive: 1,185 employees

Including:
- ✓ ACTIELEC Technologies (8 employees)
- ✓ ACTIA (491 employees)
- ✓ CIPI (497 employees)
- ✓ ACTIA Muller Services (165 employees)
- ✓ ATON (13 employees)
- ✓ AIXIA (10 employees)
- ✓ PILGRIM (1 employee)

Telecommunications: 329 employees

Including:
- ✓ SODIELEC Aveyron (100 employees)
- ✓ SODIELEC Brittany (67 employees)
- ✓ SODIELEC Manosque (26 employees)
- ✓ SODIELEC Provence (136 employees)

1.9.1 CONSUMPTION AND WASTE

1.9.1.1 Consumption of water resources

The total water consumption of the 11 sites in 2005 is 40,799m^3 (35,460m^3 in 2004), i.e. an overall increase of 15%.

CIPI represents a consumption of 14,200m^3, namely an increase of 33% in comparison to 2004. It is important to note that, over the same time, the workforce on this site has increased by 31%. The water consumption per employee has therefore reduced by around 6%.

However this increase can also be explained by the increase in water extraction on the Pouvourville site (+ 2,500 m^3) due in part to the installation of a new sterilizer and in part to a malfunction in it. This malfunction was discovered and corrected in November. 2006 should therefore see some reduction in water consumption on the Pouvourville site.

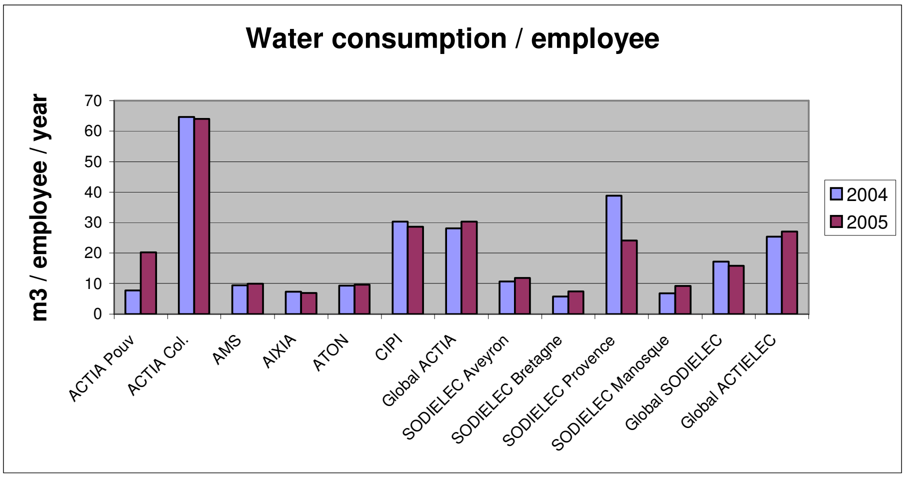
64% of the water consumed on all the sites comes from the drinking water distribution system (25,915m^3 in 2005), while the remaining 36% comes from private extraction. The two sites engaged in private extraction are ACTIA Colomiers and CIPI Tunis, these being also the two largest production sites in the Group and therefore having the heaviest consumption.

Distributed over the number of employees, the consumption for all the sites in 2005 is close to 27m³ / year / employee, i.e. an increase of 6.7% compared to 2004.

m3/year/empl.	ACTIA Pouv	ACTIA Col.	AMS	AIXIA	ATON	CIPI	Global ACTIA
2004	7.7	64.7	9.4	7.3	9.3	30.3	28.1
2005	20.2	64.0	9.9	6.9	9.6	28.6	30.3

m3/year/empl.	SODIELEC Aveyron	SODIELEC Brittany	SODIELEC Provence	SODIELEC Manosque	Global SODIELEC	Global ACTIELEC
2004	10.7	5.7	38.8	6.8	17.2	25.4
2005	11.8	7.4	24.1	9.2	15.8	27.1

Indicator of water consumption per employee during 2005 (m^3 / employee / year)



Consumption on the various sites (except for the production sites such as ACTIA Colomiers, CIPI and SODIELEC Provence) is representative of "services – studies" activities. The daily water consumption is on average 39 litres per employee, per day, in comparaison to the average consumption of water for domestic use, which is around 150 to 200 litres per person, per day.

Consumption on the production sites is at a level of 101 litres per employee per day, which gives an average consumption for all the sites considered of 74 litres per person, per day.

1.9.1.2 Consumption of raw materials

The Company's activities do not directly consume raw materials extracted from the natural environment since it works on products already partially manufactured (electronic components, electrical cables, etc.), essentially composed of metals and plastic materials. Several sites have already set up systems for sorting waste: packaging essentially, with re-use of the wooden cases and cardboard boxes and standardization of the packaging references and a reduction in their number.

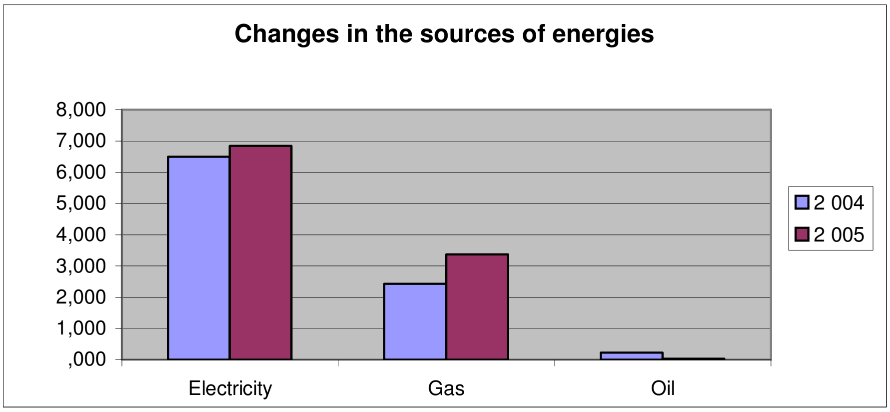
1.9.1.3 Consumption of energy

Three types of energy are used over all the sites:

- ✓ Electricity: 6,851 MWh in 2005 (6,498 MWh in 2004), i.e. a very slight reduction;
- ✓ Oil: 41 MWh in 2005 (237 MWh in 2004); oil is now used very little;
- ✓ Natural gas: 3,376 MWh in 2005 (2,318 MWh in 2004), i.e. an increase of 38%.

Total energy consumption over all the sites amounts to 10,268 MWh for 2005 (9,052 MWh in 2004), i.e. an overall increase of 13%.

Energy consumption is distributed as follows according to the different sources of energy supply:



The following graph shows the changes in energy consumed distributed over the number of employees:

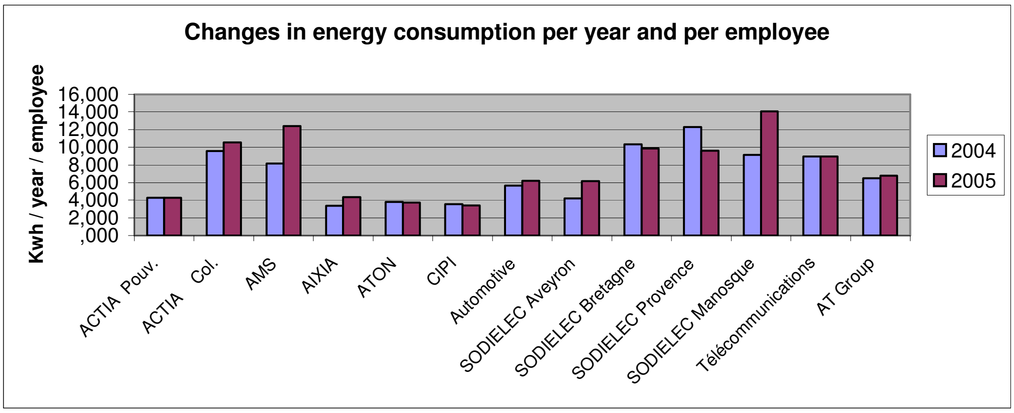


Table summarizing energy consumption:

	ACTIA Pouv.	ACTIA Col.	AMS	AIXIA	ATON	CIPI	Automotive
2004	4,255	9,550	8,171	3,363	3,813	3,552	5,665
2005	4,277	10,535	12,403	4,363	3,740	3,696	6,378

	SODIELEC Aveyron	SODIELEC Brittany	SODIELEC Provence	SODIELEC Manosque	Global SODIELEC	AT Group
2004	4,205	10,337	12,285	9,131	8,964	6,485
2005	6,150	9,867	9,595	14,044	8,955	6,952

The ratio of energy consumption over the whole of the Group has risen to 6,952 kWh / year / employee. With the perimeter constant, an increase in consumption is noted of the order of 7% per year per employee. The sharp increase in consumption recorded on the site of ACTIA Muller Services can be explained by two factors: installation of gas heating in part of the premises unheated at the time and an undetected leak in the gas meter. The work to correct this leak was performed in January 2006. A reduction in consumption should therefore be recorded in 2006.

1.9.1.4 Conditions for using the ground

The activities on all the sites do not use the ground as such, except for erecting buildings.

The sites as a whole represent an overall footprint on the ground of 11 hectares. Across the whole surface area of the sites, 50 % of the area is occupied by maintained green spaces.

1.9.1.5 Discharges into the air

The activities on the sites do not appear to create significant discharges into the atmosphere.
Approximately 70% of the energy consumed is electric, which does not create greenhouse effect gases (CO_2 …).

The ACTIA Colomiers site voluntarily scheduled a series of measurements during 2005 to evaluate its atmospheric discharges more precisely. The measurements taken by an independent laboratory in April 2005 indicate a discharge of 753 kg of volatile organic compounds per year, much below the regulation thresholds, which are triggering a plan for reducing emissions. These reports have been made as part of ACTIA's environmental policy, which aims to reduce pollution and desires to improve the health and safety conditions in the workplaces. This desire has led to a better knowledge of the volatile organic compounds and renovation of the painting halls in 2004/2005.

1.9.1.6 Discharges into the water and the ground

The activities on the sites do not create significant discharges into the water or the ground:

- ✓ The waste water is of a "domestic" nature and is discharged into the local main drainage system to be treated by a purification plant,
- ✓ Any potentially polluting products are not stored on the ground because they are quarantined.

The water systems on the sites occupied by ACTIA Colomiers, SODIELEC Aveyron and SODIELEC Provence are of the separational type: the rainwater is channelled to the local storm drain system.

1.9.1.7 Noise or olfactory pollution

With regard to the low-noise and non-odoriferous activities conducted on our sites, no noise or olfactory pollution has been recorded on the various sites nor notified by any neighbouring sites during 2005.

1.9.1.8 Waste

The waste resulting from the activities on all the sites is essentially packaging (cardboard cartons, pallets, plastic wrappings, etc.), office waste, scrap from production and a very low quantity of hazardous waste. This waste is not eliminated or processed on-the-spot; it is stored temporarily before being regularly disposed of to the recycling, reprocessing and treatment networks.

The recycling already established on the sites primarily concerns the packaging: cardboard cartons, paper, plastic and metals. Some sites have set up waste sorting and operate a policy of re-utilising certain materials (cartons, pallets, wooden cases, etc.).

An active sorting policy is now in place on 8 sites. However, the sites that have not yet set up an environmental management procedure do not currently produce quantitative assessments of the waste produced.

The subsidiary, ACTIA, has set up environmental management procedures on both its sites in Toulouse and Colomiers. These 2 sites, representing more than 32% of the Group's workforce within the environmental perimeter being considered, (French subsidiaries + Tunisia), have assessed the waste production ratios, which amount to 193 kg / year / employee in 2005. Since this figure was 280 kg / year / employee in 2004, this represents a significant reduction of around 24%. This sharp reduction must be attributed to the temporary re-organization of the production site in Colomiers in 2004: this generated almost 30 tonnes of waste. If the element of waste relating to this aspect is removed, the quantity of waste per employee per year was 212 kg in 2004. The actual reduction was therefore 9% and waste production should stabilize at this level.
For comparison purposes, household waste represents around 370 kg / year / inhabitant.

1.9.2 MEASURES TAKEN TO LIMIT THE EFFECTS ON THE NATURAL ENVIRONMENT

The activities on the sites do not involve any significant detrimental effects on the biological balance, the natural environment or animal and plant species:

- ✓ Virtual absence of atmospheric discharges (greenhouse effect gases), noise emissions and direct use of the natural environment (use of the ground, consumption of raw materials, etc.),
- ✓ Measures to restrict discharges relating to waste water and potentially locally polluting products:
- ✓ (Essentially domestic) waste water flows into the drainage network and is treated in a purification plant,
- ✓ Products that potentially could pollute the water and ground are stored in quarantine units and therefore not in direct contact with the ground.

Let us also remember here that green areas take up 50% of the total area of the sites, bearing witness to concern to integrate the activities into the landscape in their local context.

1.9.3 PROGRESS ON EVALUATION AND CERTIFICATION

Both ACTIA sites, in Toulouse and Colomiers, (32% of the total workforce of the 11 sites) obtained ISO 14001 certification in July 2003.

Please note that the CIPI production site in Tunisia (33% of the workforce of the 11 sites considered) has planned for undertaking a similar certification procedure in 2006.

1.9.4 MEASURES TAKEN TO ENSURE CONFORMITY

Conformity with the regulations is ensured on ACTIA's sites (in Toulouse and Colomiers) through environmental management systems in place on the sites and the regulation surveillance and process monitoring resulting from them.
During 2004, the regulation surveillance on the Colomiers site brought to light 2 non-conformities with regard to the town's Ground Occupation Plan (POS). The necessary investments to bring the site into conformity (enlargement of the parking areas, planting of trees, etc.) were scheduled during 2005 and will be realized in 2006.

1.9.5 EXPENDITURE TO PREVENT CONSEQUENCES

Given:

- ✓ The very limited danger in the event of the sites' malfunctioning,
- ✓ The measures already in place to limit the impact of the sites, in normal operation, on the environment (removal of waste, connection of waste water to the network, etc.)
- ✓ The environmental certification processes committing the sites to continuous improvement and better control of their environmental impacts,

No significant expenditure ahs been necessary during the 2005 financial year to prevent the consequences of the activities on the environment.

1.9.6 INTERNAL ORGANIZATION OF ENVIRONMENT MANAGEMENT

The ACTIELEC Technologies Group's management board is responsible for co-ordinating all the environmental actions.

During implementation of the environmental management procedures for both ACTIA sites (in Toulouse and Colomiers), an Environment Co-ordinator position, supervised by ACTIA's Quality / Environment Systems Director was set up. A technician is also in place on the ACTIA Colomiers site to control the site's waste.

The Environmental Coordinator has received the relevant training in Environmental Management.

Installation of ISO 14001 standard requires environmental training and information for the employees; The general awareness session has already been held. A training programme and awareness planning have been set up as part of the Environmental Management System (SME).

The internal organization for risk management in the event of an accident has been established on the sites that have committed to a process of installing an environmental management system (ACTIA Toulouse and ACTIA Colomiers, via the AMDEC method), a system that requires the identification and evaluation of emergency situations (such as pollution accidents) in order to mitigate them better with the obligation to draw up an "Emergency Response" procedure at the emergency stations and of identifying these stations.

1.9.7 AMOUNTS FOR PROVISIONS AND GUARANTEES

With regard to the Group's activities, which do not represent any significant risk for the environment, no provision and guarantee has been contracted during 2005, nor during the previous financial years.

1.9.8 AMOUNTS FOR COMPENSATION PAID OVER THE FINANCIAL YEAR AND REPARATION PROCEEDINGS

No compensation has had to be paid in 2005 as a result of a problem or environmental accident.
No reparation proceedings regarding the environment have been necessary in 2005.

1.9.9 TARGETS ASSIGNED FOR THE SUBSIDIARIES ABROAD

The French sites have committed to a progressive path aimed at taking into account better the various environmental aspects in the sites' activities.

The other foreign subsidiaries have been informed of the procedure followed by the Group under French law and in relation to the NRE law.
This stated, the sites established abroad show the same characteristics as the French sites: the consequences of the activities on the sites are therefore limited.

However, taking the environment into consideration will be progressively extended to the foreign subsidiaries, in accordance with the prevailing regulations in each of the territories and beyond, as part of the ACTIELEC Technologies Group's voluntary commitment..

1.9.10 SUMMARY

With the perimeter constant, there are no significant alterations in consumption and waste. The fluctuations in the consumption of water and energy are explained and controlled when human intervention can remedy them.
The two main sites, Toulouse and Colomiers, which represent 491 employees (i.e. almost 25% of ACTIELEC Technologies), have been ISO 14001 certified, which represents an active, progressive, environmental commitment.
Similarly, The CIPI site in Tunisia, which together with Colomiers is the most important production site, is planning to initiate an environmental management process in 2006.
Furthermore, the Colomiers site has voluntarily conducted a series of measures intended to evaluate more precisely the emissions into the air from the site's activities. The conclusions are excellent and show the Group's willingness to control environmental pollution.

1.10 HARMONIZATION OF THE COMPANY'S ARTICLES

1.10.1 ORDER No. 2004-604 OF 24th JUNE 2004

We are asking you to make various alterations to the Articles as a result of Order No. 2004-604 of 24th June 2004 relating to the reform of the securities system.

This legislative text in fact contains rules which have a direct effect on the text of the Company's Articles, which we consequently propose to alter. These rules are, in particular, as follows:

- Redefinition of capital securities (ordinary shares and preference shares) and elimination of the concept of share category (for ordinary shares).
- Elimination of priority shares, replaced by preference shares,
- Elimination of priority dividend shares with no voting rights,
- Elimination of the exclusive jurisdiction of the Ordinary General Meeting to issue bonds.

Consequently, it is proposed to alter Articles 7 – 8 – 10 – 11 – 12 and 41 of the Company's Articles as follows.

1.10.2 LAW No. 2005-842 OF 26th JULY 2005

We are seeking various alterations to the Company's Articles as a result of Law No. 2005-842 of 26th July 2005.

This legislative text in fact contains rules which have a direct effect on the text of the Company's Articles, which we consequently propose to alter. These rules are, in particular, as follows:

- Alteration of the quorum rules for Ordinary General Meetings, Extraordinary General Meetings and Special Meetings:
  - ✓ For Extraordinary General Meetings, the change is from a third to a quarter of the shares on the first convening and from a quarter to a fifth on second convening,
  - ✓ For Ordinary General Meetings, the change is from a quarter to a fifth of the shares on the first convening, with no quorum being required on the second convening,
  - ✓ For Special Meetings, the change is from half to a third of the shares on the first convening and from a quarter to a fifth of the shares on the second convening.

- Alteration of the rules relating to the obligations to inform regarding the crossing of thresholds (addition of thresholds for 15, 25, 90 and 95% and alteration of the methods of calculating participation).

Consequently, it is proposed to alter Articles 29 -35- 36 and 37 of the Company's Articles as follows.

1.11 PRESENTATION OF THE RESOLUTIONS

In accordance with the General Meeting's agenda, we shall be submitting a certain number of resolutions for your approval.

In the first resolution, we ask you to approve the company's annual accounts for the past financial year.

In the second resolution, we ask you to approve the accounts for the consolidation financial year closed 31st December 2005, showing an overall consolidated income of € <1,557,135>.

Then, in the third resolution, you have to approve the agreements covered by Article L. 225-86 of the Commercial Code.

If you approve the accounts and the balance sheet for the last closed financial year for ACTIELEC Technologies S.A., we then propose, in a fourth resolution, to proceed to allocate the income.

The fifth resolution concerns the authorization to be granted to the Management Board to have the Company repurchase its own shares under the mechanism in Article L. 225-209 of the Commercial Code.

The sixth and seventh resolutions cover ruling on the renewal of the Auditors' mandates.

Lastly, the eighth resolution concerns harmonizing of the Company's Articles with the Order of 24th June 2004 and the Law of 26the July 2005.

1.12 APPENDICES TO THE PRESENT REPORT

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

- The table summarizing the currently valid powers granted by the Shareholders' General Meeting to the Management Board regarding increases in capital and the use of these powers during the financial year;
- A report on the conditions for using these powers during the preceding financial year is also attached to the present report.

In accordance with the provisions of Article L. 225-68 of the Commercial Code, please also find attached the report from the Chairman of the Supervisory Board, relating:

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

1.13 CONCLUSION

We shall ask you to grant full and final quietus to your Management Board for its administration during the financial year closed 31st December 2005 and to the Auditors for accomplishing their mission, which they relate to you in their general report.

Your Management Board asks you to vote to approve the text of the resolutions it is proposing.

THE MANAGEMENT BOARD

2. CONSOLIDATED ACCOUNTS AS ON 31ST DECEMBER 2005

2.1 CONSOLIDATED BALANCE SHEET

ASSETS balance sheet to IFRS Standards in k€	Attached notes	Net Amounts 31/12/2005	Net Amounts 31/12/2004
FIXED ASSETS			
Acquisition variances	2.3.4	21,998	21,905
Development costs	2.3.4	18,921	18,553
Other intangible fixed assets	2.3.4	1,766	1,711
Total Intangible fixed assets		**42,685**	**42,169**
Land	2.3.5	1,606	1,558
Structures	2.3.5	6,192	6,487
Technical installations	2.3.5	7,042	6,003
Other tangible fixed assets	2.3.5	3,733	3,771
Total tangible fixed assets		**18,573**	**17,819**
Securities in companies brought into equivalence	2.3.6	143	503
Other long-term investments	2.3.7	1,019	979
Financial instruments	2.3.24	1	9
Total long-term investments		**1,163**	**1,491**
Deferred tax on assets	2.3.11	8,258	8,580
Non-current research tax credit	2.3.9	2,604	1,451
TOTAL NON-CURRENT ASSETS		**73,282**	**71,511**
CURRENT ASSETS			
Stocks	2.3.8	53,543	52,283
Receivables from customers	2.3.9	65,716	65,164
Other business-related current receivables	2.3.9	3,790	3,966
Current tax credit	2.3.9	1,694	2,781
Other misc. current receivables	2.3.9	1,287	1,235
Financial instruments			
CURRENT RECEIVABLES		126,030	125,430
Investment securities	2.3.10	115	113
Available cash	2.3.10	8,558	10,421
CASH AND CASH EQUIVALENTS		8,673	10,534
TOTAL CURRENT ASSETS		**134,703**	**135,964**
ASSETS BALANCE		**207,985**	**207,475**

LIABILITIES balance sheet to IFRS Standards in k€	Attached notes	Net Amounts 31/12/2005	Net Amounts 31/12/2004
CAPITAL			
Capital	2.3.13	14,879	14,271
Premiums	2.3.13	17,296	13,792
Reserves	2.3.13	12,152	5,738
Carried forward	2.3.13	11,222	12,241
Difference on conversion		-920	-1,695
Own shares	2.3.13	-443	-443
Income from the financial year		-1,632	5,406
OWN CAPITAL ATTRIBUTABLE TO THE GROUP		52,553	49,310
Income from minority holdings		75	639
Minority reserves		3,837	2,865
OWN MINORITY HOLDINGS CAPITAL		3,911	3,504
OVERALL CONSOLIDATED CAPITAL		**56,465**	**52,814**
NON CURRENT LIABILITIES			
Debenture loans	2.3.12	416	1,008
Borrowings from credit institutions	2.3.12	18,337	20,344
Other financial debts	2.3.12	2,228	1,868
Financial leasing debts	2.3.12	5,026	2,167
Misc. debts			321
Derivatives	2.3.24		25
Deferred tax on liabilities	2.3.11	112	51
Provision for retirement and other long-term benefits	2.3.15	2,656	1,982
TOTAL NON-CURRENT LIABILITIES		**28,775**	**27,766**
CURRENT LIABILITIES			
Short-term provisions	2.3.15	4,623	4,034
Debenture loans	2.3.12	736	367
Financial debts of less than one year	2.3.12	50,439	47,266
Financial instruments	2.3.24	7	
TOTAL CURRENT FINANCIAL DEBTS		51,182	47,633
Suppliers		37,237	41,568
Other operating debts		19,239	18,297
Tax-related debts (IS)		644	549
Misc. other debts		4,437	8,432
Revenue recorded in advance		5,384	6,383
TOTAL CURRENT LIABILITIES		**122,746**	**126,896**
TOTAL LIABILITIES		**207,985**	**207,475**

2.2 CONSOLIDATED INCOME STATEMENT

Income statement to IFRS Standards in k€	Attached notes	Amounts 31/12/2005	Amounts 31/12/2004
Sales turnover	2.3.16	**217,570**	**227,741**
- Purchases consumed	2.3.16	-92,835	-110,196
- Personnel expenses	2.3.16	-63,697	-59,252
- External expenses	2.3.16	-46,782	-41,427
- Duties and taxes	2.3.16	-3,481	-3,617
- Allocations to amortizations	2.3.16	-6,571	-6,045
- Net allocations to provisions	2.3.16	-1,461	-3,593
+/- Variation in stocks of work in progress and finished products	2.3.16	-770	4,780
+/- Gains and losses on exchange for operating transactions	2.3.16	-37	112
+/- Other products and operating expenses	2.3.16	153	-282
+/- Values on transfers of fixed assets	2.3.16	-39	64
Operating income		**2,049**	**8,284**
+ Revenue from cash and cash equivalents	2.3.17	113	76
- Interest and finance expenses	2.3.17	-3,281	-3,327
+/- Other revenue and finance expenses *(including exchange losses and gains)*	2.3.17	145	102
Net financial indebtedness cost		**-3,022**	**-3,149**
- Tax charges	2.3.17	-678	838
+ Proportion of net income from companies brought into equivalence	2.3.6	94	71
Net income before income from ceased activities or activities being transferred		**-1,557**	**6,044**
Net tax income from ceased activities or activities being transferred			
Net income		**-1,557**	**6,044**
* attributable to the Group		-1,632	5,406
* minority interests		75	639
Basic income per share (in €)	2.3.14	-0.084	0.309
Income distributed per share (in €)	2.3.14	-0.079	0.280

2.3 NOTES ON THE CONSOLIDATED ACCOUNTS

The financial statements consolidated on 31st December 2005 have been drawn up by the Management Board on 20th March 2006. They are subject to the General Meeting's approval.

Basis for preparing the consolidated accounts:

The consolidated accounts were drawn up on 31st December 2005 in accordance with the IFRS system of reference as adopted within the European Union. These consolidated financial statements are the first to be drawn up under the IFRS system. The stipulations of IFRS 1 (the first application of the international standards for financial information) have been applied.

The IAS / IFRS standards differ from the standards previously applied by the Group on certain items. The description of the effects of transferring over to IAS / IFRS standards on the financial statements is provided in note 2.3.2 of this Appendix.
The accounting methods and the methods of calculation have been applied in an identical manner for the whole of the period presented.

The amounts mentioned in this Appendix are expressed in thousands of Euros (k€).

Preparation of the financial statements according to the IFRS system requires the Management to exercise judgement, make estimations and form hypotheses, which have an effect on the application of the accounting methods and on the amounts for assets, liabilities, revenue and expenses. These estimations and the underlying hypotheses are made based on past experience and other factors considered as reasonable, considering the circumstances. They therefore serve as a basis for exercising the judgement required in determining the accounting values of certain assets and liabilities, which cannot be obtained directly from other sources. The actual values may differ from these estimated values.

The estimations and the underlying hypotheses are constantly re-examined. The effect of changing accounting estimations is recorded in the change period if it only affects that period or in the change period and subsequent periods if these are also affected by the change.

The main items on the balance sheet concerned in these estimations are the deferred taxes on assets, the acquisition variances, the immobilized development costs and the provisions.

2.3.1 ACCOUNTING PRINCIPLES

2.3.1.1 Perimeter and consolidation criteria:

The financial statements for the companies controlled directly or indirectly by ACTIELEC TECHNOLOGIES are integrated globally into the consolidated financial statements. The accounts for the companies in which ACTIELEC TECHNOLOGIES holds significant influence are consolidated by bringing them into equivalence.

All the companies included in the consolidation perimeter closed off their annual accounts on 31st December.

The list of the companies contained within the consolidation perimeter is shown in paragraph 2.3.3.

2.3.1.2 Elimination of the transactions between the consolidated companies:

All the transactions between the integrated companies, as well as the internal income generated, included in the fixed assets and the companies' stocks have been eliminated. The internal losses are eliminated in the same way as the internal profits but only insofar as they do not represent a loss in value.

2.3.1.3 Conversion of the annual accounts of subsidiaries described in foreign currency:

The annual accounts for foreign companies outside the Euro zone are converted as follows:

- The assets and liabilities, including the acquisition variances and the adjustments for actual value arising from the consolidation are converted at the exchange rate on the closing date (except for acquisition variances prior to the change-over date - see § 2.3.2.1),
- The items on the income statement are converted at the prevailing exchange rate on the dates de transactions or, in practice, at a rate close to it corresponding to the average exchange rate for the financial year, except in the case of significant fluctuations in the rate. In the case of activities in a country subject to high inflation, the items on the relevant subsidiary's income statement are converted at the rate on the closing date in application of IAS 29 standard,
- The difference on conversion is written as a distinct component of the capital and does not affect the income.

2.3.1.4 Conversion of transactions recorded in foreign currency:

- Transactions described in foreign currency are converted at the prevailing rates of exchange on the date of the transaction,
- Debts and receivables described in foreign currency are converted at the prevailing rates of exchange on 31st December 2005. The latent differences on exchange engendered on this occasion are recorded in the income statement,
- In accordance with IAS 21, the differences on exchange relating to permanent funding forming part of the net investment in a consolidated subsidiary are noted in the capital (as conversion reserves). During the subsequent transfer of these investments, the cumulative exchange income noted in the capital is recorded as income.

2.3.1.5 Principles for accepting income

The acceptance of income in the consolidated accounts depends on the nature of the income:
- Construction contracts,
- Provisions of services: studies, After-sales service, etc.,
- Sales of goods.

The income from ordinary activities is accepted when the following conditions are fulfilled:
- The amount of income can be reliably evaluated,
- The costs incurred or remaining to be incurred can be reliably evaluated,
- It is probable that the economic advantages associated with the transaction will come to the company.

Construction contracts

Selection criteria for a IAS 11 construction contract:
- ✓ A construction contract is a specifically negotiated contract for the construction of assets or a group of assets, which are strictly connected or interdependent in terms of design, technology and function, or purpose or use,
- ✓ A group of contracts, whether formed with one customer or a group of different customers, must be treated as a single construction contract when:
  - This group of contracts is negotiated as an overall deal,
  - The contracts are so closely linked that they effectively form part of a single project with a global margin,
  - The contracts are executed simultaneously or one after another, without interruption.

The nature of construction contracts:
In the ACTIELEC TECHNOLOGIES Group, the construction contracts are of two different types:
- ✓ Study and production contracts for a specific customer; the margin is recognized on physical progress (the so called "milestones" or items produced method),
- ✓ Specific multi-year production contracts; the sales turnover and the margin are recorded according to the progression of costs actually generated compared to the contract's estimated costs.

When it is probable that the contract's estimated costs will be greater than the estimated income, the expected loss is immediately recorded as expenses.

Provisions of services:

After-sales service and subscription agreements:
- ✓ The income from the after-sales service is spread linearly over the period covered by the guarantee.
- ✓ As part of subscription agreement, the companies are required to invoice at the start of the period services supplied in instalments. The income is taken into account linearly over the periods concerned

Other provisions of services:
- ✓ When the income can be reliably accepted, the sales turnover and the margin are recorded according to the level of progress.

Sales of goods:
The income resulting from the sale of goods is recorded as sales turnover during the transfer of the risks and advantages relating to the goods. In the majority of cases, this is the date the goods are delivered.

2.3.1.6 Company grouping:

For company groupings prior to 1st January 2004, the following are evaluated:
- ✓ Company assets, liabilities and any potential liabilities acquired at their actual value,
- ✓ The cost of acquiring the securities, including the directly attributable costs.

The residual difference between these two values corresponds to the acquisition variance. When the acquisition variance is positive, it is recorded in the assets on the balance sheet as an unamortizable intangible asset (IFRS 3). When the acquisition variance is negative, it is incorporated into the income for the period.

Minority interests are recorded according to their proportion of the differences between the accounting values and the actual values of the assets, liabilities, and any potential liabilities at the acquisition date.

For acquisitions prior to 1st January 2004, the acquisition variance is held at its presumed costs, which represents the amount posted according to the previous accounting system of reference. The classification and processing of the company groupings that have taken place before 1st January 2004 have not been altered for preparation of the groups opening balance sheet under IFRS on 1st January 2004 (Cf. § 2.3.2.1).

The acquisition variances are subject to a depreciation test (Cf. § 2.3.1.10 – Depreciation of assets) from the appearance of indications of loss in value and at least once a year.

When the result of the test shows a loss in value, the acquisition variance is definitively reduced by the corresponding amount.

2.3.1.7 Other intangible fixed assets:

The other intangible fixed assets are shown on the balance sheet at their respective costs reduced by the cumulative totals of amortizations and of losses in value. They are recorded if they provide future economic benefits for the group and if they fulfil the identifiability criteria below:
- ✓ They are separable from the respective unit (can be sold, transferred, etc.) individually or linked to another asset / liability, or
- ✓ They result from contractual rights or legal rights.

The different types of intangible fixed assets identifiable within the ACTIELEC TECHNOLOGIES Group are development costs and patents and trademarks.

Amortizations of the intangible fixed assets other than development costs are calculated linearly over the useful periods of 3 to 5 years.

Development costs: an intangible fixed asset resulting from the development phase is recorded in the assets if, and only if, the following criteria are observed:

- The requisite technical feasibility for completing the intangible asset with a view to its commissioning or sale.
- The intention of completing the intangible asset and using or selling it,
- The capability if using or selling the intangible asset,
- The method whereby the intangible asset will general probable future economic benefits. The unit must show, inter alia, the existence of a market for the production arising from the fixed asset or for the fixed asset itself or, if the asset must be used in house, its usefulness,
- The availability of the appropriate technical, financial and other resources for completing the development and for using or selling the intangible asset,
- Its capability of reliably evaluating the expenditure attributable to the intangible asset during its development.

The cost of this intangible fixed asset generated in house includes all the requisite costs for creating, producing and preparing the asset so that it can be utilized by the group in the expected manner.

The other development costs are recorded as expenses when they are incurred.

There is no intangible fixed asset resulting from research that is not recorded in the assets. The research costs are recorded as expenses when they are incurred.

Fixed assets are recorded at their historical acquisition or production cost reduced by the cumulative total of amortizations and losses in value.

Amortizations of development costs reflect the rate of consumption of the economic benefits expected from the asset. The methods used are linear amortization or the work units methods. The useful life depends on the asset concerned. This is 3 to 5 years, except for the chronotachograph, whose useful life is estimated at 15 years.

The useful lives are reviewed on each closing date. There is no intangible fixed asset whose useful life is considered to be indefinite.

2.3.1.8 Tangible fixed assets:

Tangible fixed assets are recorded in the assets at their acquisition cost reduced by the respective cumulative totals of the amortizations and the losses in value. The ACTIELEC TECHNOLOGIES Group has chosen the cost model as the method of evaluation.

The cost elements include:
- ✓ The purchase price including customs duties and non-reimbursable taxes with any discounts, rebates or trade granted,
- ✓ The direct costs relating to the transfer of assets and their commissioning,
- ✓ Where applicable, the initial estimation of the costs for dismantling, removal and rectifying the site.

The cost of loans are excluded from the cost of the fixed assets.

Where the significant elements of the tangible fixed assets can be determined and these components have different useful lives and amortization methods, they are recorded as distinct tangible fixed assets (by component).

The Group records in a tangible asset's accounting value the replacement cost for any of its components at the time the cost is incurred if it is probable that the future economic benefits associated with this asset will come to the group and its cost can be reliably evaluated. All the regular servicing and maintenance costs are recorded as expenses at the time they are incurred.

The ACTIELEC TECHNOLOGIES Group has established three components for structures:
- ✓ The shell: useful life 40 years,
- ✓ The finishings: useful life 20 years,
- ✓ The fittings: useful life 10 years.

The breakdown for certain buildings with very specific structures (glass cladding, etc.) has been adapted so that the useful life corresponds to the properties real useful life.

The amortizable amount is systematically distributed over the asset's useful life. The amortizations are calculated linearly and the useful lives selected by the Group are as follows:

- ✓ Technical installations, equipment and tools: 6 to 10 years,
- ✓ Other tangible fixed assets: 3 to 10 years.

The useful lives are reviewed on each closing date.

The Group has not established any significant residual value for its tangible fixed assets.

2.3.1.9 Finance leasing agreements:

Leasing agreements having the effect of transferring to the Group virtually all the risks and benefits inherent in the ownership of an asset are classified as finance leasing agreements.

Assets financed by means of finance leasing agreements are shown in the assets at their actual value or at the updated value of the minimum payments is this is lower. This value is subsequently reduced by the cumulative total of any amortizations and losses in value. The corresponding debt is recorded as financial liabilities and amortized over the duration of the agreement. In the income statement, the leasing expense is replaced by an allocation to amortizations and a financial expense.

The asset is amortized according to the useful life envisaged by the Group for assets of a similar nature.

2.3.1.10 Depreciation of intangible and tangible assets:

Annual depreciation tests are conducted on:

- ✓ The acquisition variances (§ 2.3.1.6),
- ✓ The intangible fixed assets with an indefinite life,
- ✓ The intangible fixed assets in the course of being formed.

If there is any indication of loss of value, a depreciation test is systematically made on the other assets.

This test concerns a determined asset or a Cash Generating Unit (CGU). A CGU is the smallest identifiable group of assets, which generates cash entries largely independent of the cash entries generated by other assets or groups of assets.

The acquisition variances are allocated to one or more CGUs. As a general rule, the CGU for acquisition variances is the entity originally acquired. In a particular case, the acquisition variance of ACTIA Corp. is allocated to several CGUs:

- ✓ In the amount of M€ 2 for the whole of the Automotive branch (because of the synergies relating to the Group's installation in the USA),
- ✓ For the remainder, to the American entities: ACTIA Corp. (On-board systems) and ACTIA Inc. (Diagnostics).

The depreciation test is intended to compare the asset's or CGU's accounting value with its recoverable value. The recoverable value corresponds to the larger of the two values below:

- ✓ The realization value, reduced by the selling costs,
- ✓ The useful value, the updated value of the future cashflows likely to result from the asset or a CGU. The future cashflows are determined from 4-year forecasts for the CGU or the groups of CGUs concerned, validated by the Group's Management. The growth rates selected for the subsequent periods are stable. The updating rates are determined by selecting a risk-free rate for the geographical area concerned, increased by a risk premium specifically for the assets concerned.

When the accounting value is higher than the recoverable value, a loss in value is recorded in the operating income. A CGU's loss in value is allocated first and foremost to acquisition variances and then to other assets in the CGU, pro rata to their accounting value.

A loss in value recorded as an acquisition variance is not re-opened.
A loss in value recorded for another asset is re-opened if there has been a change in the estimations used to determine the recoverable value. An asset's accounting value, increased because of re-opening of a loss in value must not be greater than the accounting value that would have been established net of amortizations, if no loss in value had been recorded.

2.3.1.11 Stocks:

The costs of the stocks include:
- ✓ The acquisition costs (purchase price and ancillary expenses)
- ✓ The transformation costs (labour and indirect production costs)
- ✓ The other costs are only included in the costs of the stocks if they are incurred in order to take the stocks to the place in which they are located and bring them to the condition in which they are found.

The stocks of services in progress are evaluated at their production cost (labour and other personnel costs directly involved in providing the service).

The cost of the stocks is determined by using the First In / First Out (FIFO) method or the weighted average cost method.

The stocks are evaluated at the lowest cost sand the net realization value (estimated selling price in the normal course of activity, reduced by the estimated costs required to complete and conduct the sale).

2.3.1.12 Receivables from customers and other receivables:

Receivables from customers and other receivables are evaluated at their actual value during initial recording and then at amortized cost reduced by the amount of losses in value.
When there is an objective indication of loss in value, the amount of loss recorded is the difference between the asset's accounting value and the updated value of the estimated future cashflows.

2.3.1.13 Factoring, discount, Dailly and transfers of receivables:

If there is no possibility of recourse by the banker or the factor, the receivables are removed from the accounts. The risks attached to the receivables are effectively transferred.

In the case of guarantees, the receivables are removed from the accounts, except for the amount of the guarantee provided.

Otherwise, the receivables are kept as assets on the balance sheet; the Group retains the risk of a debtor defaulting. The sum paid by the bank is recorded in the bank account against the recording of a bank debt as a liability. This and the receivable do not disappear from the balance sheet until the debtor has paid off the debt to the financial institution. The expenses incurred are recorded according to the amortized cost method, at the effective interest rate, i.e. they are shown after deduction of the debt and spread over the debt's duration. Lastly, if there are any objective indications of a loss in value, the amount of the loss equates to the difference between the asset's accounting value and the and the updated value of the estimated future cashflows.

2.3.1.14 Cash and cash equivalents:

Cash consists of the available cash in the bank account on the closing date. Bank overdrafts re-disbursable on sight also constitute an element of the cash and cash equivalents for the purposes of the cashflow table.

Cash equivalents are highly liquid short-term placements consisting of investment securities easily convertible into known cash and subject to a negligible risk of any change in value. They are recorded at liquid value on the closing date, with the placement bonus being recorded in the income statement.

2.3.1.15 Subsidies and other public assistance:

The ACTIELEC Technologies Group has benefited from public assistance of the "reimbursable advances" type. These type of interest-bearing fundings do not fall under the management of public subsidies and the criteria of the IAS 20 standard. Taking into account the projects financed and the strong probability of reimbursement, they are shown as debts in the financial statements.

2.3.1.16 Taxes:

Company income tax includes tax due and deferred tax.

Tax due for payment:
Tax due for payment is the estimated amount of tax due for the taxable profit for the period, using the prevailing tax rates and applying any adjustments of the tax due for previous periods.
The tax due for payment also includes the calculated research tax credit calculated for the period.

Deferred taxes:
Deferred taxes result in particular from:
- ✓ Tax losses that can be carried forward,
- ✓ The time difference that can exist between the consolidation value and the tax basis for certain assets and liabilities.

Deferred taxes are evaluated using the variable carry-forward balance sheet method taking into account the tax rates (and the tax regulations) that have been adopted or virtually adopted on the closing date.

Deferred taxes on assets are recorded when it is probable they will be collected. They must be ascribable to future taxable profits. The assets for deferred taxes are reduced when there is no longer a probability that an adequate fiscal benefit is available.
Under application of IAS 12, the assets and liabilities for deferred taxes are not subject to updating.

2.3.1.17 Financial instruments:

The different categories of financial instruments are assets held until due date, loans and receivables issued by the company, financial assets and liabilities at actual value via the income statement and other financial liabilities.

- Assets held until due date: the ACTIELEC TECHNOLOGIES Group possesses none,
- Loans and receivables issued by the company:
  - ✓ These are recorded at amortized cost and may be subject to depreciation if there is any indication of a loss in value,
  - ✓ Removal from the accounts of the financial assets is conditional on the transfer of any risks and benefits relating to the asset and the transfer of control of the asset. For this reason, the discounted unmatured bills and the Dailly as guarantee are kept as a "customers and attached accounts" item.
- Financial assets and liabilities at actual value via the income statement:
- The investment securities are recorded at their market value on the closing date,
- Other debts (interest-bearing loans and borrowings): these are recorded according to the effective interest rate method,
- Participation securities: the Group holds participations in companies without exerting significant influence of control. In accordance with IAS 39 standard, the securities are analysed as available for sale and are normally recorded at actual value with variations in capital value. However, if the actual value cannot be reliably determined, the securities are recorded at cost. If there is any objective indication of depreciation, a provision for depreciation is recorded.

- The Group also uses compound financial instruments of the Convertible Debenture or Share Subscription Warrant type. Compound financial instruments are distributed as a debt component and a capital component.
- Derivatives: the ACTIELEC TECHNOLOGIES group uses derivatives to cover its exposure to exchange risks and interest rates resulting from its operating, financial and investment activities. In accordance with its cash management policy, the Group does not hold or issue any financial instruments for transaction purposes. However, the derived instruments that do not meet the cover compatibility criteria are recorded as speculative instruments.

  - ✓ Rates risks hedging: the ACTIELEC TECHNOLOGIES Group has adopted a global rates coverage policy; these coverage instruments are not directly ascribable to certain borrowings but enable variable rate borrowings to be covered globally. These derivatives are evaluated at actual value. The profit or loss resulting from re-evaluation at actual value is immediately recorded as income.
  - ✓ Exchange risks hedging: for certain subsidiaries in the ACTIELEC TECHNOLOGIES Group, hedge accounting (coverage of future cashflows - cashflow hedge) has been applied when the criteria were observed (the effective part of the actual value of the hedging instruments is recorded as capital and then reported as operating income during production of the underlying element; the subsequent variations in actual value follow treatment of the value variations in the underlying element relating to the exchange). The risk-hedging instruments that do not comply with the hedging criteria are recorded as above (rates risk hedging instruments).

2.3.1.18 Own shares:

The own shares held by the ACTIELEC TECHNOLOGIES Group are deducted from the capital. No profit or loss is recorded in the income statement on the purchase, sale or cancellation of own shares. The compensatory sums paid or received during these transactions are recorded directly as capital.

The existing stock options plan whose rights were acquired before the changeover date has not bee subject to any reprocessing in accordance with the dispensation provided for in IFRS 1.25.

2.3.1.19 Provisions:

A provision is recorded:
- When there is a legal or implicit obligation resulting from past events,
- When it is probable there will be an outflow of resources to eliminate the obligation,
- When its amount can be reliably estimated.

The funded amount corresponds to the best estimation of the expense. If the impact is significant, the amount is updated by applying a rate reflecting the money's time value and the specific risks for the liabilities.

A provision for guarantees is recorded at the time the corresponding goods or services are sold. The provision is based on the historical data for the guarantees and is evaluated by weighing all the possible outflows according to their probability.

2.3.1.20 Benefits for the personnel:

Short-term benefits are accepted as personnel expenses for the period.

The long-term benefits concern:

- Defined contributions systems: the Group's obligations are limited to the payment of periodic contributions to external organizations. The expense is recorded over the period under the heading of "personnel expenses",
- Defined services systems: this concerns the compensation for retirement funded according to the projected credit units method taking into account demographic factors (turnover of personnel, mortality) and financial factors (increase in salaries). The updating rate selected is the State obligations rate. The actuarial differences are recorded immediately in the income statement for the financial year during which they are calculated,

- Other long-term benefits: these are funded according to their acquisition by the employees concerned. The amount of the obligation is calculated using the projected credit units method. The actuarial differences are recorded immediately in the income statement for the financial year during which they are calculated.

2.3.1.21 Suppliers' and other debts:

Suppliers' and other creditors' debts are evaluated at their actual value when recorded initially and then at amortized cost.

The revenue recorded in advance concerns the subscription agreements taken out by customers. The revenue from these agreements is distributed linearly over the term of the agreement (Cf. § 2.3.1.5).

2.3.1.22 Methods of calculating the income per share:

- The basic income per share corresponds to the net income for the financial year attributable to the Group divided by the weighted average number of shares in circulation during the year after deduction of own shares.
- The diluted income per share takes into account all the agreements that could give their holder the right to purchase ordinary shares, termed potentially dilutable ordinary shares.

For the ACTIELEC TECHNOLOGIES Group, the effect of the share subscription plans and the share subscription warrants is taken into account in the diluted income per share.

2.3.1.23 Sector information:

A sector is a distinct component of the Group, which is engaged in the supply of related products or services (sector of activities), or the supply of products or services in a particular economic environment (geographical sector) and which is exposed to risks and profitability differing from those in other sectors.

The Group has selected distribution by sector of activity for the primary level of sector information and geographical distribution for the secondary level, as shown in note 2.3.16.

2.3.2 NOTES ON THE CHANGEOVER TO IFRS STANDARDS

The Group's consolidated accounts published before the 2005 financial year were drawn up in accordance with the accounting principles applicable in France and the terms of CRC regulation No. 99-02.
Because it is quoted in a country within the European Union and in application of European Regulation No. 1606/2002 of 19th July 2002 regarding international standards, the Group's consolidated accounts for 31st December 2005 were drawn up in accordance with the international accounting standards laid down by the IASB (International Accounting Standard Board).

The following information shows the effects of the changeover, which are recorded as capital on 1st January 2004.

2.3.2.1 Principles and options selected in relation to the initial adoption:

The costed effect of the changeover to IFRS on the financial information for 2004 has been prepared by applying to the data for 2004 the IFRS standards and interpretations that the Group is applying for drawing up its consolidated accounts for 2005. The basis for preparing the financial information for 2004 described in the following notes consequently stems from:

- The IFRS standards and interpretations compulsorily applicable on 31st December 2005,
- The options selected and the exemptions used by the Group to draw up its first IFRS consolidated accounts.

The options selected by the Group in accordance with the general stipulations of the standard IFRS 1 dealing with the first adoption of IFRS Standards are as follows:

- Company grouping (IFRS 3): the Group has selected the option of not reprocessing the company groupings prior to 1st January 2004; the Group has also selected the option of not recording the previous acquisition variances for subsidiaries abroad in foreign currencies. These acquisition variances therefore remain in Euros (IFRS 1-B1A).
- The actual value or re-evaluation used as the presumed cost (IAS 16): the option left to the Group of evaluating the fixed assets at their actual value has not been selected. The fixed assets are recorded at historical cost.
- Financial instruments (IAS 32 & 39): the Group has not selected the option of postponing the application of IAS 32 & 39 on 1st January 2005.
- Actuarial differences on the retirement commitments (IAS 19): the Group has chosen immediately to record all the actuarial gains or as income. Consequently, the actuarial differences prior to 1st January 2004 have already been recorded in the opening capital on 1st January 2004.
- Payments based on shares (IFRS 2): a single stock options plan is in progress. The rights relating to this plan were acquired at the changeover date. The Group has therefore not applied IFRS2 for this plan in accordance with the dispensation provided for in IFRS 1.25.
- Conversion differences (IAS 21): the Group was already recording conversion differences in accordance with IAS 21. The option of not recalculating the conversion differences from the start ahs not been selected except for conversion differences on acquisition variances (Cf. above). Conversion differences are recorded in a specific heading of the capital.

2.3.2.2 Impact of the changeover on the consolidated financial statements:

2.3.2.2.1 Presentation of the financial statements

Consolidated balance sheet:

The IAS1 Standard "Presentation of financial statements²" introduces alterations in the presentation of consolidated accounts.
The method of presenting the balance sheet has been adapted according to the IAS1 standard, which imposes a distinction between current and non-current elements in IFRS, as opposed to the previous presentation under French standards retaining the criterion of the nature and/or liquidity of the assets and liabilities.
The assets and liabilities relating to the operating cycle and those maturing within less than 12 months on the closing date are classed as current, whereas the other assets and liabilities are classed as non-current.
The application of the IAS1 standard has also led to the inclusion of minority interests in the capital but with the distribution between "Part of the Group" and "Minorities" still being specified.

The main effects on presentation of the balance sheets published under French standards on 1st January 2004 and 31st December 2004 compared to those presented under IFRS Standards in the tables below are as follows:

- The research tax credits previously presented in the "Other receivables" item are isolated on a specific line as current or non-current assets in the IFRS balance sheet,
- The provisions for compensation for retirement are classified distinctly as non-current liabilities, conditioned advances are classified in the "financial debts" item and distributed as non-current or current liabilities depending on their payability.
- The proportion of the financial debts of less than one year is presented as "Other current financial liabilities".

Consolidated income statement:

The effects on presentation of the consolidated income statement published under French standards on 31st December 2004 compared to that presented under IFRS Standards in the tables below are as follows:

- The operating subsidies have been reclassified by reducing the corresponding operating income expense items,
- The transfers of expenses have been reclassified by reducing the corresponding expenses items,
- The immobilized production is reclassified by reducing the corresponding expenses items,
- The draw-downs on amortizations and provisions classified under the heading "draw-downs on amortizations, provisions, transfers" have been reclassified either as "net allocations to provisions" or "net allocations to amortizations",

- The income and financial expenses have been reclassified as follows:
  - In the item "gains and losses on exchange for operating transactions" for the exchange gains and losses relating to commercial transactions,
  - In the item "other products and financial expenses" of the financial income for gains and losses on exchange apart from operation,
  - In the item "net allocations to provisions » of the financial income for allocations and draw-downs of financial provisions,
  - In the item "revenue from cash and cash equivalents" for the gains arising from cash placements,
  - In the item "gross cost of financial indebtedness" for the interest on borrowings,
- The extraordinary revenue and expenses are reclassified as follows:
  - In the item "other revenue and operating expenses" for the extraordinary revenue and expenses on management transactions,
  - In the items "draw-downs on provisions" and "allocations to provisions" for extraordinary allocations and draw-downs of provisions,
  - In the item "capital gains or losses on transfers of fixed assets" for the extraordinary revenue and expenses on capital transactions.

The tables below show the reclassifications made in detail:

On 1st January 2004

Net values in k€	French CRC 99/02 principles presentation												
French CRC 99/02 principles in IFRS format	**Capital subscribed, not called up**	**Acquisition variances**	**Intangible fixed assets**	**Tangible fixed assets**	**Long-term investments**	**Total fixed assets**	**Stocks**	**Receivables**	**Own shares**	**Available cash and investment securities**	**Total circulating assets**	**Accruals**	**Grand total in IFRS format presentation**
Non-current assets													
Acquisition variances		21,095											21,095
Development costs			17,443										17,443
Other intangible fixed assets			1,169										1,169
Land				1,628									1,628
Structures				6,534									6,534
Technical installations				4,772									4,772
Other tangible fixed assets				3,262									3,262
Securities in companies brought into equivalence					647								647
Other long-term investments					991								991
Financial instruments													
Deferred tax on assets								7,770					7,770
Non-current research tax credit								310					310
Current assets													
Stocks							46,035						46,035
Receivables from customers								48,860					48,860
Other current business-related receivables								7,542					7,542
Misc. other current receivables								1,518				75	1,593
Investment securities										223			223
Available cash										6,332			6,332
GENERAL SUB-TOTAL		21,095	18,612	16,195	1,638	57,540	46,035	66,001		6,555	118,591	75	176,206
Elements of the CRC 99/02 ASSETS reclassified as LIABILITIES in IFRS Format									204		204		204
GRAND TOTAL CRC 99/02 FORMAT (published version)		**21,095**	**18,612**	**16,195**	**1,638**	**57,540**	**46,035**	**66,001**	**204**	**6,555**	**118 795**	**75**	**176,410**

Net values in k€	French CRC 99/02 principles presentation								
French CRC 99/02 principles in IFRS format	Capital	Minority interests	Other own capital	Provisions for risks and expenses	Debts and equalizations	Differences on converting liabilities	General sub-total (published version)	Elements of the CRC 99/02 reclassified as IFRS liabilities	Grand total in IFRS format presentation
Capital									
Capital	12,865						12,865		12,865
Premiums	9,277						9,277		9,277
Reserves	4,906						4,906		4,906
Carried forward	12,120						12,120		12,120
Income N-1									
Difference on conversion	<1,697>						<1,697>		<1,697>
Own shares								<204>	<204>
Income from the financial year	1,941						1,941		1,941
Income from minority holdings		56					56		56
Minority holding reserves		2,839					2,839		2,839
Non-current liabilities									
Debenture loans					1,499		1,499		1,499
Borrowings from credit institutions					22,236		22,236		22,236
Other financial debts			252				252		252
Financial leasing debts					1,547		1,547		1,547
Misc. debts					656		656		656
Derivatives									
Deferred tax liabilities				17			17		17
Provision for retirement and other long-term benefits				1,595			1,595		1,595
Current liabilities									
Short-term provisions				1,811			1,811		1,811
Debenture loans									
Financial debts of less than one year			396		40,394		40,790		40,790
Financial instruments									
Suppliers					33,312		33,312		33,312
Other operating debts					17,873		17,873		17,873
Tax-related debts (IS)					1,201		1,201		1,201
Misc. other debts					6,140		6,140		6,140
Revenue recorded in advance					5,175		5,175		5,175
GRAND TOTAL CRC 99/02 FORMAT (published version)	**39,411**	**2,896**	**648**	**3,423**	**130,033**		**176,410**	**<204>**	**176,206**

On 31st December 2004

Net values in k€	French CRC 99/02 principles presentation											
French CRC 99/02 principles in IFRS format	**Capital subscribed, not called up**	**Acquisition variances**	**Intangible fixed assets**	**Tangible fixed assets**	**Long-term investments**	**Total fixed assets**	**Stocks**	**Receivables**	**Own shares**	**Available cash and investment securities**	**Total circulating assets**	**Grand total in IFRS format presentation**
Non-current assets												
Acquisition variances		20,253										20,253
Development costs			18,553									18,553
Other intangible fixed assets			1,778									1,778
Land				1,558								1,558
Structures				5,903								5,903
Technical installations				6,003								6,003
Other tangible fixed assets				3,771								3,771
Securities in companies brought into equivalence					628							628
Other long-term investments					979							979
Financial instruments												
Deferred tax assets								8,564				8,564
Non-current research tax credit								1,451				1,451
Current assets												
Stocks							52,283					52,283
Receivables from customers								56,017				56,017
Other current business-related receivables								6,747				6,747
Misc. other current receivables								1,235				1,235
Investment securities										90		90
Available cash										10,421		10,421
GENERAL SUB-TOTAL		20,253	20,331	17,235	1,606	59,426	52,283	74,015		10,511	136,809	196,235
Elements of the CRC 99/02 ASSETS reclassified as IFRS LIABILITIES									297		297	297
GRAND TOTAL CRC 99/02 FORMAT (published version)		**20,253**	**20,331**	**17,235**	**1,606**	**59,426**	**52,283**	**74,015**	**297**	**10,511**	**137,106**	**196,532**

Net values in k€	French CRC 99/02 principles presentation								
French CRC 99/02 principles in IFRS format	**Capital**	**Minority interests**	**Other own capital**	**Provisions for risks and expenses**	**Debts and equalizations**	**Differences on converting liabilities**	**General sub-total (published version)**	**Elements of the 99/02 assets reclassified as IFRS liabilities**	**Grand total in IFRS format presentation**
Capital									
Capital	14,271						14,271		14,271
Premiums	13,792						13,792		13,792
Reserves	6,766						6,766		6,766
Carried forward	12,241						12,241		12,241
Income N-1									
Difference on conversion	<1,699>						<1,699>		<1,699>
Own shares								<297>	<297>
Income from the financial year	3,866						3,866		3,866
Income from minority holdings		562					562		562
Minority holding reserves		2,884					2,884		2,884
Non-current liabilities									
Debenture loans					1,060		1,060		1,060
Borrowings from credit institutions					20,344		20,344		20,344
Other financial debts			268				268		268
Financial leasing debts					2,167		2,167		2,167
Misc. debts					329		329		329
Derivatives									
Deferred tax liabilities				43			43		43
Provision for retirement and other long-term benefits				1,982			1,982		1,982
Current liabilities									
Short-term provisions				3,795			3,795		3,795
Debenture loans					495		495		495
Financial debts of less than one year			145		37,973		38,118		38,118
Financial instruments									
Suppliers					41,568		41,568		41,568
Other operating debts					18,297		18,297		18,297
Tax-related debts (IS)					549		549		549
Misc. other debts					8,450		8,450		8,450
Revenue recorded in advance					6,383		6,383		6,383
GRAND TOTAL CRC 99/02 FORMAT (published version)	**49,239**	**3,446**	**413**	**5,820**	**137,615**		**196,532**	**<297>**	**196,235**

Net values in k€ French CRC 99/02 principles in IFRS format	French CRC 99/02 principles presentation (published version): Sales turnover net	Operating revenue	Operating expenses	Operating income	Financial income	Current income before taxes	Extraordinary income	Tax due and deferred	Income from integrated companies (before AEA)	Income from companies brought into equivalence	Allocations amortization acquisition variances	Overall consolidated income	Reclassification in IFRS format	Grand total in IFRS format presentation
Sales turnover	227,741	227,741		227,741		227,741			227,741					**227,741**
- Purchases consumed			<110,033>	<110,033>		<110,033>			<110,033>				<164>	**<110,196>**
- Personnel expenses			<62,508>	<62,508>		<62,508>			<62,508>				3,256	**<59,252>**
- External expenses			<42,098>	<42,098>		<42,098>			<42,098>				671	**<41,427>**
- Duties and taxes			<3,616>	<3,616>		<3,616>			<3,616>				<1>	**<3,617>**
- Net allocations to amortizations		1,130	<7,220>	<6,090>		<6,090>	201		<5,890>		<1,652>		<193>	**<7,734>**
- Net allocations to provisions		1,639	<4,942>	<3,303>	93	<3,211>	<477>		<3,688>				188	**<3,500>**
+/- Variation in stocks of work in progress and finished products		4,780		4,780		4,780			4,780					**4,780**
+/- Gains and losses on exchange for operating transactions					<243>	<243>			<243>				354	**111**
+/- Other revenue and operating expenses		335	<528>	<193>		<193>	<246>		<439>				158	**<281>**
+/- Values on transfers of fixed assets							64		64				0	**64**
Operating income														**6,690**
+ Revenue from cash and cash equivalents					74	74			74					**74**
- Gross cost of financial indebtedness					<3,321>	<3,321>			<3,321>					**<3,321>**
+/- Other revenue and financial expenses (including gains and losses on non-operational currency exchange)					130	130			130					**130**
Net financial indebtedness cost														**<3,116>**
Tax charges								775	775					**775**
Proportion of net income from companies brought into equivalence										81				**81**
Net income before income from ceased activities or activities being transferred														**4,429**
Net tax income from ceased activities or activities being transferred														
Net income														**4,429**
GENERAL SUB-TOTAL	227,741	235,625	<230,945>	4,679	<3,266>	1,413	<459>	775	1,729	81	<1,652>	2,979		
CR elements having to be reclassified to other CR accounts		4,384		4,384		4,384	<113>		4,271			1,450		
GRAND TOTAL CRC 99/02 FORMAT (published version)	**227,741**	**240,009**	**<230,945>**	**9,063**	**<3,266>**	**5,797**	**<572>**	**775**	**6,000**	**81**	**<1,652>**	**4,429**		

2.3.2.2.2 Reconciliation of the balance sheets and the income statement

The effects on the balances sheets and consolidated income statements published under French standards on 1st January 2004 and 31st December 2004 compared to those presented under IFRS Standards in the tables below are as follows:

(1) – Company grouping and intangible fixed assets (IAS 38 – IFRS 3):
The intangible fixed assets (establishment costs and goodwill) did not fulfil the criteria for accepting assets on the changeover date and have been eliminated from the capital. The effect on the opening capital on 1st January 2004 is k€ <74 >.

In accordance with application of Standard IFRS 3, the amortization of acquisition variances no longer requires to be recorded for the financial years opened from 1st January 2004. However, the acquisition variances are subjected to a systematic test to determine any depreciations.

(2) – Tangible fixed assets (IAS 16):
Standard IAS 16, tangible fixed assets, provides for the use of differentiated amortization periods for each of the components in the same fixed asset.
Application of Standard IAS 16 has caused the Group to review the list of immobilized components and their useful lives. Application of these principles mainly concerns the structures. The effect on the opening capital on 1st January 2004 is k€ + 433.

(3) – Financial instruments (IAS 32 / 39):
By application of these Standards:

- The investment securities have been re-evaluated at their actual value with an effect on the opening capital of k€ 22;
- The own shares held by the Group have been deducted from the capital on 1st January 2004 in the amount of k€ <82>;
- A debenture has been subject to distribution between debts and capital. The effect on the opening capital on 1st January 2004 is k€ <64>. The variations relating to updating the following years are recorded under the heading “interest and financial expenses”.
- The non interest-bearing receivables and debts whose due dates are over one year have been subject to an updating calculation. The difference relating to updating at origin is recorded as capital. The review relating to updating each year is recorded under the heading “other revenue and financial expenses”. The updating rate selected is 3.9%.
- The ANVAR Stock Subscription Warrants have been subject to reclassification as other non-current financial debts taking into account the commitment to repurchase given, with an effect on the opening capital on 1st January 2004 of k€ <1,600>.
- The rates hedging instruments (CAP and SWAP) have been subject to valuation at their actual value, with an effect on the opening capital on 1st January 2004 of k€ + 13. The following table shows their accounting value and their actual value on 1st January 2004 and 31st December 2004 by type of instrument:

Values in k€	Accountancy value		Actual value	
	1st January 2004	31st December 2004	1st January 2004	31st December 2004
CAP	0	0	56	9
SWAP	0	0	<43>	<25>
Total	**0**	**0**	**13**	**<16>**

- Discounted bills not due and Dailly as guarantees have been reclassified to the item “receivables from customers” (k€ 8,671 on 1st January 2004 and k€ 9,147 on 31st December 2004).

On 1st January 2004

Net values in k€	ASSETS balance sheet on 1st January 2004				
	GRAND TOTAL IFRS FORMAT (Version 99/02)	IAS 38 - Intangible fixed assets	IAS 16 Tangible fixed assets	IAS 32-39 Financial instruments	IFRS balances 01/01/2004
Non-current assets					
Acquisition variances	21,095				21,095
Development costs	17,443				17,443
Other intangible fixed assets	1,169	<74>			1,095
Land	1,628				1,628
Structures	6,534		487		7,020
Technical installations	4,772				4,772
Other tangible fixed assets	3,262				3,262
Securities in companies brought into equivalence	647		<114>		533
Other long-term investments	991				991
Financial instruments				56	56
Deferred tax assets	7,770		55	<80>	7,746
Non-current research tax credit	310				310
Current assets					
Stocks	46,035				46,035
Receivables from customers	48,860			8,671	57,531
Other current business-related receivables	7,542				7,542
Misc. other current receivables	1,593				1,593
Investment securities	223			22	245
Available cash	6,332				6,332
Totals	**176,206**	**<74>**	**428**	**8,670**	**185,230**

Net values in k€	LIABILITIES balance sheet on 1st January 2004				
	GRAND TOTAL IFRS FORMAT (Version 99/02)	IAS 38 - Intangible fixed assets	IAS 16 - Tangible fixed assets	IAS 32-39 - Financial instruments	IFRS balances 01/01/2004
Capital					
Capital	12,865				12,865
Premiums	9,277				9,277
Reserves	4,906	<60>	440	<1,443>	3,843
Carried forward	12,120				12,120
Income N-1					
Difference on conversion	<1,697>		<3>		<1,700>
Own shares	<204>			<240>	<443>
Income from the financial year	1,941				1,941
Income from minority holdings	56				56
Minority holding reserves	2,839	<14>	<4>	<5>	2,817
Non-current liabilities					
Debenture loans	1,499			<62>	1,438
Borrowings from credit institutions	22,236				22,236
Other financial debts	252			1,600	1,852
Financial leasing debts	1,547				1,547
Operating debts of more than one year					
Misc. debts	656			<28>	628
Derivatives				43	43
Deferred tax liabilities	17		9		26
Provision for retirement and other long-term benefits	1,595				1,595
Current liabilities					
Short-term provisions	1,811		<15>	245	2,041
Debenture loans				<87>	<87>
Financial debts of less than one year	40,790			8,671	49,462
Financial instruments					
Suppliers	33,312				33,312
Other operating debts	17,873				17,873
Tax-related debts (IS)	1,201				1,201
Misc. other debts	6,140			<26>	6,114
Revenue recorded in advance	5,175				5,175
Totals	**176,206**	**<74>**	**428**	**8,670**	**185,230**

On 31st December 2004:

Net values in k€	ASSETS balance sheet on 31st December 2004				
	GRAND TOTAL IFRS FORMAT (Version 99/02)	IAS 38 - IFRS 3 - Intangible fixed assets	IAS 16 - Tangible fixed assets	IAS 32-39 - Financial instruments	IFRS balances 31/12/2004
Non-current assets					
Acquisition variances	20,253	1,652			21,905
Development costs	18,553				18,553
Other intangible fixed assets	1,778	<67>			1,711
Land	1,558				1,558
Structures	5,903		584		6,487
Technical installations	6,003				6,003
Other tangible fixed assets	3,771				3,771
Securities in companies brought into equivalence	628		<125>		503
Other long-term investments	979				979
Financial instruments				9	9
Deferred tax assets	8,564		49	<35>	8,579
Non-current research tax credit	1,451				1,451
Current assets					
Stocks	52,283				52,283
Receivables from customers	56,017			9,147	65,164
Other current business-related receivables	6,747				6,747
Misc. other current receivables	1,235				1,235
Investment securities	90			24	113
Available cash	10,421				10,421
Totals	**196,235**	**1,585**	**509**	**9,145**	**207,475**

Net values in k€	LIABILITIES balance sheet on 31st December 2004				
	GRAND TOTAL IFRS FORMAT (Version 99/02)	**IAS 38 - Intangible fixed assets**	**IAS 16 - Tangible assets**	**IAS 32-39 - Financial instruments**	**IFRS balances 31/12/2004**
Capital					
Capital	14,271				14,271
Premiums	13,792				13,792
Reserves	6,766	<60>	472	<1,441>	5,737
Carried forward	12,241				12,241
Income N-1					
Difference on conversion	<1,699>		4		<1,695>
Own shares	<297>			<147>	<444>
Income from the financial year	3,866	1,585	40	<86>	5,405
Income from minority holdings	562	74		1	638
Minority holding reserves	2,884	<14>		<5>	2,866
Non-current liabilities					
Debenture loans	1,060			<52>	1,008
Borrowings from credit institutions	20,344				20,344
Other financial debts	268			1,600	1,868
Financial leasing debts	2,167				2,167
Operating debts of more than one year					
Misc. debts	329			<8>	321
Derivatives				25	25
Deferred tax liabilities	43		8		51
Provision for retirement and other long-term benefits	1,982				1,982
Current liabilities					
Short-term provisions	3,795		<15>	255	4,035
Debenture loans	495			<128>	367
Financial debts of less than one year	38,118			9,147	47,265
Financial instruments					
Suppliers	41,568				41,568
Other operating debts	18,961			<18>	18,943
Misc. other debts	8,335				8,335
Revenue recorded in advance	6,383				6,383
Totals	**196,235**	**1,585**	**509**	**9,145**	**207,475**

Net values in k€	Income statement on 31st December 2004				
	GRAND TOTAL IFRS FORMAT (Version 99/02)	**IAS 38 - IFRS 3 - Intangible fixed assets**	**IAS 16 - Tangible fixed assets**	**IAS 32-39 - Financial instruments**	**IFRS balances 31/12/2004**
Sales turnover	227,741				227,741
- Purchases consumed	<110,196>				<110,196>
- Personnel expenses	<59,252>				<59,252>
- External expenses	<41,427>				<41,427>
- Duties and taxes	<3,617>				<3,617>
- Net allocations to amortizations	<7,734>	1,659	30		<6,045>
- Net allocations to provisions	<3,500>			<93>	<3,593>
+/- Variation in stocks of work in progress and finished products	4,780				4,780
+/- Gains and losses on exchange for operating transactions	112				112
+/- Other revenue and operating expenses	<281>	<1>			<282>
+/- Values on transfers of fixed assets	64				64
Operating income	6,690	1,658	30	<93>	8,284
Revenue from cash and cash equivalents	74			2	76
Gross cost of financial indebtedness	<3,321>			<6>	<3,327>
+/- Other revenue and financial expenses *(including gains and losses on non-operational currency exchange)*	130			<29>	102
Net financial indebtedness cost	<3,117>			<33>	<3,149>
Tax charges	775		20	42	838
Proportion of net income from companies brought into equivalence	81		<9>		71
Net income before income from ceased activities or activities being transferred	4,429	1,658	40	<83>	6,044
Net tax income from ceased activities or activities being transferred					
Net income	**4,429**	**1,658**	**40**	**<83>**	**6,044**

2.3.2.2.3 Reconciliation of the cashflow tables

The impacts on the cashflow table published under French standards on 31st December 2004 compared to the table presented under IFRS Standards are described in the table below.

Net values in k€	31/12/04 Version 99/02	IFRS reprocessing			31/12/04 IFRS
		IAS 38 IFRS 3 Intan. assets	IAS 16 Tan. assets	IAS 32-39 Fin. instr.	
Net income from the integrated companies	4,348	1,658	50	<83>	5,973
Elimination of expenses and revenue without any effect on cash or unrelated to the activities					
- Amortizations and provisions	11,310	<1,658>	<30>		9,622
- Other revenue and expenses	22				22
- Deferred taxes	<741>		<20>	<42>	<803>
Gross self-financing margin for the integrated companies	14,939	0	0	<125>	14,814
Dividends received from companies brought into equivalence	101				101
Variation in the requirement for revolving funds in relation to the activities	<2,567>			<476>	<3,042>
Net cashflow generated by the activities	12,473	0	0	<601>	11,872
Acquisitions of fixed assets	<8,171>				<8,171>
Transfers of fixed assets, net of tax	77			34	111
Perimeter entry	<1,109>				<1,109>
Net cashflow relating to investment transactions	<9,203>	0	0	34	<9,169>
Dividends paid to parent company shareholders					
Dividends paid to integrated company shareholders	<23>				<23>
Capital increases in cash	5,967				5,967
Loan issues	6,076				6,076
Loan reimbursements	<9,311>				<9,311>
Net cashflow relating to financing transactions	2,709	0	0	0	2,709
Effect of fluctuations in the exchange rate	36				36
Variations in cash	6,015	0	0	<566>	5,449
Opening cash	<23,193>			<8,853>	<32,046>
Closing cash	<17,177>			<9,420>	<26,597>

2.3.3 CONSOLIDATED COMPANIES

Name	Head Office	Siren No.	% of control		Consolidation method		Activity
			12/04	12/05	12/04	12/05	
ACTIELEC TECHNOLOGIES	Toulouse	542 080 791	Consolidating company		Consolidating company		Holding company
AUTOMOTIVE							
ACTIA	Toulouse	389 187 360	99.97	99.97	I.G.	I.G.	Electronic studies and production
ACTIA MULLER SERVICES	Toulouse	350 183 182	99.99	99.99	I.G.	I.G.	Production and distribution of mechanical equipment for garages and inspection centres
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	92.89	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 studies and production
ATON SYSTÈMES	Maison Alfort	384 018 263	87.80	87.80	I.G.	I.G.	Electronic studies and production
ACTIA UK	Newtown *(Wales)*		100.00	100.00	I.G.	I.G.	Electronic studies and production
TEKHNE	Farnborough *(England)*		100.00	100.00	I.G.	I.G.	No industrial activity since 1995
ACTIA VIDEOBUS	Getafe Madrid *(Spain)*		100.00	100.00	I.G.	I.G.	Study and production of audio and video equipment
ACTIA AUTOMOTIVE	Getafe Madrid *(Spain)*		80.01	80.01	I.G.	I.G.	Distribution of diagnostics products
SCI LOS OLIVOS	Getafe Madrid *(Spain)*		39.99	39.99	M.E.	M.E.	Real estate
KARFA	Mexico *(Mexico)*		90.00	90.00	I.G.	I.G.	Participation management
ACTIA DE MEXICO	Mexico *(Mexico)*		100.00	100.00	I.G.	I.G.	Production and distribution of audio and video equipment
ACTIA DO BRASIL	Porto Alegre *(Brazil)*		90.00	90.00	I.G.	I.G.	Electronic studies and production
ACTIA INC.	Elkhart-Indiana *(USA)*		100.00	100.00	I.G.	I.G.	No activity
ATAL	Tabor *(Czech Rep)*		89.98	89.98	I.G.	I.G.	Electronic studies and production
ACTIA ITALIA	Torino *(Italy)*		100.00	100.00	I.G.	I.G.	Electronic studies and production
I + ME ACTIA	Braunsweig *(Germany)*		100.00	100.00	I.G.	I.G.	Electronic studies and production
ACTIA CORP.	Elkhart-Indiana *(USA)*		100.00	100.00	I.G.	I.G.	Electronic studies and production
ACTIA NL	Nuenen *(Netherlands)*		100.00	100.00	I.G.	I.G.	Electronic studies and production
ACTIA POLTIK SP	Lodz *(Poland)*		70.00	70.00	I.G.	I.G.	Electronic studies and production
CIPI	Tunis (Tunisia)		65.60	65.60	I.G.	I.G.	Electronic production
ACTIA INDIA	New Delhi *(India)*		51.00	51.00	I.G.	I.G.	Electronic studies and production
ACTIA SHANGAI	Shangaï *(China)*		100.00	100.00	I.G.	I.G.	Electronic studies and production
ACTIA NORDIC	Spanga *(Sweden)*		52.00	52.00	I.G.	I.G.	Electronic studies and production
TELECOMMUNICATIONS							
SODIELEC SA (1)	St Georges de Luzençon	699 800 306	90.47	91.10	I.G.	I.G.	Electronic studies and production
SCI SODIMOB	St Georges de Luzençon	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 studies and production
ARDIA (2)	Tunis (Tunisia)		-	60.00	-	I.G.	Electronic studies
SCI DE L'ORATOIRE (3)	Toulouse	345 291 405	100.00	100.00	I.G.	I.G.	Real estate
SCI LES COTEAUX DE POUVOURVILLE	Toulouse	343 074 738	27.50	27.50	M.E.	M.E.	Real estate

(1) Following the increase in the capital of SODIELEC SA on 27/05/2005, this company's percentage of control changed from 90.47% to 91.10%.
(2) On 27th May 2005, the Group formed the company, ARDIA, which is 60% controlled by ACTIELEC TECHNOLOGIES.
(3) SCI de l'Oratoire is held 86% by ACTIELEC TECHNOLOGIES and 14% by ACTIA.

2.3.4 INTANGIBLE FIXED ASSETS

The gross values for the **intangible fixed assets** have changed as follows:

Figures expressed in k€	On 31/12/04 IFRS	Perimeter variation	Conversion differences	<Transfer> acquisitions	Transfers and other reductions	On 31/12/05 IFRS
Acquisition variances	21,905	93				21,998
Development costs	24,595		132	3,439	<912>	27,254
Other intangible fixed assets	6,497		5	479	<68>	6,913
Total	**52,997**	**93**	**137**	**3,918**	**<980>**	**56,165**

and for the **amortizations:**

Figures expressed in k€	On 31/12/04 IFRS	Perimeter variation	Conversion differences	Allocations	Draw-downs	On 31/12/05 IFRS
Development costs	6,042		<6>	3,209	<912>	8,333
Other intangible fixed assets	4,786		<10>	417	<46>	5,147
Total	**10,828**		**<16>**	**3,626**	**<958>**	**13,480**

The new intangible fixed assets:

- Have been generated in-house (production converted to fixed assets) (M€ + 3.4),
- Have been acquired externally (M€ + 0.5),

The development costs immobilized during the 2005 financial year (acquisition at gross value) mainly concern the Chronotachograph (M€ +1.6).

The increase in **immobilized development costs** mainly comes from:

- ACTIA SA (M€ + 1.8),
- ACTIA de Mexico (M€ + 0.1),
- SODIELEC SA (M€ + 1.4).

The table below summarizes the changes in the **total cost** of Research & Development expenses:

Figures expressed in k€	2004	2005
Automotive	24,422	24,530
including cost of studies ordered by customers	11,337	12,748
including fixed assets	1,708	2,146
including expenses for the 'year	11,377	9,636
Telecommunications	11,273	10,820
including cost of studies ordered by customers	1,553	2,339
including fixed assets	1,718	1,283
including expenses for the 'year	8,002	7,138
Total	**35,695**	**35,350**
Amortization of immobilized development and fixed assets not included in the total cost calculations	3,209	3,245

The details of the **acquisition variances** are as follows:

Figures expressed in k€	**Values on balance sheet**
CIPI	922
ATON Systems	390
KARFA	31
ACTIA Corp.	7,501
ACTIA Poltik	224
ACTIA Automotive	38
ACTIA Nordic	587
SODIELEC	12,305
Total	**21,998**

The increase in the capital of SODIELEC SA on 27th May 2005 was partially underwritten by ACTIELEC Technologies. The Group's control of SODIELEC SA therefore changed from 90.47% to 91.10%. Because of this, an acquisition variance has been calculated. A positive acquisition variance of k€ 93 has been recorded on 31st December 2005.

In accordance with Standard IAS 36, all the acquisition variances have been subjected to depreciation tests, which have not revealed any loss in value.
This concerns in particular the acquisition variances of ACTIA Corp. and SODIELEC, for which the information relating to the tests is detailed below:

➢ Test on the acquisition variance of **ACTIA Corp**. (USA):
The acquisition variance of ACTIA Corp. was allocated to several CGUs:
- ✓ In the amount of M€ 2 for the whole of the Automotive branch (because of the synergies relating to the Group's installation in the USA),
- ✓ For the remainder, to the American entities: ACTIA Corp. (On-board systems) and ACTIA Inc. (Diagnostics).

The recoverable value corresponds to the CGU's useful value: It is determined by taking into account the following hypotheses:
- The **cashflow forecasts** drawn up by the Management take into account the changes in sales turnover based on evaluation of the order book for the four previous years and the changes in requirement for revolving funds calculated according to the changes in activity,
- The annual level of investment,
- The management has costed these hypotheses based on past experience,
- The period covered by these cashflow forecasts is four years (from 2006 to 2009),
- The updating rate corresponds to the capital's weighted average cost. It has been established based on a capital cost of 13.0% and a net debt cost of 3.6%. The rate selected for updating the cashflows and the final value is 11.1%.
- The following hypotheses were used to justify the rates selected:
  - Capital cost:
  - US T Bonds: 4.46%
  - Average risk premium for companies of Eurolist Compartment C: 5.94%
  - Beta between 1.355 (Source: Bloomberg) and 1.54 (Source: Datastream),
  - Debt cost:
  - Cost of medium-term debt before tax of 6%,
  - A taxation rate of 40%, used for determining cashflows.
- The final value has been determined from a cashflow to which an infinite growth rate of 1% has been applied.

- <u>Test on the acquisition variance of **SODIELEC:**</u>

  The acquisition variance for SODIELEC has been attached to a CGU composed of all the fixed assets of SODIELEC SA, representing as a whole an overall net value of **M€ 19.9.**

  The recoverable value corresponds to the CGU's useful value. It has been determined by taking into account the following hypotheses:

  ✓ The **cashflow forecasts** drawn up by the Management take into account the changes in sales turnover based on evaluation of the order book for the four previous years and the changes in requirement for revolving funds calculated according to the changes in activity,

  ✓ The annual level of investment,

  ✓ The management has costed these hypotheses based on past experience,

  ✓ The period covered by these cashflow forecasts is four years (from 2006 to 2009),

  ✓ The updating rate corresponds to the capital's weighted average cost. It has been established based on a capital cost of 12.0% and a net debt cost of 3.3%. The rate selected for updating the cashflows and the final value is 9.9%.

    The following hypotheses were used to justify the rates selected:

    - Capital cost:
      - 10-year OAT: 3.38%
      - Average risk premium for companies of Eurolist Compartment C: 5.94%
      - Beta between 1.355 (Source: Bloomberg) and 1.54 (Source: Datastream),
    - Debt cost:
      - Cost of medium-term debt before tax of 5%,
      - A taxation rate of 33.3%, used for determining cashflows.

  ✓ The final value has been determined from a cashflow to which an infinite growth rate of 1% has been applied.

2.3.5 TANGIBLE FIXED ASSETS

The gross values for the **<u>tangible fixed assets</u>** have changed as follows:

Figures expressed in k€	On 31/12/04	Perimeter variation	Conversion differences	Acquisitions and transfers	Transfers and other reductions	On 31/12/05
Land	1,571		48			1,619
Structures	11,362		291	10		11,663
Technical installations & equip., tools	25,885		210	3,381	<646>	28,830
Other fixed assets	13,397		364	755	<1,095>	13,421
Total	**52,215**		**913**	**4,146**	**<1,741>**	**55,533**
Including leasing:						
Land	62			159	*	221
Structures	2,256			2,044	*	4,300
Technical installations & equip., tools	3,451			1,255		4,706
Other fixed assets	2,070				<437>	1,633

* The increase in leasing is related to the lease-back of the buildings by SCI ORATOIRE during the first half of 2005 (M€ 2.1).

All the new tangible fixed assets have been acquired from external suppliers.

In 2005, the most important acquisitions concerned:

- Technical installations M€ + 3.4,

(including ACTIA SA M€ 1.7 of which M€ 1.2 as Leasing, and CIPI M€ 0.6)

- Other fixed assets M€ + 0.7,

(including AMS SA M€ 0.1, ACTIA Videobus M€ 0.1, ACTIA Corp M€ 0.2 and CIPI M€ 0.1).

The tangible fixed assets provided as security are detailed in paragraph 2.3.23 - Guarantees on elements of the assets.

The **amortizations**:

Figures expressed in k€	On 31/12/04 IFRS	Perimeter variation	Conversion differences	Allocations	Draw-downs	On 31/12/05 IFRS
Land	13			13	<13>	13
Structures	4,875		49	547	0	5,471
Technical installations and equipment	19,882		116	2,091	<301>	21,788
Other fixed assets	9,625		164	294	<395>	9,688
Total	**34,395**		**329**	**2,945**	**<709>**	**36,960**
Including leasing:						
Land	0			13		13
Structures	900			1,122		2,022
Technical installations & equip., tools	2,189			562		2,751
Other fixed assets	2,023			37	<437>	1,623

2.3.6 SECURITIES IN COMPANIES BROUGHT INTO EQUIVALENCE

Figures expressed in k€	Value of IFRS securities		Proportion of IFRS income	
	31/12/04	31/12/05	31/12/04	31/12/05
SCI Los Olivos	122	143	25	21
SCI de Pouvourville	381		46	73
Total	**503**	**143**	**71**	**94**

The net position of SCI de Pouvourville has become negative because of the withdrawal of the appreciation on lease-back at the end of 2004 and dividend distribution at the beginning of 2005. The negative securities brought into equivalence are presented as provisions on 31st December 2005 (Cf. § 2.3.15).

The financial information for the companies brought into equivalence is given below:

Figures expressed in k€	31/12/04		31/12/05	
	SCI Los Olivos	SCI de Pouvourville	SCI Los Olivos	SCI de Pouvourville
Total assets	1,527	4,297	1,532	770
Debts	1,223	253	1,175	38
Sales turnover	192	596	200	624
Income	63	3,205	52	95

2.3.7 OTHER LONG-TERM INVESTMENTS

Figures expressed in k€	Net values 31/12/04	Net values 31/12/05
Other fixed company securities		
Automotive branch	453	453
Telecommunications branch	0	0
Not allocated	19	19
Receivables attached to participations		
Automotive branch	215	206
Telecommunications branch	0	0
Not allocated	0	0
Deposits and security bonds		
Automotive branch	249	309
Telecommunications branch	35	21
Not allocated	0	0
Loans and other		
Automotive branch	4	6
Telecommunications branch	0	0
Not allocated	4	5
Total	**979**	**1?019**

2.3.8 STOCKS

The net realization values for the stocks have changed as follows:

Figures expressed in k€	2004				2005			
	Automotive branch	Telecom-munications branch	Not allocated (*)	Group consolidated accounts	Automotive branch	Telecom-munications branch	Not allocated (*)	Group consolidated accounts
Raw materials	16,603	5,539	0	22,142	17,161	6,118	0	23,279
Work in progress on goods and services	4,828	8,380	0	13,208	3,737	7,893	0	11,630
Intermediate and finished products	6,388	2,789	0	9,177	7,351	2,595	0	9,946
Merchandise	7,274	64	418	7,756	8,616	72	0	8,688
Total	**35,093**	**16,772**	**418**	**52,283**	**36,865**	**16,678**	**0**	**53,543**

(*)DGA stocks carried by ACTIELEC TECHNOLOGIES (Company Accounts): k€ 418 on 31/12/2004 and k€ 0 on 31/12/05.

No stocks were scrapped during the 2005 financial year.

The **depreciations** on over-stocks have changed as follows:

Figures expressed in k€	2004				2005			
	Automotive branch	Telecom-munications branch	Not allocated	Consolidated Group accounts	Automotive branch	Telecom-munications branch	Not allocated	Consolidated Group accounts
Raw materials	2,032	524	0	2,556	1,755	524	0	2,279
Goods and services in progress	124	0	0	124	117	0	0	117
Intermediate and finished products	440	165	0	605	486	165	0	651
Merchandise	1,685	0	0	1,685	1,886	0	0	1,886
Total	**4,281**	**689**	**0**	**4,970**	**4,244**	**689**	**0**	**4,933**

2.3.9 CUSTOMER AND OTHER RECEIVABLES

Receivables from customers are due within less than a year. The amount of receivables from customers, having been subject to Daily financing, was k€ 16,182 on 31/12/05.

Fiscal and social receivable amounted to M€ 3.5, comprising in particular:

- Research Tax Credit of M€ 2.7 including:
  - ✓ Automotive branch M€ 1.2
  - ✓ Telecommunications branch M€ 1.5
- Deductible VAT of M€ 1.8 including:
  - ✓ ACTIA SA M€ 0.5
  - ✓ ACTIA Muller Services SA M€ 0.6
- Company Tax Credit of M€ 1.6, with the main companies concerned being:
  - ✓ ACTIA SA M€ 0.5
  - ✓ ACTIA Italy M€ 0.3
  - ✓ SODIELEC M€ 0.3
- Social receivables of M€ 0.5.

2.3.10 CASH AND CASH EQUIVALENTS AND FINANCIAL INSTRUMENTS AT ACTUAL VALUE THROUGH THE INCOME STATEMENT

The cash comprises:

- Investment securities of k€ 115,
- Available cash at bank of k€ 8,558,
- Current bank accommodations, included in "Financial debts of less than one year" in the Current Liabilities amounting to k€ 39,054 on 31/12/05.

Net available cash therefore amounts to k€ <30,381 > on 31/12/05.

The investment securities are recorded at their market value on the closing date. The effect on the reserves and the income is detailed in the table below:

Figures expressed in k€	31/12/04				31/12/05			
	Accounting value	Actual value	Impact on reserves	Impact on income	Accounting value	Actual value	Impact on reserves	Impact on income
Investment securities	89	113	22	2	89	115	24	2

2.3.11 DEFERRED TAXES

Figures expressed in k€	31/12/04	31/12/05
Tax assets recorded as:		
Postponements	882	440
Reportable deficits	7,698	7,818
Total net tax assets	**8,580**	**8,258**
Tax liabilities recorded as:		
Deferred tax liabilities	51	112
Total net tax liabilities	**51**	**112**
Total net assets or liabilities from deferred taxes	**8,529**	**8,146**

The long-term capital losses of the French companies in the Group, which have not been activated, represent a total tax base of M€ 2.3 (M€ 2.3 on 31/12/04) i.e. a recoverable tax of k€ 184 (k€ 253 on 31/12/04).

2.3.12 FINANCIAL DEBTS

The financial debts broken down by type of credit and due date are as follows:

Figures expressed in k€	31/12/04				31/12/05			
	<31/12/05	>01/01/06 <31/12/09	>01/01/10	Total	<31/12/06	>01/01/07 <31/12/10	>01/01/11	Total
Debenture loans	367	1,008		**1,375**	736	416		**1,152**
Borrowings from credit institutions	7,556	17,189	3,154	**27,900**	9,522	15,513	2,824	**27,859**
Other financial debts	1,995	1,868		**3,863**	819	2,228		**3,047**
Leasing debts*	582	1,499	668	**2,749**	1,044	2,835	2,191	**6,070**
Bank accommodations and overdrafts	37,132			**37,132**	39,054			**39,054**
Total	**47,633**	**21,564**	**3,822**	**73,019**	**51,175**	**20,992**	**5,015**	**77,182**

* Cf. paragraph 2.3.5

The financial debts broken down by the currency in which the loans were taken out are as follows:

Figures expressed in k€	31/12/05				
	Euro	Dollar	Swedish Crown	Other	Total
Debenture loans	1,152				**1,152**
Borrowings from credit institutions	25,465	2,204	159	31	**27,859**
Other financial debts	2,067	2	84	894	**3,047**
Leasing debts	6,070				**6,070**
Bank accommodations and overdrafts	34,012	1,575	3,310	157	**39,054**
Total	**68,766**	**3,781**	**3,553**	**1,082**	**77,182**

- The "Net Indebtedness / Own Capital" ratio is as follows:

Figures expressed in k€	31/12/04	31/12/05
Convertible debenture loans	1,375	1,152
Financial debts on credit institutions	27,900	27,859
Leasing debts	2,749	6,070
Other financial debts	3,863	3,047
Bank accommodations and overdrafts	37,132	39,054
Sub-Total A	**73,019**	**77,182**
Other securities	113	115
Available cash	10,421	8,558
Sub-Total B	**10,534**	**8,673**
Total Net Indebtedness = A - B	**62,485**	**68,509**
Total Own capital	**52,814**	**56,465**
Ratio Net Indebtedness / Own capital	**118%**	**121%**

This ratio is heavily influenced by the financing for the Customer item, the real estate leasing reprocessing and the Stock Subscription Warrants (explained below).

- The Bank accommodations and overdrafts are generally granted for a period of one year and are renewable in the middle of the financial year. They are affected by the level of financing for the Customer item (Dailly) of M€ 16.2 on 31/12/05 compared to M€ 14.8 on 31/12/04.
- The Debenture Convertible into Shares was issued by SODIELEC SA at the end of December 2001 on the following conditions:
  - ✓ Nominative debentures issued at € 18 nominal at parity,
  - ✓ Loan period: 6 years from date of issue,
  - ✓ Annual interest: 2.5% per year payable on 30th June and 31st December every year,
  - ✓ Conversion right: one share for one debenture,
  - ✓ Financial year for conversion right: at any time.

  In the event of non-conversion, the debentures will be reimbursed for one third in the 4th, 5th and 6th years; they provide the right, in this case, to a non-conversion premium calculated at a rate whereby the gross global actuarial rate would be 6% per year. On 31st December 2005, no conversion right has been exercised.

- At the end of 2003, ACTIA SA obtained a loan of M€ 4 for funding the chronotachograph's development costs. This loan is linked to observance of the agreements relating to the start-up of the Chronotachograph market, calculated according to the Automotive branch's indebtedness. The financial indebtedness ratios to be observed are as follows:

  - ✓ R1 = Net consolidated financial debt divided by consolidated own capital: less than 1 in 2005,
  - ✓ R2 = Net consolidated financial debt divided by consolidated gross operating surplus: less than 4 in 2005 and less than 3 from 2006,
  - ✓ R3 = Consolidated free cashflow divided by consolidated financial debt servicing: more than 1.1.

  ACTIELEC TECHNOLOGIES, as guarantor for its subsidiary ACTIA, undertakes to distribute to its shareholders from the income from the financial years for 2004 onwards dividends beyond the sums required for resolving indebtedness only if the Net Indebtedness ratio on the own capital of ACTIELEC TECHNOLOGIES at consolidated level (without taking into account financing the Customer item), after distribution, is no greater than 1.

- The guarantees given on the borrowings and financial debts are listed in § 2.3.23.

- In 2003, ANVAR, the French Innovation Agency, and ACTIELEC TECHNOLOGIES signed an agreement to convert innovation assistance (a reimbursable advance) into Stock Subscription Warrants for ACTIA. On 11th June 2003, ANVAR subscribed to 943 Stock Subscription Warrants on the following conditions:
  - ✓ Each warrant issued allows subscription to a company share,
  - ✓ The new shares subscribed to by exercising the warrants must be completely released on their subscription at a price of € 283 per share,
  - ✓ The warrants may be exercised at any time within a period of 8 years from authorization of the issue. Beyond that period, any unexercised warrants will lose all value.

ACTIELEC TECHNOLOGIES SA undertakes to repurchase the Stock Subscription Warrants still held by ANVAR in the following cases and under the following conditions:

- ✓ Insofar as the securities of ACTIELEC TECHNOLOGIES have not been subject to any filing of a public offer (OPA, OPE, OPR etc.): from 1st January 2008, the transfer price for the Stock Subscription Warrants will be at least equal to the values defined below:
  - The Company's share value as resulting from the last significant transaction known on the date of notification by ANVAR (transfer of shares, increase in capital, etc.),
  - The share value established from the value of the Company broken down to one share. The Company value corresponds to the difference between:
    - The average share price for ACTIELEC TECHNOLOGIES over 200 days multiplied by the total number of shares, all divided by 0.85
    - The total sum of the values of the other companies held by ACTIELEC TECHNOLOGIES pro rata to its participation in the capital of each of its companies.

  - In the event that during the period of the agreement, the capital securities of ACTIELEC TECHNOLOGIES were subject to the filing of a public offer (OPA, OPE, OPR, etc.), the transfer price for the Stock Subscription Warrants will be equal to the value of the share determined from the Company value broken down to one share.
- ✓ In this case, the Company value corresponds to the difference between:
  - The transfer price per ACTIELEC TECHNOLOGIES share held at the issue of the public offer multiplied by the total number of shares on the date the public offer was filed, all divided by 0.85;
  - The total sum of the values of the other companies held by ACTIELEC TECHNOLOGIES pro rata to its participation in the capital of each of its companies.

Consequently, these Stock Subscription Warrants are presented as indebted for an amount of M€ 1.6.

2.3.13 CAPITAL

- The variation in the Group's capital during the 2005 financial year is related in particular to :

  - ✓ The increase in the capital of ACTIELEC TECHNOLOGIES SA, the conditions and costed details of which are shown below,
  - ✓ The variation in the perimeter relating to the increase in the capital of SODIELEC SA for the minority interests.

- The **own share repurchase programme** was initially authorized by the AMF (Stock Exchange Committee) on 14th December 2000 under VISA No. 00-2041 and then on 11th April 2002 under VISA No. 02-357. Two new own share repurchase programmes were authorized in succession by the General Meetings of 9th May 2003 and 30th April 2004 for periods of 18 months. These new programmes have not required prior authorization from AMF because:
  - ✓ The repurchased shares cannot be cancelled,
  - ✓ The authorized repurchase ceiling is 0.5% of the Company Capital,
  - ✓ The two objectives of the programmes are to regularize the share prices by systematic intervention to counter trends and intervention through purchase and sale according to the market situation.

  On 31st December 2005, the own shares repurchase programme was cleared by the holding of 61,961 shares recorded as a reduction of capital for their gross value (€ 290,154). The average purchase price was € 4.68

  Apart from the repurchase programme, ACTIELEC TECHNOLOGIES also holds 1,400 own shares recorded as reduction of capital for a gross value of € 153,152. These shares were held by MORS SA at the time of the merger.

  During the 2005 financial year, ACTIELEC TECHNOLOGIES used 35 own shares to convert 70 Stock Subscription Warrants (FR0010121061). This transfer generated no cash flow but simply converted Stock Subscription Warrants.

- Following the increase in capital of 27th April 2005, the capital of ACTIELEC TECHNOLOGIES consists of 19,838,699 shares each of 0.75 Euros, i.e. a company capital of 14,879,024.25 Euros.

This increase in capital was made under the following conditions:

- ✓ Free issue and allocation of 19,028,208 Stock Subscription Warrants at a ratio of 1 Stock Subscription Warrant per ACTIELEC TECHNOLOGIES share,
- ✓ 20 Stock Subscription Warrants providing the bearer with the right to subscribe to 1 ACTIELEC TECHNOLOGIES share of 0.75 Euros nominal value, at a price of 5.20 Euros per share , fully released in cash,
- ✓ 810,491 new shares have been created.

The difference between the nominal value for the new shares (€ 0.75 / share) and their subscription price (€ 5.20 / share) i.e. € 3,606,684.95 has been allocated to the "premium issue" item after deduction of the costs inherent in the increase in capital (€ 198,608.21).

➢ The characteristics of the share subscription or purchase warrants allocated during the increase in capital on 16th October 2004 are as follows:

- ✓ The right attached to the warrants: to subscribe to or acquire existing shares or shares to be issued against payment of the price for the operation,
- ✓ The parity of the operation, initially set at 2 warrants for one share is now 1.002 shares,
- ✓ The price for the operation has been set at 4.50 Euros,
- ✓ The holder of the warrants may exercise them at any time from 15th October 2004 to 14th October 2007. Beyond this three year period, any warrants that have not been exercised will become null and void.
- ✓ In the event of an increase in capital or the issue of securities providing access directly or indirectly to the capital, or of merger, separation or any other financial operation including a preferential right to subscription or reserving a priority subscription period for shareholders in the company, the company reserves the right to suspend the exercise of the warrants for a period not exceeding 3 months.
- ✓ The warrants were subject to separate quotation (Eurolist C) from that of the original shares on Euronext Paris (FR0010121061). On 31st December 2005, the unit share price was set at € 0.51

During the 2005 financial year, 42,400 Stock Subscription Warrants have been exercised. The amount released has been recorded in the capital of ACTIELEC TECHNOLOGIES and the increase in capital will be recorded by the Management Board meeting of 20th March 2006. It should be noted that 70 Stock Subscription Warrants also exercised and released have given rise to the allocation of 35 shares taken from the own shares held by ACTIELEC TECHNOLOGIES (Cf. § – Repurchase programme below).

➢ The net position of ACTIELEC TECHNOLOGIES SA has changed as follows during the financial year:

Figures expressed in k€	Balance on 31/12/04 before allocation	Allocation of Income 2004		Increase in Capital	Stock Subscription Warrants exercised	Balance on 31/12/2005
		Dividends	Other			
Capital	14,271			608		14,879
Issue and merger premiums	13,792			3,408		17,200
Stock Subscription Warrants exercised (FR0010121061)					96	96
Legal reserve	1,286					1,286
Unavailable reserves	189					189
Carried forward	12,241		<1,019>			11,222
ACTIELEC TECHNOLOGIES 2004 Company Income	<1,019>		1,019			0
ACTIELEC TECHNOLOGIES 2005 Company Income						<139>
Net position	**40,761**	**0**	**0**	**4,016**	**96**	**44,733**

➢ A share subscription or purchase option plan was granted in 2003 for the benefit of the company officers for the mandates performed. This plan relates to the option to subscribe to 240,000 shares at a unit price of € 1.92 and the option to purchase 60,000 shares at a unit price of € 3.76. The expiry date has been set at 31st August 2005 and no option has been exercised. Because the options were acquired when granted, i.e. before the changeover date to the IFRS Standards, IFRS 2 has not been applied.

- The number of shares authorized for issue by the general meeting of 21st September 2004 but which have not yet been issued amounts to 1,439,509 shares. To date, the 2,685,491 shares issued are entirely released. The details of the changes in the number of shares during the financial year are as follows:

Figures expressed in units	31/12/04	Increase in capital	Stock Subscription Warrants converted	31/12/05
ACTIELEC Technologies shares ISIN: FR0000076655	19,028,208	810,491	0 *	19,838,699

* The increase in capital following the conversion of 42,400 Stock Subscription Warrants will be recorded by the Management Board meeting of 20th March 2006 (Cf. below).

- On 31st December 2005, the company capital comprised 6,712,800 shares with single voting rights, 13,062,538 shares with double voting rights and 63,361 crossholding shares with no voting rights. There are 13,259,829 nominative securities and 6,578,870 bearer securities 60,000 crossholding shares are reserved for a stock options plan. There are no preferential dividend shares in ACTIELEC TECHNOLOGIES.

2.3.14 INCOME PER SHARE

- Income per share

The basic income per share on 31st December 2005 has been calculated on the basis of the income attributable to the Group for the period, i.e. € <1,631,936> divided by the weighted average number of shares in circulation during the period, i.e. 19,541,916 shares. The details of the calculations and the comparative elements for the previous periods in IFRS and CRC 99/02 version are provided in the table below:

	31/12/04		31/12/05
	IFRS	99/02	IFRS
Consolidated income attributable to the Group *(in €)*	**5,405,756**	**3,866,442**	**<1,631,936>**
Weighted average number of shares			
Issued shares on 1st January	17,153,208		19,028,208
Own shares held at end of period	<63,396>		<63,321>
Issued shares in October 2004	1,875,000		
Issued shares in April 2005			810,491
Stock Subscription Warrants (FR0010121061) exercised in 2005			42,400
Weighted average number of shares	**17,480,437**		**19,541,916**
Basic income per share *(in €)*	**0.309**	**0.221**	**<0.084>**

- Diluted income per share:

The diluted income per share on 31st December 2005 has been calculated on the basis of the consolidated income attributable to the Group for the period, which amounts to a figure of € <1,631,936> corrected for the effects of the share subscription plans and Stock Subscription Warrants:

- ✓ Stock Subscription Warrants by ACTIA SA: no effect on the income on 31/12/05 (€ 23,405 on 31/12/04),
- ✓ Debentures by SODIELEC SA: € 3,888 on 31/12/05 (€ 152,867 on 31/12/04),

Divided by the weighted average number of potential ordinary shares for the period, namely 20,700,014 shares.

The details of the calculations and the comparative elements for the previous periods in IFRS and 99/02 version are provided in the table below:

	31/12/04		31/12/05
	IFRS	99/02	IFRS
Diluted income ***(in €)***	**5,229,484**	**3,690,170**	**<1,635,824>**
Weighted average of potential shares			
Weighted average number of ordinary shares	17,480,437		19,541,916
Effect of the Stock Subscription Warrants (FR 0010121061)	937,500		918,098
Effect of the share subscription plans	240,000		240,000
Diluted weighted average number	**18,657,937**		**20,700,014**
Diluted income per share ***(in €)***	**0.280**	**0.198**	**<0,.79>**

The Stock Subscription Warrants for ACTIA SA have not been used in calculating the diluted income because of their relative effect on 31st December 2005.

2.3.15 PROVISIONS

These have changed as follows:

Figures expressed in k€	31/12/04	Perimeter variation conversion difference	Allocations	Draw-downs		31/12/05
				Used	Not used	
Provisions for retirement and other long-term benefits	1,982	0	715	0	<41>	2,656
Short-term provisions	4,034	0	2,574	<1,652>	<333>	4,623
Total	**6,016**	**0**	**3,289**	**<1,652>**	**<374>**	**7,279**

The allocations to short-term provisions concern in particular:

- Provisions for guarantees — k€ 1,275
- A provision for securities brought into equivalence — k€ 534
- Provisions for other expenses — k€ 593
  (including risks relating to breaches of contract k€ 452)

The draw-downs on provisions used concern:

- Provisions for guarantees — k€ 565
- Provisions for other risks — k€ 318
- Provisions for other expenses — k€ 548
  (including risks relating to breaches of contract k € 533)
- Provisions for restructuring — k€ 221

The capital gain on lease-back generated in 2004 by SCI de Pouvourville is spread over 12 years. This enables progressive reduction of the amount of k€ 534 for negative securities brought into equivalence shown in the provisions.

In accordance with Standard IAS 19 – personnel benefits, provision for retirement recorded in the Liabilities on the balance sheet is intended to record the retirement compensation acquired by the members of the personnel at the end of the period:

- The obligation regarding retirement commitment is totally funded because it is not covered by dedicated assets,
- The net allocation for the period amounts to k€ 674 and corresponds to:
  - ✓ Cost of the service: k€ 120
  - ✓ Financial cost: k€ 82
  - ✓ Actuarial difference: k€ 472

There has been no liquidation of provisions during the 2005 financial year.

- The main hypotheses selected on the closing date are:
  - ✓ Updating rate 3.63% corresponding to the long-term bond rate for December 2005,
  - ✓ Salary increase rate 2 %,

- ✓ Turnover rate from the INSEE study made in September 2003 "Mobility according to the level of qualification and professional experience":

	< 10 years	< 20 years	< 30 years	> 30 years
Management	13.7 %	8.30 %	5.20 %	4.10 %
Non-management	21.20 %	10.90 %	7.30 %	5.10 %

- ✓ Mortality table: simplified regulation table TV 88 - 90:

	< 20 years	< 30 years	< 40 years	< 50 years	< 60 years	< 65 years	> 65 years
Life expectancy	98.98 %	98.66 %	98.04 %	96.84 %	94.30 %	90.91 %	84.56 %

2.3.16 SECTOR INFORMATION

The first level of sector information selected by the Group is distribution by activity. The ACTIELEC TECHNOLOGIES Group has two distinct branches of activities:

- ➢ The Automotive branch, which covers the Diagnostic, On-board Systems and Services & Long-term continuance activities,
- ➢ The Telecommunications branch, which covers the Terrestrial Stations, Broadcasting, Networks and Aeronautics-Defence activities.

The Income per branch of activity is as follows:

Figures expressed in k€	2004				2005			
	Automotive branch	**Telecom-munications branch**	**Not allocated**	**Consolidated Group accounts**	**Automotive branch**	**Telecom-munications branch**	**Not allocated**	**Consolidated Group accounts**
Sales turnover	177,818	50,190	<267>	227,741	177,452	40 ,41	77	217,570
Including sales of merchandise	*19,675*	*12,827*	*<30>*	*32,472*	*19,116*	*3,000*	*<78>*	*22,038*
Including sales of goods	*131,518*	*14,054*	*<364>*	*145,208*	*126,401*	*23,156*	*<51>*	*149,506*
Including sales of services	*26,625*	*6,009*	*127*	*32,761*	*31,935*	*6,795*	*206*	*38,936*
Including construction contracts	*0*	*17,300*	*0*	*17,300*	*0*	*7,090*	*0*	*7,090*
Purchases consumed	<85,561>	<24,974>	339	<110,196>	<75,830>	<17,039>	34	<92,835>
Personnel expenses	<43,885>	<14,115>	<1,252>	<59,252>	<47,990>	<13,838>	<1,869>	<63,697>
External expenses	<37,538>	<5,412>	1,523	<41,427>	<43,415>	<4,843>	1,476	<46,782>
Duties and taxes	<2,485>	<991>	<141>	<3,617>	<2,573>	<780>	<129>	<3,482>
Net allocations to amortizations	<4,497>	<1,338>	<210>	<6,045>	<3,591>	<2,875>	<105>	<6,571>
Net allocations to provisions	<1,323>	<1,168>	<1,102>	<3,593>	<1,799>	62	276	<1,461>
Variation in work in progress product and finished product stocks	2,369	2,411	0	4,780	<89>	<681>	0	<770>
Gains and losses on exchange for operating transactions	43	69	0	112	<30>	<6>	<1>	<37>
Other revenue and operating expenses	<278>	<10>	6	<282>	69	84	0	153
+/- Values on transfers of fixed assets	69	2	<8>	63	<52>	1	12	<39>
Current income	**4,732**	**4,664**	**<1,112>**	**8,284**	**2,152**	**126**	**<229>**	**2,049**
Revenue from cash and cash equivalents	6	57	13	76	0	99	14	113
Interest and financial expenses	<2,502>	<821>	<4>	<3,327>	<2,708>	<756>	183	<3,281>
Other revenue and financial expenses	126	<6>	<18>	102	150	1	<5>	146
Net financial indebtedness cost	**<2,370>**	**<770>**	**<9>**	**<3,149>**	**<2,558>**	**<656>**	**192**	**<3,022>**
Tax charges	<803>	1,365	276	838	<558>	689	<809>	<678>
Proportion of net income from companies brought into equivalence	25	0	46	71	21	0	73	94
Net income	**1,584**	**5,259**	**<799>**	**6,044**	**<943>**	**159**	**<773>**	**<1,557>**

On 31st December 2005, the overall sales turnover in relation to construction contracts was k€ 45,763 including k€ 7,090 for the 2005 financial year.

The details of the other information concerning the primary distribution are as follows:

Figures expressed in k€	2004				2005			
	Automotive branch	Telecom-munications branch	Not allocated	Consolidated Group accounts	Automotive branch	Telecom-munications branch	Not allocated	Consolidated Group accounts
Value of the assets								
Fixed assets	38,766	22,216	488	61,470	41,345	21,043	31	62,419
Deferred tax assets	4,528	2,912	1,140	8,580	4,866	3,033	359	8,258
Stocks	35,093	17,190	0	52,283	36,865	16,678	0	53,543
Receivables	45,597	28,647	364	74,608	48,885	25,673	534	75,092
Cash	7,432	2,561	541	10,534	7,862	419	392	8,673
Total Assets	**131,416**	**73,526**	**2,533**	**207,475**	**139,823**	**66,846**	**1,316**	**207,985**
Non-current debts								
Debenture loans	0	1,008	0	1,008	0	493	<77>	416
Debts owing to credit institutions	12,920	3,003	4,421	20,344	13,444	2,360	2,533	18,337
Other financial debts	11,701	268	<10,101>	1,868	16,131	0	<13,903>	2,228
Financial leasing debts	953	1,214	0	2,167	1,355	1,086	2,585	5,026
Misc. debts	66	0	331	397	112	0	0	112
Current debts								
Financial debts	32,120	14,060	1,453	47,633	35,172	11,105	4,904	51,181
Other debts	53,772	19,951	1,505	75,228	53,193	14,008	<261>	66,940
Total debts	**111,532**	**39,504**	**<2,391>**	**148,645**	**119,407**	**29,052**	**<4,219>**	**144,240**
Acquisitions of fixed assets								
Acquisition variances	811	0	0	811	0	0	0	0
Intangible fixed assets	2,923	1,820	19	4,762	2,407	1,504	7	3,918
Tangible fixed assets	4,494	296	0	4,790	3,973	137	36	4,146
Total acquisitions	**8,228**	**2,116**	**19**	**10,363**	**6,380**	**1,641**	**43**	**8,064**
Non-cash expenditure	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

The secondary distribution defined by the Group is distribution by **geographical area.** The details of the information relating to this distribution are as follows:

Figures expressed in k€	2004				2005			
	European zone	American zone	Asian zone	Consolidated Group accounts	European zone	American zone	Asian zone	Consolidated Group accounts
Sales turnover (Customer localisation)	**202,540**	**24,904**	**298**	**227,742**	**190,311**	**26,265**	**994**	**217,570**
Value of the assets								
Fixed assets	49,906	11,438	126	61,470	50,275	11,931	213	62,419
Including acquisition cost for the period	*9,317*	*937*	*109*	*10,363*	*7,453*	*504*	*107*	*8,064*
Deferred taxes	8,267	212	101	8,580	8,098	81	79	8,258
Stocks	48,007	4,045	231	52,283	47,527	5,492	524	53,543
Receivables	70,860	3,397	351	74,608	70,283	4,489	320	75,092
Cash	10,126	328	80	10,534	8,098	480	95	8,673
Total Assets	**187,166**	**19,420**	**889**	**207,475**	**184,281**	**22,473**	**1,231**	**207,985**

2.3.17 COMPANY INCOME TAX

Figures expressed in k€	2004	2005
Income from integrated companies	5,974	<1,651>
Current tax <credit>	<34>	271
Deferred tax <credit>	<804>	407
Including deferred tax on temporary differences	*<804>*	*407*
Including deferred tax on change in taxation rates	*0*	*0*
Income from the integrated companies before tax	**5,136**	**<973>**

The ACTIELEC TECHNOLOGIES Group, through its AUTOMOTIVE and TELECOMMUNICATIONS branches, assumes significant R&D expenses. Over the last three years, the average amount was 15.5% of consolidated sales turnover (Cf. § 2.3.4). The consequence of this voluntary policy, from a tax viewpoint, is the gaining of a research tax credit, which has the effect of reducing the usual tax level applicable in France.

The detailed table below explains the taxes within the consolidated accounts:

Figures expressed in k€	2004	2005
Theoretical tax calculated using a normal French rate	1,712	<324>
IFA & research Tax credit	<1,284>	<1,256>
Effects on the theoretical tax:		
- RATES DIFFERENTIAL (FOREIGN COUNTRIES, FRENCH RATE)	174	<26>
- Tax losses not activated	339	824
- Update of the prospects for using tax losses	<1,651>	303
Including profits relating to the use of non-activated tax losses	*0*	*0*
Including profits relating to alterations to the activation of tax losses	*<1,933>*	*<148>*
Including losses relating to the alteration to the activation of tax losses	*282*	*451*
- Capital gains tax		916
- Tax adjustment on the previous financial year		34
- Other (including permanent differences)	<128>	207
Tax recorded	**<838>**	**678**

The deferred taxes are detailed in paragraph 2.3.11.

2.3.18 NOTE ON THE NET FINANCIAL INDEBTEDNESS COST

The **net contribution** of the branches of activity to the Group's net financial indebtedness cost is as follows:

Figures expressed in k€	2004				2005			
	Automotive branch	Telecoms branch	Not allocated	Consolidated Group accounts	Automotive branch	Telecoms branch	Not allocated	Consolidated Group accounts
Revenue from cash and equivalents	6	57	13	76	0	99	14	113
Interest and financial expenses	<2,069>	<638>	<620>	<3,327>	<2,112>	<668>	<501>	<3,281>
Including interest on financial debts	*<2,069>*	*<660>*	*<620>*	*<3,349>*	*<2,112>*	*<684>*	*<501>*	*<3,297>*
Other revenue and financial expenses	126	<7>	<17>	102	150	1	<5>	146
Including interest received	*38*	*0*	*0*	*38*	*0*	*0*	*0*	*0*
Including dividends received	*35*	*0*	*0*	*35*	*136*	*0*	*0*	*136*
Net financial indebtedness cost	**<1,937>**	**<588>**	**<624>**	**<3,149>**	**<1,962>**	**<568>**	**<492>**	**<3,022>**

2.3.19 TRANSACTIONS WITH RELATED COMPANIES

The details of the transactions made during the 2005 financial year with parties related to the ACTIELEC TECHNOLOGIES group are provided below:

➢ **Holding Company: LP2C SA:**

The **nature of the relations** with LP2C is defined in the agreement signed between the two companies on 31st March 1994. the services entrusted to LP2C are:

- ✓ Direction of the company's strategy and general policy (company acquisition and geographical extension),
- ✓ Definition of the Group's internal and external relations and communication policy,
- ✓ Orientation, co-ordination, strategy and assistance on investment, financial engineering and search for partners,
- ✓ Definition, harmonization and organisation of the accounting principles,
- ✓ Studies, negotiation, company purchase and the taking of participation in or control of external companies,
- ✓ Financial services: provision of loans or current account advances and construction of guarantees.

The **costed elements** are as follows:

Figures expressed in k€	2004	2005
Amount of the transaction (<Expense>)	<2,027>	<1,687>
Remaining balances on the balance sheet (<Liabilities>)	0	324
Settlement conditions	-	-
Provisions for dubious receivables	0	0

➢ **Companies brought into equivalence:**

Two civil property companies are concerned here: SCI Los Olivos and SCI Les Coteaux de Pouvourville.

The relations between these two SCI companies and the Group are of a **real estate nature**:

- ✓ SCI Los Olivos possesses a plot of land and a building in Getafe (Spain), which are leased to the company ACTIA Videobus,
- ✓ SCI Les Coteaux de Pouvourville has a lease-back agreement with the company CMCIC Lease and sub-lets this land and these buildings located in Toulouse (31) to ACTIELEC TECHNOLOGIES and ACTIA pro rata to the area used.

The **costed elements** are as follows:

Figures expressed in k€	2004	2005
Amount of the transaction (<Expense>)	788	824
Remaining balances on the balance sheet (<Liabilities>)	0	0
Settlement conditions	Immediate	Immediate
Provisions for dubious receivables	0	0

➢ **The subsidiaries:**

This concerns the companies included within the Group's consolidation perimeter (Cf. § 2.3.3).

The transactions with the subsidiaries are completely eliminated from the consolidated accounts. They are of varying natures:

- ✓ Purchase or sale of goods and services,
- ✓ Lease of premises,
- ✓ Transfer of Research and Development,
- ✓ Purchase or sale of fixed assets,

- ✓ Transfer of Research and Development,
- ✓ Licence agreements,
- ✓ Current accounts,
- ✓ Loans,
- ✓ Management fees …

➢ Members of the Boards:

These are people holding **company mandates**:

- ✓ In ACTIELEC TECHNOLOGIES: Members of the Management Board and Members of the Supervisory Board,
- ✓ In the controlling company LP2C: Members of the Management Board and Members of the Supervisory Board,
- ✓ In the controlled companies, subsidiaries of the ACTIELEC TECHNOLOGIES Group

The **details of the remunerations paid** for the 2004 and 2005 financial years are as follows:

Figures expressed in k€	2004	2005
Remuneration		
Fixed	549	581
Variable	78	119
Exceptional	0	0
Attendance fees	0	0
Benefits in kind	8	8
Total	**635**	**708**

➢ Other related parties:

- ✓ **GIE PERENEO:**
  The Group, through its subsidiary PILGRIM, has a consultancy contract with GIE PERENEO, 50% owned by the company ACTIA. Under this contract, PERENEO entrusts PILGRIM with the task of advice and assistance to its customers with a view to enabling them to respond to MOC service offers (Maintenance in Operating Condition) or for the long-term continued operation of electronic systems.

The **costed elements** are as follows:

Figures expressed in k€	2004	2005
Amount of the transaction (<Expense>)	63	180
Remaining balances on the balance sheet (<Liabilities>)	75	30
Settlement conditions	Immediate	Immediate
Provisions for dubious receivables	0	0

- ✓ **IDE Ingénierie:**
  In 2005, the ACTIELEC TECHNOLOGIES Group commissioned the company IDE Ingénierie (a subsidiary of the LP2C Group) to draw up its environmental report (for the 2004 financial year) and its company report (for the 2004 financial year).
  The amount for this operation was k€ 18.
  Since 2005, IDE Ingénierie has also been responsible for updating the Group's Internet site. The amount for this operation is k€ 7.

2.3.20 REMUNERATION TO MEMBERS OF THE BOARD

The Chairman of the Management Board and the Chairman of the Supervisory Board of ACTIELEC TECHNOLOGIES SA are not remunerated by ACTIELEC TECHNOLOGIES. A single member of the Management Board is remunerated under an employment contract and received a gross salary of € 65,578 during the 2005 financial year.

2.3.21 WORKFORCE

Average workforce per geographical area	2004	2005
France	1,014	1,016
Abroad	928	1,105
Total	**1,942**	**2,121**

The increase in the average workforce abroad is mainly related to the hiring of 167 employees by CIPI (Tunisia).

The distribution of the average workforce by branch is as follows:

	Management	TAM	Workers Employees	Total
AUTOMOTIVE	458	671	653	**1,782**
TELECOMMUNICATIONS	148	105	76	**329**
OTHER (INCLUDING HOLDING)	8	1	1	**10**
Total	**614**	**777**	**730**	**2,121**

2.3.22 COMMITMENTS OUTSIDE THE BALANCE SHEET

The Commitments outside the balance sheet can be broken down as follows:

Figures expressed in k€	31/12/04	31/12/05
Commitments received		
Bank guarantees	312	317
Total commitments received	**312**	**317**
Commitments given		
Premium on contract	1,332	366
Total commitments given	**1,332**	**366**

The above information does not include the outstanding amount on leasing, which is covered in paragraph 2.3.5.

2.3.23 GUARANTEES ON ELEMENTS OF THE ASSETS

The guarantees on elements of the assets correspond to elements of the assets serving to guarantee debts recorded as Liabilities. They are distributed as follows:

Figures expressed in k€	31/12/04	31/12/05
Pledging of professional receivables *	8,757	9,963
Pledging of equipment	246	160
Pledging of CIR	104	435
Mortgages	2,169	1,154
Total Guarantees on Elements of the Assets	**11,276**	**11,712**

* Including ACTIA SA k€ 2,928 and SODIELEC SA k€ 7,035 on 31/12/05 (respectively k€ 3,069 and k€ 5,688 on 31/12/04)

2.3.24 POLICY FOR COVERING RISKS

Exchange risks: in the countries where the monetary risks are the most sensitive, the Group has invoiced in Euros since 1999 for all flows within the Group and limits the duration of customer credit in soft currency countries.

On 31st December 2005, SODIELEC took out a term exchange policy for a purchase of dollars (k$ 565):
- At a rate of $ 1.175 for k$ 317 on 31st March 2006
- At a rate of $ 1.180 for k$ 248 on 28th July 2006.

Rate risks: the Group has subscribed to 29% of its medium and long-term credits at fixed rates as opposed to 71% at variable rates (whose outstanding amounts are guaranteed by CAP contracts 16%).

On 31st December 2005, the financial instruments subscribed to by the Group were:
- A CAP for M€ 1.6 at a maximum rate of 4.5% over a period of 5 years from 1st January2003, subscribed to by ACTIELEC TECHNOLOGIES SA,
- A CAP for M€ 1.6 at a maximum rate of 4.25% over a period of 5 years from 1st January2003 subscribed to by ACTIA SA.

During the 2005 financial year 2005, the financial instruments subscribed to by the Group and falling due have been recorded in the income statement at their liqidative value. These concern:

- A SWAP subscribed to by ACTIELEC TECHNOLOGIES SA due 1st July 2005 recorded on the income statement at a value of k€ 10,
- A SWAP subscribed to by ACTIA SA due 1st July 2005 recorded on the income statement at a value of k€ 15.

The ACTIELEC TECHNOLOGIES Group records its rate hedging instruments at the actual value via the income statement. The details of the effects of this on the income are shown in the following table:

	31/12/04		31/12/05	
Figures expressed in k€	Actual value	Impact on income	Actual value	Impact on income
Financial instruments - ASSETS				
CAP	9	<47>	1	<8>
Total financial instruments - Assets	**9**	**<47>**	**1**	**<8>**
Financial instruments - LIABILITIES				
SWAP	<25>	18	0	25
Exchange hedging	0	0	<7>	<7>
Total financial instruments - Liabilities	**<25>**	**18**	**<7>**	**18**

2.3.25 OTHER INFORMATION

- **Dividends proposed before approval by the General Meeting: None.**

- **Simple lease contracts:**

these essentially involve vehicle and office equipment leasing agreements.

- **Financing lease contracts:**

The minimum future payments for leasing amount to M€ 10.6, distributed by due date as follows:

- ✓ Less than one year: M€ 1.8
- ✓ 1 to 5 years: M€ 5.3
- ✓ Over 5 years: M€ 3.5.

2.3.26 EVENTS AFTER THE CLOSING DATE

During the first quarter of 2006, SODIELEC concluded a lease-back transaction on its building in PUY SAINTE REPARADE jointly with NATEXIS LEASE, SOFIMUR and UCABAIL for an amount of k€ 2,700 based on a fixed rate of 4.6 % over a period of 12 years.

2.4 CONSOLIDATED CASHFLOW TABLE

Figures expressed in k€	2005	2004
Net income for the period	-1,557	6,044
Adjustments for:		
Amortizations and provisions	8,025	9,622
Income from transfer of fixed assets	39	22
Interest charges	3,281	3,327
Current tax charges (excluding research tax credit)	1,530	1,294
Variation in deferred taxes	383	-803
Research tax credit	-1,259	-1,328
Other expenses and revenue	-402	0
Proportion of income from associated companies	-94	-71
Operating income before variation in requirement for revolving funds	*9,946*	*18,107*
Variation in requirement for revolving funds relating to activities	-8,276	-2,801
Cash from operating activities	*1,670*	*15,306*
Income tax paid (excluding research tax credit)	-1,435	-1,974
Collected from research tax credit	203	1,767
Net cash from operating activities	**438**	**15,099**
Acquisitions of fixed assets	-6,676	-8,171
Dividends received from associated companies	990	101
Revenue from transfers of fixed assets	173	111
Perimeter entry	-15	-1,109
Net cash from investment activities	**-5,528**	**-9,068**
Dividends paid	0	-23
Increase of capital in cash	4,244	5,967
New borrowings	9,927	6,076
Reimbursement of borrowings	-9,497	-9,403
Interest paid	-3,185	-3,235
Net cash from financing activities	**1,489**	**-618**
Effect of fluctuations in the rate of exchange	**-183**	**36**
Opening cash	-26,597	-32,046
Closing cash	-30,381	-26,597
Variation in cash	**-3,784**	**5,449**

Details of the closing cash:		
Securities	115	113
Available cash	8,558	10,421
Bank accommodations (including in this item financial debts of less than one year)	-39,054	-37,131
	-30,381	-26,597

2.5 AUDITORS' REPORT

kpmg

Eric Blache

KPMG Audit

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

14, rue Clapeyron

75008 Paris
France

Actielec Technologies S.A.

Registered Office: 25, chemin de Pouvourville - BP 74215 - 31432 Toulouse cedex 04
Capital: €.14,894,955.75

Auditors' report on the consolidated accounts

Financial year closed 31st December 2005

Dear Sirs,

In execution of the task entrusted to us by your General Meeting, we have proceeded to inspect the consolidated accounts for the company Actielec Technologies S.A. relating to the financial year closed 31st December 2005 as attached to the present report.
The consolidated accounts were compiled by the Management Board. It is our responsibility, based on our audit, to express an opinion on these accounts. The accounts have been prepared for the first time in accordance with the IFRS system of reference as adopted within the European Union. They include for comparison purposes the information relating to the 2004 financial year reprocessed according to the same rules.

1. Opinion on the annual accounts

We have performed our audit in accordance with the professional standards applicable in France; these standards require the use of due diligence to enable us to obtain reasonable assurance that the consolidated accounts do not contain any significant anomalies. An audit consists of examining, by spot checks, the probative elements justifying the information contained in these accounts. It also consist of assessing the accounting principles followed and the significant estimations used when compiling these accounts and an assessment of their overall presentation. We consider that our investigations provide a reasonable basis for the opinion expressed below.

We certify that, with respect to the IFRS system of reference as adopted within the European Union, the annual consolidated accounts are regular and sincere and provide a faithful image of the company's property, its financial position and the income of the grouping formed by the persons and entities contained within the consolidation.

2. Justification of the assessments

Pursuant to the provisions of Article L. 823-9 of the Commercial Code relating to justification of our assessments, we would bring to your knowledge the following elements:
The company conducts systematically every year a depreciation test on the acquisition variances and the assets whose useful life is undetermined and also assesses whether there is any indicator of loss in value in the long-term assets in accordance with the terms described in note I.10 on the financial statements. We have examined the methods for implementing this depreciation test and the cashflow forecasts and the hypotheses used.
As part of our assessment of the accounting principles followed by the company, we have examined the methods of writing development costs to assets and the methods used to amortize them and check their recoverable value and have assured ourselves that note I.7 on the financial statements provides appropriate information.
Note I.5 on the financial statements reveals the method of recognizing the revenue from long-term contracts and outstanding elements from studies stretching over several financial years, which involves a proportion of the valuations. As part of our assessment of the accounting rules and principles followed by the Company, we have checked the appropriate nature of the accounting methods used and have assured ourselves of their correct application and the reasonable nature of the valuations used.
As indicate in note I.16 on the financial statements, the company is required to make estimations and formulate hypotheses in regard to the evaluation and recognition of the deferred taxes on assets. We have checked the coherence of all the data and hypotheses used in evaluating these assets with deferred taxes.
The assessments thus made form part of our procedure for auditing consolidated accounts, taken as a whole, and therefore have contributed to the formation of our unreserved opinion expressed in the first part of this report.

3. Specific checks

In accordance with the professional standards applicable in France, we have also proceeded to check the information provided in the Group Management report. We have no comments to make regarding the sincerity of this information or its conformance with the consolidated accounts.

Toulouse et Paris, le 20 avril 2006

KPMG Audit
Département de KPMG S.A.

Philippe Saint-Pierre
Associé

Eric Blache

3. COMPANY ACCOUNTS ON 31ST DECEMBRE 2005

3.1 BALANCE SHEET

ASSETS BALANCE SHEET IN EUROS	31/12/05			31/12/04
Headings	***Gross amount***	***Amortizations***	***Net***	***Net***
Capital subscribed, not called up				
INTANGIBLE FIXED ASSETS				
Establishment costs				
Research & Development costs				
Licenses, patents and similar dues	45,459	40,993	4,466	10,412
Goodwill				
Other intangible fixed assets				
Advances and payments on account on intangible fixed assets				
TANGIBLE FIXED ASSETS				
Land				
Structures	50,171	50,171		
Technical installations, equipment, tools				
Other tangible fixed assets	338,582	312,491	26,091	26,389
Fixed assets in progress				
Advances and payments on account				
LONG-TERM INVESTMENTS				
Participation shares as brought into equivalence				
Other participations	43,864,361	2,572,049	41,292,312	37,790,219
Receivables on participations	15,986,066	306,724	15,679,342	12,033,416
Other fixed securities	160,522		160,522	233,008
Loans	689		689	339
Other long-term investments	18,421		18,421	12,909
FIXED ASSETS	**60,464,271**	**3,282,428**	**57,181,843**	**50,106,692**
STOCKS & ITEMS OUTSTANDING				
Raw materials and supplies				
Outstanding production of goods				
Outstanding production of services				
Intermediate and finished products				
Merchandise				418,111
Advances and payments on account against orders	53,750		53,750	1 089,544
RECEIVABLES				
Receivables from customers and attached accounts	2,317,119	73,403	2,243,716	8 390,942
Other receivables	366,843		366,843	1 709,344
Capital subscribed and called up but not paid				
MISCELLANEOUS				
Investment securities	444,116	200,809	243,306	296,940
(including own shares: 443,306)				
Available cash	67,265	42,863	24,402	1,674,240
ADJUSTMENT ACCOUNTS				
Expenses recorded in advance	88,647		88,647	81,998
CIRCULATING ASSETS	**3,337,740**	**317,075**	**3,020,665**	**13,661,119**
Expenses to be spread over several financial years				
Premiums for reimbursing obligations				
Differences on asset conversions				
GRAND TOTAL	**63,802,011**	**3,599,503**	**60,202,508**	**63,767,812**

LIABILITIES BALANCE SHEET IN EUROS	31/12/05	31/12/04
Company or individual capital (of which paid up 14,879,024)	14,879,024	14,271,156
Issue, merger, contribution premiums	17,295,781	13,792,304
Re-evaluation differences (incl. equivalence variances:)		
Legal reserve	1,286,491	1,286,491
Statutory or contractual reserves		
Regulation reserves (incl. reserves for provisions for exchange rate fluctuations)	189,173	189,173
Other reserves (including purchase of original artworks)		
Carried forward	11,222,274	12,241,114
INCOME FROM THE FINANCIAL YEAR (profit or loss)	**(139,722)**	**(1,018,840)**
Investment subsidies		
Regulation provisions		
CAPITAL	**44,733,021**	**40,761,398**
Revenue from the issue of equity interests		
Conditioned advances		
OTHER OWN CAPITAL		
Provisions for risks		
Provisions for expenses	951,232	1,189,649
PROVISIONS FOR RISKS AND EXPENSES	**951,232**	**1,189,649**
FINANCIAL DEBTS		
Convertible debenture loans		
Other debenture loans		
Borrowings from credit institutions	9,383,577	10,340,658
Other financial debts (incl. participatory borrowings)		
Advances and payments on account received on current orders		170,900
OPERATING DEBTS		
Suppliers' debts and attached accounts	1,306,078	6,088,505
Fiscal and company debts	371,609	228,390
MISC. DEBTS		
Debts on fixed assets and attached accounts	374,290	655,531
Other debts	2,175,201	4,332,782
ADJUSTMENT ACCOUNTS		
Revenue recorded in advance	907,500	
DEBTS	**14,518,255**	**21,816,765**
Differences on converting liabilities		
GRAND TOTAL	**60,202,508**	**63,767,812**

3.2 INCOME STATEMENT

Headings	France	Export	31/12/05	31/12/04
Sale of merchandise	2,659,806		2,659,806	12,484,621
Production sold (goods)				
Production sold (services)	4,479,979		4,479,979	4,167,738
SALES TURNOVER NET	**7,139,786**		**7,139,786**	**16,652,359**
Production stocked				
Production immobilized				
Operating subsidies				
Draw-downs on amortizations and provisions, transfer of expenses			701,761	50,594
Other revenue				
OPERATING REVENUE			**7,841,546**	**16,702,954**
Purchases of merchandise (incl. Customs duties)			2,241,695	10,927,293
Stock variation (merchandise)			418,111	1,557,328
Purchases of raw materials and other supplies (and Customs duties)				
Stock variation (raw materials and supplies)				
Other purchases and external expenses			3,400,978	3,218,946
Duties, taxes and similar payments			69,379	105,842
Wages and salaries			1,363,759	786,270
Social Security contributions			338,289	326,414
OPERATING ALLOCATIONS				
On fixed assets: allocations to amortizations			12,127	10,503
On fixed assets: allocations to provisions				
On circulating assets: allocations to provisions			73,403	
For risks and expenses: allocations to provisions			452,250	1,189,649
Other expenses				
OPERATING EXPENSES			**8,369,990**	**18,122,244**
OPERATING INCOME			**(528,444)**	**(1,419,291)**
TRANSACTIONS IN COMMON				
Profit allocated or loss transferred				
Loss supported or profit transferred				
FINANCIAL REVENUE				
Financial revenue from participations			709,609	648,456
Revenue from other securities and receivables from immobilized assets			121,807	124,299
Other interest and similar revenue				
Draw-downs on provisions and transfer of expenses			57,956	181,758
Gains on exchange				
Net revenue on transfer of investment securities			8,273	13,255
FINANCIAL REVENUE			**897,645**	**967,767**
Financial allocations to amortizations and provisions			75,696	18,385
Interest and similar expenses			423,218	545,630
Losses on exchange				
Net expenses on transfer of investment securities			6	
FINANCIAL EXPENSES			**498,921**	**564,015**
FINANCIAL INCOME			**398,724**	**403,753**
CURRENT INCOME BEFORE TAXES			**(129,719)**	**(1,015,538)**

Headings	31/12/05	31/12/04
Extraordinary revenue on management transactions	5	144,339
Extraordinary revenue on capital transactions	5,048	7,009
Draw-downs on provisions and transfer of expenses	5,110	121,928
EXTRAORDINARY REVENUE	**10,164**	**273,276**
Extraordinary expenses on management transactions	5,118	121,933
Extraordinary expenses on capital transactions	48	150,895
Extraordinary allocations to amortizations and provisions		
EXTRAORDINARY EXPENSES	**5,166**	**272,828**
EXTRAORDINARY INCOME	**4,998**	**448**
Employee participation in the company's income		
Corporate income taxes	15,000	3,750
TOTAL REVENUE	**8,749,355**	**17,943,997**
TOTAL EXPENSES	**8,889,077**	**18,962,837**
PROFIT OR LOSS	**(139,722)**	**(1,018,840)**

3.3 APPENDIX

3.3.1 KEY FACTS OF THE FINANCIAL YEAR

3.3.1.1 Significant events

ACTIELEC TECHNOLOGIES has fulfilled its role of the guiding and holding company of the Group in 2005.

On 27th April 2005, the Company proceeded to increase its capital through the issue and allocation of one Stock Subscription Warrant per existing share. 20 Stock Subscription Warrants enable the acquisition of one new ACTIELEC TECHNOLOGIES share. The terms and conditions for this increase are detailed in paragraph 3.3.3.8.

3.3.1.2 Dispensations, modifications to the accounting methods and principles

Regulations CRC 2002-10 (relating to the amortization and depreciation of assets) and CRC 2004-06 (relating to the definition, recording and evaluation of assets) came into force on 1st January 2005.
These regulations stipulate that fixed assets must be broken down and amortized over the period of their useful life if this is different from the main immobilization. The application of these regulations in 2005 has had no effect on the Company's capital and income.

3.3.2 ACCOUNTING RULES AND METHODS

The annual accounts for the 2005 financial year have been compiled based on the accounting principles applied in accordance with the general rules for presenting annual accounts stipulated in regulation CRC 99-03 of 29th April 1999 relating to general accounting standards.

3.3.2.1 Intangible fixed assets

Licences, concessions and rights are amortized linearly over two years.

3.3.2.2 Tangible fixed assets

The tangible fixed assets are recorded as assets at their acquisition cost. The elements of the cost include:
- The purchase cost including Customs duties and non-reimbursable taxes, with deduction made for any rebates, trade-ins and discounts granted,
- The direct costs relating to the transfer of assets and restoring them to operating condition,
- Where applicable, the initial estimation of the dismantlement, removal and site restoration costs.

The loan costs are excluded from the fixed asset costs.

When significant parts of the tangible fixed assets can be determined and these components have different useful lives and amortization methods, the amortizations are recorded per component. To date, no fixed asset has been subject to being processed as a component.

The amortizable amount is systematically distributed over the asset's useful life. The amortizations are calculated linearly and the useful lives utilized are as follows:
- Technical installations, equipment and tools: 6 to 10 years,
- Other tangible fixed assets: 3 to 10 years.

3.3.2.3 Long-term investments

The participation stock is shown on the balance sheet at acquisition cost or the value of the relevant contribution.

When the net position of the held company is less than the acquisition price and if its future development does not envisage any rectification above this level, a depreciation may be generated insofar as the useful value is less than the accounting value of the shares held in the relevant company.

The useful value is assessed using, in particular, the updated future flow method. This approach is based on the future prospects for business and profitability, which appear to be the most probable on the date the relevant accounts are closed off. Please note that this approach, which contains the random factors and uncertainties inherent in any forecasting procedure, confirms the lack of loss in value for the stock concerned.

3.3.2.4 Retirement commitments

In 'Commitments outside the balance sheet', Retirement Commitments represented an amount of € 66,481.

3.3.3 ADDITIONAL INFORMATION RELATING TO THE BALANCE SHEET AND INCOME STATEMENT

The accounts were closed off on 31st December 2005 for a period of twelve months.

3.3.3.1 Intangible fixed assets

The gross values for the **intangible fixed assets** have changed as follows:

Figures expressed in €	31/12/2004	Acquisitions	Cessions	31/12/2005
Establishment costs	0			0
Other intangible fixed assets	45,411	48		45,459
Total	**45,411**	**48**		**45,459**

And for the **amortizations**:

Figures expressed in €	31/12/2004	Allocations	Draw-downs	31/12/2005
Establishment costs	0			0
Other intangible fixed assets	34,999	5,994		40,993
Total	**34,999**	**5,994**		**40,993**

3.3.3.2 Tangible fixed assets

The gross values for the **tangible fixed assets** have changed as follows:

Figures expressed in €	31/12/2004	Acquisitions	Transfers	31/12/2005
Land	0			0
Structures	50,171			50,171
Tech. installations, equip. & tools	0			0
Other	332,937	5,835	190	338,582
Tangible fixed assets in progress	0			0
Total	**383,108**	**5,835**	**190**	**388,753**

And for the **amortizations**:

Figures expressed in €	31/12/2004	Allocations	Draw-downs	31/12/2005
Land	0			0
Structures	50,171			50,171
Tech. installations, equip. & tools	0			0
Other	306,548	6,133	190	312,491
Total	**356,719**	**6,133**	**190**	**362,662**

3.3.3.3 Long-term investments

These have changed as follows:

Figures expressed in €	Amounts for securities in the balance sheet				Holding on 31/12/05 (in %)	Capital for financial year on 31/12/04 before allocation	Sales turnover net of tax 2005	Net income on 31/12/05
	31/12/04		31/12/05					
	Gross values	Net values	Gross values	Net values				
Participation securities								
Subsidiaries and participations > 10 %								
ACTIA	17,974,059	17,974,059	17,974,013	17,974,013	99.97 %	24,775,642	82,117,570	<218,645>
SODIELEC	19,563,230	19,563,230	23,005,370	23,005,370	91.10 %	36,867,707	39,622,537	82,311
PILGRIM	2,515,791	0	2,515,743	0	99.99 %	15,246	179,686	6,588
MORS INC	0	0	0	0	100.00 %	NC	NC	NC
CYT	33,494	0	33,494	0	15.00 %	NC	NC	NC
SCI ORATOIRE	199,098	199,098	199,098	199,098	86.00 %	115,050	315,335	149,724
SCI POUVOURVILLE	41,161	41,161	41,161	41,161	27.50 %	538,341	624,000	94,690
ARDIA	0	0	60,000	60,000	60.00 %	36,797	0	<62,462>
Subsidiaries and participations < 10 %								
CIPI	10,138	10,138	10,138	10,138	0.20 %	1,500,927	4,632,549	136,079
Outside the Group								
MPC	1,524	1,524	1,524	1,524	0.02 %	NC	NC	NC
CONTINENTALE	47	47	47	47	NS	NC	NC	NC
STEM	22,812	0	22,812	0	NS	NC	NC	NC
CGC	960	960	960	960	NS	NC	NC	NC
TOTAL	**40,362,313**	**37,790,217**	**43,864,360**	**41,292,311**				
OTHER FIXED SECURITIES								
1 % Construction	15,550	15,550	15,550	15,550				
Convertible debentures for SODIELEC	217,458	217,458	144,972	144,972				
TOTAL	**233,008**	**233,008**	**160,522**	**160,522**				
OTHER LONG-TERM INVESTMENTS								
Loan	339	339	689	689				
Security bond	30	30	30	30				
Misc. receivables	12,879	12,879	18,391	18,391				
TOTAL	**13,248**	**13,248**	**19,110**	**19,110**				

N.S.: Not significant
N.C.: Not communicated

3.3.3.4 Stocks

As part of the contract with DGA, ACTIELEC TECHNOLOGIES makes purchases to its subsidiary, SODIELEC. According to the rules stipulated in the contract and because of the postponement of the time for invoicing DGA, ACTIELEC TECHNOLOGIES may have to record stocks of merchandise during the period. On 31st December 2005, these stocks of merchandise were zero.

3.3.3.5 Advances and payments on account against orders

As part of the contract with DGA, ACTIELEC TECHNOLOGIES makes purchases to its subsidiary, SODIELEC. On 31st December 2005, advances paid on orders amounted to € 53,750, because of the postponement of delivery and payment times in accordance with the rules stipulated in the contract.

3.3.3.6 Receivables and attached accounts, other receivables

Figures expressed in €	Gross values	Net values	Due date < 1 year	Due date > 1 year
Receivables attached to participations	15,986,066	15,679,342	262,119	15,417,223
Customers, attached accounts	2,317,119	2,243,716	2,243,716	
Current accounts attached to participations	45,000	45,000	45,000	
Other receivables (including expenses recorded in advance)	410,490	410,490	401,762	8,728
TOTAL	**18,758,675**	**18,378,548**	**2,952,597**	**15,425,951**

3.3.3.7 Own shares

The own share repurchase programme was initially authorized by the Stock Exchange Committee on 14th December 2000 under VISA No. 00-2041 and then on 11th April 2002 under VISA No. 02-357. Two new own share repurchase programmes were authorized by the General meetings of 9th May 2003 and 30th April 2004 for respective periods of 18 months. These new programmes did not require prior authorization from the AMF because the possibility of cancelling the repurchased shares (envisaged in the first two programmes) was deleted. We would remind you that the aim of this programme is to regularize the share price according to the market situation.

Since the start of the programme and up to 31st December 2005, ACTIELEC TECHNOLOGIES SA has repurchased 61,996 own shares. During the 2005 financial year, ACTIELEC TECHNOLOGIES SA used 35 own shares to convert 70 Stock Subscription Warrants (FR0010121061). This transfer generated no cashflow. On 31st December 2005, ACTIELEC TECHNOLOGIES SA held, since the start of the programme, 61,961 shares recorded in the Circulating Assets at a value of € 290,154, i.e. an average price of € 4.68.

Apart from the repurchase programme, ACTIELEC TECHNOLOGIES also holds 1,400 own shares recorded as reduction of capital for a gross value of € 153,152 . These shares were held by MORS SA at the time of the merger.

A provision is made on these shares according to the share price on the closing date, i.e. on 31st December 2005 a total provision of € 200,000 at a share price of € 3.84 .

3.3.3.8 Capital

The increase in Capital on 27th April 2005 brought the number of shares to 19,838,699 shares each of € 0.75, i.e. a Company Capital of € 14,879,024.25.

This increase in Capital was made under the following conditions:

- Free issue and allocation of 19,028,208 Stock Subscription Warrants at a ratio of 1 Stock Subscription Warrant per ACTIELEC TECHNOLOGIES share,
- 20 Stock Subscription Warrants providing the bearer with the right to subscribe to 1 ACTIELEC TECHNOLOGIES share of 0.75 Euros nominal value, at a price of 5.20 Euros per share, fully released in cash,
- 810,491 new shares have been created.

The difference between the nominal value for the new shares (€ 0.75 / share) and their subscription price (€ 5.20 / share) i.e. € 3,606,684.95 has been allocated to the "premium issue" item after deduction of the costs inherent in the increase in capital (€ 198,608.21).

The characteristics of the share subscription or purchase warrants allocated during the increase in capital on 16th October 2004 (ISIN FR0010121061) are as follows:

- The right attached to the warrants: to subscribe to or acquire existing shares or shares to be issued against payment of the price for the operation,
- The parity of the operation, initially set at 2 warrants for one share is now 1.002 shares,
- The price for the operation has been set at 4.50 Euros,
- The holder of the warrants may exercise them at any time from 15th October 2004 to 14th October 2007. Beyond this three year period, any warrants that have not been exercised will become null and void.
- In the event of an increase in capital or the issue of securities providing access directly or indirectly to the capital, or of merger, separation or any other financial operation including a preferential right to subscription or reserving a priority subscription period for shareholders in the company, the company reserves the right to suspend the exercise of the warrants for a period not exceeding 3 months.
- The warrants were subject to separate quotation (Eurolist C) from that of the original shares on Euronext Paris (FR0010121061). On 31st December 2005, the unit share price was set at € 0.51.

During the 2005 financial year, 42,400 Stock Subscription Warrants have been exercised. The amount released has been recorded in the capital of ACTIELEC TECHNOLOGIES and the increase in capital will be recorded during the General Meeting for closing the 2005 accounts. It should be noted that 70 Stock Subscription Warrants also exercised and released have given rise to the allocation of 35 shares taken from the own shares held by ACTIELEC TECHNOLOGIES (Cf. § 3.3.3.7).

The net position has consequently changed as follows during the financial year:

Figures expressed in €	Balance on 31/12/2004 before allocation	Allocation of income 2004		Stock Subscription Warrant transformation	Increase in Company Capital	Balance on 31/12/2005 before proposed allocation
		RAN reserves	Dividends			
Capital	14,271,156				607,868	14,879,024
Issue premium	10,925,301				3,408,077	14,333,378
Merger premium	2,867,003					2,867,003
Stock Subscription Warrants				95,400		95,400
Legal reserve	1,286,491					1,286,491
Unavailable reserves	189,173					189,173
Carried forward	12,241,114	<1,018,840>				11,222,274
Income for 2004 FY	<1,018,840>	1,018,840				0
Income for 2005 FY						<139,722>
Net position (before allocation of income)	**40,761,398**	**0**		**95,400**	**4,015,945**	**44,733,021**

A share subscription or purchase option plan was granted in 2003 for the benefit of the company officers for the mandates performed. This plan relates to the option to subscribe to 240,000 shares at a unit price of € 1.92 and the option to purchase 60,000 shares at a unit price of € 3.76. The expiry date has been set at 31st August 2005 and no option has been exercised.
Apart from this plan, there are no current share purchase or subscription option plans in the company.

3.3.3.9 Provision for expenses

The provision for expenses consists only of a provision for breach of contract.

3.3.3.10 Debts

At the close of the financial year, the debts were distributed as follows by nature and by due date:

Figures expressed in €	Due dates			Total
	< 31/12/06	> 01/01/07 < 31/12/10	> 01/01/11	
Borrowings from credit institutions				
* Borrowings MLT	2,482,167	2,533,044		5,015,211
* Treasury bills and short-term bank accommodations	4,348,720			4,348,720
* Interest incurred on financial debts	19,646			19,646
Advances and payments on account against orders	0			0
Suppliers' debts and attached accounts	1,680,368			1,680,368
Fiscal and company debts	371,609			371,609
Other debts (incl. revenue recorded in advance)	2,257,701	330,000	495,000	3,082,701
Total	**11,160,211**	**2,863,044**	**495,000**	**14,518,255**

The details of the medium and long-term borrowings are as follows:

Figures expressed in €	Initial amount	Subscription date	Period	Capital remaining due on 31/12/2005
Crédit Agricole	424,000	27.12.04	2 years	233,342
Banque Courtois	500,000	30.09.02	4 years	125,000
Banque Populaire Toulouse Pyrénées	1 000,000	23.12.02	5 years	419,362
Company Bordelaise de CIC	457,347	09.03.01	5 years	91,469
Company Bordelaise de CIC	400,000	25.11.02	5 years	160,000
Natexis Banques Populaires	762,245	28.06.01	5 years	150,000
LCL	1,524,490	20.12.00	7 years	500,460
LCL	3,048,980	08.02.01	6 years	871,138
Company Générale	3,048,980	19.04.01	7 years	1,089,440
BESV	1,500,000	21.07.05	3 years	1,375,000
Total				**5,015,211**

3.3.3.11 Financial income

The most significant elements of financial revenue are:

- The interest on the subsidiaries' current accounts: € 627,108.93
- The dividends received from the subsidiaries: € 82,500.00
- The income from Commitments outside the Balance Sheet in favour of the subsidiaries: € 116,160.40

The financial expenses mainly comprise:

- Interest and similar expenses for financial borrowings from credit institutions: € 341,845.12

3.3.3.12 Extraordinary income

There are no significant extraordinary elements during the 2005 financial year to be indicated.

3.3.3.13 Financial commitments and real securities given

The securities provided to Banks by ACTIELEC TECHNOLOGIES on behalf of its subsidiaries amounted to € 9,672,016 on 31st December 2005.

The guarantees provided by ACTIELEC TECHNOLOGIES for its subsidiaries in favour of third parties other than banks amounts to € 82,977,000 and breaks down as follows:

- Customer guarantees: € 80,000,000 (1)
- Guarantees on the reimbursement of conditional advances: € 1,040,000
- Guarantee on payment of rent: € 1,937,000

(1) This guarantee is covered by an insurance policy taken out directly by the subsidiary concerned.

Moreover, ACTIELEC TECHNOLOGIES has also undertaken to repurchase, over the period from 1st January 2008 to 11th June 2011, the Stock Subscription Warrants issued by ACTIA SA and fully subscribed ANVAR (M€ 1,6), on the latter's first request. The price payable by ACTIELEC TECHNOLOGIES for these Stock Subscription Warrants would then depend on the value of ACTIELEC TECHNOLOGIES stock on the repurchase date.

Lastly, ACTIELEC TECHNOLOGIES has provided 125,000 shares in its subsidiary, SODIELEC, as security for a bank loan.

3.3.4 OTHER INFORMATION

3.3.4.1 Latent tax position

On 31st December 2005, the latent tax position can be broken down as follows:

- Deficits still to be carried forward € 422,711
- Deficits carry-forwardable as long-term capital losses € 2,076,442

3.3.4.2 Workforce at end of the year

	2004	2005
Executives and supervisors	6	7
Employees	1	1
Trainees		
Workmen		
Total	**7**	**8**

3.3.4.3 *Transactions with related enterprises*

Amounts concerning enterprises on 31/12/05 *(Figures expressed in €)*	Parent company	Subsidiaries	Other related enterprises
ASSETS balance sheet			
Receivables attached to participations		15,986,066	
Provisions for receivables attached to participations		<306,724>	
Other fixed assets		144,972	
Other long-term investments		13,818	
Advances and payments on account against orders	248,994	53,750	
Receivables from customers and attached accounts	74,646	1,049,016	
Provisions for receivables from customers		<21,409>	
Other receivables		45,000	
LIABILITIES balance sheet			
Capital remaining to be released		45,000	
Suppliers debts and attached accounts			
Other debts			
Income statement			
Operating expenses	1,750,000	3,656,501	23,635
Financial expenses			
Extraordinary expenses		5,110	
Operating revenue	62,950	3,528,887	
Financial revenue		867,011	
Extraordinary revenue		5,110	

3.3.4.4 *Policy for covering risks*

ACTIELEC TECHNOLOGIES took out a CAP insurance policy on 11th July 2002 covering M€ 4.1 of borrowings at a rate of 4.5% over a period of 5 years effective from 1st January 2003. The amount outstanding on 31st December 2005 was M€ 1.6.

3.3.4.5 *Remuneration to members of the board*

The Chairman of the Management Board and the Chairman of the Supervisory Board of ACTIELEC TECHNOLOGIES SA are not remunerated by ACTIELEC TECHNOLOGIES. Only one member of the Management Board is remunerated under an employment contract and received a gross salary of € 65,578 over the 2005 financial year.

3.3.4.6 *Consolidating company*

S.A. **LP2C** with a capital of € 5,876,400

Registered Office:	25, Chemin de Pouvourville 31400 TOULOUSE
Registration No.:	Toulouse B 384 043 352

3.4 GENERAL AUDITORS' REPORT AND SPECIAL AUDITORS' REPORT

KPMG

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.

Registered Office: 25, chemin de Pouvourville - BP 74215 - 31432 Toulouse cedex 04
Capital: €. 14,894,955.75

General Auditors' report

Financial year closed 31st December 2005

Dear Sirs,

In execution of the task entrusted to us by your General Meeting, we present you with our report for the financial year closed 31st December 2005, concerning:

- Inspection of the annual accounts for the company, Actielec Technologies S.A., as attached to this report;
- Justification of our assessments;
- The specific checks and information provided for by the Law.

The annual accounts were compiled by the Management Board. It is our responsibility, based on our audit, to express an opinion on these accounts.

1. Opinion on the annual accounts

We have performed our audit in accordance with the professional standards applicable in France; these standards require the use of due diligence to enable us to obtain reasonable assurance that the annual accounts do not contain any significant anomalies. An audit consists of examining, by spot checks, the probative elements justifying the information contained in these accounts. It also consist of assessing the accounting principles followed and the significant estimations used when compiling these accounts and an assessment of their overall presentation. We consider that our investigations provide a reasonable basis for the opinion expressed below.

We certify that, with respect to the French accounting principles and regulations, the annual accounts are regular and sincere and provide a faithful image of the income from the operations and transactions over the past financial year and of the company's financial position and property at the end of that financial year.

Without calling the opinion expressed above into question, we would draw your attention to the changes of accounting method, mentioned in the Appendix, regarding the first application of regulations CRC 2002-10 and 2004-06 relating to the new methods of recording and depreciating assets without effect on the comparative income and the opening capital.

2. Justification of our assessments

Pursuant to the provisions of Article L. 823-9 of the Commercial Code relating to justification of our assessments, we would bring to your knowledge the following elements:

Note I.5 of the Appendix reveals the accounting rules and methods relating to monitoring the value of participation stock.

As part of our assessment of the accounting rules and principles followed by your Company, we have checked the appropriate nature of the accounting methods stated above and of the information provided in the notes in the Appendix and we have assured ourselves of their correct application. We have also assured ourselves of the validity of the above-mentioned changes to the accounting methods and the presentation made of them.

Moreover, your Company makes provisions to cover the risks relating to breach of contract as described in note II.9 of the Appendix.

Our work has consisted of assessing the information and the hypotheses on which these valuations are based, reviewing the calculations made by the company and examining the procedures applied by the Management in approving these valuations.

As part of our assessments, we have assured ourselves of the reasonable nature of these valuations.

The assessments thus made form part of our procedure for auditing annual accounts, taken as a whole, and therefore have contributed to the formation of our unreserved opinion expressed in the first part of this report.

3. Specific checks and information

We have also proceeded to make the specific checks provided for by legislation and in accordance with the professional standards applicable in France.

We have no comments to make regarding the sincerity and the conformance of the annual accounts with the information provided in the report from the Management Board and in the documents sent to the shareholders regarding the financial position and the annual accounts.

Pursuant to the law, we have assured ourselves that the various information relating to the holders of the company capital and the voting rights have been communicated to you in the Management report.

Pursuant to the law, we have assured ourselves that the various information relating to company participation and control have been communicated to you in the Management report.

Toulouse et Paris, le 20 avril 2006

KPMG Audit
Département de KPMG S.A.

Philippe Saint-Pierre
Associé

Eric Blache

KPMG

Eric Blache

KPMG Audit

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

14, rue Clapeyron

75008 Paris
France

Actielec Technologies S.A.

Registered Office: 25, chemin de Pouvourville - BP 74215 - 31432 Toulouse cedex 04
Capital: €. 14,894,955.75

Special Auditors' report on the regulated agreements

Financial year closed 31st December 2005

Dear Sirs,

In our capacity as the auditors of your company's accounts we present our report on the regulated agreements.

Agreements authorized during the financial year

In application of Article L. 225-88 of the Commercial Code, we have been advised of the agreements that have been subject to prior authorization from your Supervisory Board.

It is not our responsibility to search for the possible existence of other agreements but simply to communicate to you, based on the information provided to us, the essential characteristics and terms of those of which we have been advised, without having to make any statement regarding their usefulness or their validity. It is your responsibility, in accordance with the terms of Article 117 of the Decree of 23rd March 1967, to assess the importance to be attached to the conclusion of these agreements with a view to approving them.

We have performed our audit in accordance with the professional standards applicable in France; these standards require the use of due diligence to check that the information we have been supplied complies with the basic documents from which it has been compiled

With the company SCI L'Oratoire

- Persons concerned:

- Mr Louis Pech

- Mr Pierre Calmels

- **Nature and subject: company cash agreement**

- Terms:

  Your Company has concluded a cash agreement with SCI de L'Oratoire as part of the lease-back of its buildings in order to pay for the provision of € 2,000,000 by SCI L'Oratoire.

- The advance in favour of your company on 31st December 2005 amounts to € 1,841,518.

- The amount of interest recorded as expenditure by your Company on 31st December 2005 is € 61,479 net of. tax.

With the company Sodielec S.A.

- Persons concerned:

- Mr Louis Pech

- Mr Pierre Calmels

- Mr Christian Desmoulins

- Nature and subject: comfort letter

- Terms:

- As part of the lease-back of the buildings in Puy-Sainte-Réparade, your company has provided a comfort letter.

  This agreement has had no effect over the financial year.

- Nature and subject: Authorization to pledge shares

- Terms:

  Your company has authorized the pledging of 125,000 Sodielec shares as security for a loan of € 1,250,000 and 224,110 shares in the same company as security for a second loan of € 1,000,000. Both these loans have been subscribed to by your Company.

With the company Ardia

- Person concerned: Mr Christian Desmoulins
- Nature and subject: Joint security
- Terms:
- Your Company has provided joint security for your subsidiary Ardia for the sub-leasing of computer equipment.
- The security amounted to € 50,000 on 31st December 2005.

  No invoicing has been made during the financial year.

- Nature and subject: cash advance
- Terms:
- Your Company has signed a cash agreement for the advances to the subsidiary, Ardia.
- This advance amounted to € 45,000 on 31st December 2005.

  No interest has been recorded over the financial year.

With the company SCI Pouvourville

- Persons concerned:

- Mr Christian Desmoulins

- Mr Pierre Calmels
- Nature and subject: sub-lease agreement
- Terms:

  In accordance with a sub-leasing agreement, your Company is being rented premises by SCI Pouvourville, located in chemin de Pouvourville in Toulouse with re-invoicing of the property tax.

  The amount of rent paid over the financial year amounted to € 64,000 net of tax

  The amount of property tax re-invoiced for the financial year amounted to € 5,474 net of tax

With the company LP2C S.A.

- Persons concerned:

- Mr Louis Pech

- Mr Pierre Calmels

- Mrs Catherine Mallet

- Mrs Marine Candelon – Bonnemaison

- Nature and subject: Group agreement

- Terms:

The Group agreement concluded with LP2C is currently being restructured. It concerns general management services, Group strategy, etc.

For the 2005 financial year, the services invoiced by LP2C to your Company have risen to € 1,750,000 net of tax

When the new Group agreement has been drawn up, a simulation of the new terms of remuneration will be made for the 2005 financial year and an adjustment will be made if the difference is more than € 100,000 net of tax

- **Nature and subject**: Financial and accounting services

- Terms:

Your Company had provided financial and accounting services for LP2C.

The invoicing by your Company for the financial year amounts to € 62,412 net of tax, including € 24,522 net of tax for the financial year closed 31st December 2004.

Agreements approved over previous financial years whose execution has continued during the recent financial year

Furthermore, pursuant to the Decree of 23rd March 1967, we have been informed that the execution of the following agreements approved during previous financial years has continued during the recent financial year.

With the company Actia S.A.

- Nature and subject: Joint security

- Terms:

Your Company has provided joint security with your subsidiary Actia S.A. for a medium-term loan of € 1,500,000. This security is the subject of invoicing of commissions under the usual conditions applied to subsidiaries (1 % of the commitment).

- The capital remaining due on 31st December 2005 amounted to € 770,905

- The amount of commissions paid by your Company for the financial year closed 31st December 2005 was € 9,301 net of tax

- Nature and subject: Joint security

- Terms:

- Your Company has provided joint security with your subsidiary Actia S.A. for a medium-term loan of € 900,000. This security is the subject of invoicing of commissions under the usual conditions applied to subsidiaries (1 % of the commitment).

- The capital remaining due on 31st December 2005 amounted to € 859,157.

- The amount of commissions received by your Company for the financial year closed 31st December 2005 was € 8,383 net of tax

- Nature and subject: Joint security

- Terms:

- Your Company has provided joint security to Airbus for your subsidiary Actia S.A. on the signing of a contract for the manufacture, long-term maintenance and the repair of avionic equipment for the ATR and AIRBUS programmes.

- This contract was signed on 8th September 2005; no commission has been invoiced over the financial year.

- Nature and subject: Joint security to a bank
- Terms:

Your Company has provided joint security to guarantee the loan of € 457,347 contracted by Actia S.A.

This loan was fully paid up on 31st December 2005.

The agreement fees received by your Company for the 2005 financial year amounted to € 460 net of tax

- Nature and subject: Letter of intent in favour of a bank
- Terms:

Your Company has provided a letter of intent in favour of a bank in order to guarantee a loan agreement for € 500,000 granted to Actia S.A.. This loan has been taken out by Actia S.A to finance its requirements for revolving funds.

The cash credit outstanding amounted to € 100,000 on 31st December 2005. The agreement fees received by your Company for the 2005 financial year amounted to € 2,000 net of tax.

- Nature and subject: Joint security for a bank
- Terms:

Your Company has provided joint security to guarantee the loan of € 1,000,000 contracted by Actia S.A.

The amount outstanding on this loan on 31st December 2005 was € 428,576.

The agreement fees received by your Company for the 2005 financial year amounted to € 5,179 net of tax

- Nature and subject: Joint security for ANVAR
- Terms:

ANVAR has granted your subsidiary, Actia S.A., a reimbursable advance of € 1,200,000 as innovation assistance in relation to part of the secure digital chronotachograph development and industrialization programme. Your Company has provided joint security to guarantee the reimbursable advance of € 1,200,000 contracted from ANVAR by Actia S.A..

The amount outstanding on this advance on 31st December 2005 was € 1,040,000.

The agreement fees received by your Company amounted to € 11.200 net of tax

- Nature and subject: Joint security in favour of two banks
- Terms:

Your Company has provided joint security to guarantee the loan of € 4,000,000 contracted by Actia S.A.

This loan has been contracted in order to finance part of the research and development expenses already committed to in the chronotachygraph project.

The amount outstanding on this loan on 31st December 2005 was € 3,400,000.

The agreement fees received by your Company amounted to € 38,500 net of tax

- Nature and subject: Group agreement
- Terms:

The Group agreement with your subsidiary has generated the following services and remunerations during the financial year:

- Continuous and recurrent services: € 2,086,512 net of tax
- Financial services:

Your Company receives interest on current account advances remunerated at average rate for the resource plus one point.

The advance made by your Company amounted to € 15,417,223 on 31st December 2005.

The interest received for the financial year amounted to € 574,367 net of tax

With the company Actia Muller Services S.A.

- Nature and subject: Joint security in favour of SCI Luce Investissement
- Terms:

Your Company has provided joint security to guarantee the perfect payment of the rent, expenses and accessories of the lease granted by the company Luce Investissement to your subsidiary, AMS.

The amount outstanding for this obligation was € 1,937,000 on 31st December 2005 .

The agreement fees received by your Company amounted to € 21,232 net of tax

With the company Sodielec S.A.

- Nature and subject: Letter of intent in favour of a bank

- Terms:

Your Company has provided a letter of intent in favour of a bank in order to support reimbursement of a loan of € 2,286,735 contracted by Sodielec S.A..

The amount outstanding on this loan on 31st December 2005 is € 926,603.

The agreement fees received by your Company amounted to € 11,369 net of tax

- Nature and subject: Letter of intent in favour of a bank

- Terms:

Your Company has provided a letter of intent in favour of a bank in order to support reimbursement of a loan of € 762,245 contracted by Sodielec S.A..

The amount outstanding on this loan on 31st December 2005 is € 86,707.

The agreement fees received by your Company amounted to € 1,912 net of tax

- Nature and subject: Letter of intent in favour of a bank

- Terms:

- Your company has provided a letter of intent in favour of a bank payable under the usual conditions applied to subsidiaries to guarantee a loan of € 500,000 for a period of 5 years granted to Sodielec S.A..

- The capital remaining due on 31st December 2005 amounted to € 400,000.

  The commissions received by your Company for the financial year closed 31st December 2005 amounted to € 4,375 net of tax in accordance with the usual conditions within the Group.

- Nature and subject: Comfort letter

- Terms:

- Your company has provided a comfort letter in favour of a bank payable under the usual conditions applied to subsidiaries to guarantee a cash advance of € 300,000 for a maximum period of one year.

  The amount outstanding on 31st December 2005 on this overdraft authorization has been cleared.

  The agreement fees received by your Company amounted to € 2,250 net of tax

- Nature and subject: Group agreement

- Terms:

  The Group agreement with your subsidiary has generated the following services and remunerations during the financial year:

- Continuous and recurrent services: € 480,132 net of tax

- Financial services:

  Your company receives interest on current account advances paid at the average rate for the resource plus one point.

  The current account balance amounted to € 189,632 on 31st December 2005.

  The interest received for the financial year amounted to € 52,742 net of tax

With the company SCI Les Coteaux de Pouvourville

- Nature and subject: Authorization to pledge shares

- Terms:

  As part of a lease-back agreement for the whole property for a maximum amount of M€ 4.5 over a 12-year period, your company has pledged as security all the shares it holds in SCI Les Coteaux de Pouvourville for the duration of the transaction.

With the company SCI L'Oratoire

- Nature and subject: Authorization to pledge shares

- Terms:

  As part of a lease-back agreement for the whole property for a maximum amount of M€ 3 over a 12-year period, your company has pledged as security all the shares it holds in SCI L'Oratoire for the duration of the transaction.

With the company LP2C S.A.

- Nature and subject: Current account advance
- Terms:

A current account advance has been concluded with the company LP2C.

No advance has been made for the 2005 financial year.

With the companies Actia S.A. and Sodielec S.A.

- Nature and subject: Group agreement
- Terms:

Your company provides management personnel to its subsidiaries. This service is invoiced on a cut price basis including Social Security contributions (including provision for paid holidays).

For the 2005 financial year, the amount received by your company is € 918,06 net of tax.

Toulouse et Paris, le 20 avril 2006

KPMG Audit
Département de KPMG S.A.

Philippe Saint-Pierre
Associé

Eric Blache

4. AGENDA & RESOLUTIONS OF THE GENERAL MEETING HELD ON 9TH MAY 2006

4.1 AGENDA

4.1.1 FOR THE JURISDICTION OF THE ORDINARY GENERAL MEETING:

- Annual report from the Management Board on the financial year closed 31st December 2005, including the Group's annual report,
- Report from the Management Board on the use of the authorizations granted regarding increase in capital,
- Report from the Management Board on the share purchase and subscription options provided for in Article L. 225-184 of the Commercial Code,
- Report from the Supervisory Board,
- Report from the Chairman of the Supervisory Board under Article L225-68 of the Commercial Code,
- Report from the Auditors on the internal audit,
- Reports from the Auditors on the execution of their assignment and on the agreements under Articles L. 225-86 ff of the Commercial Code,
- Approval of the annual company accounts and these agreements,
- Approval of the consolidated accounts,
- Allocation of the income,
- Renewal of the mandate of KPMG SA as the titular auditors,
- Renewal of the mandate of Christian LIBEROS as substitute auditor
- Authorization to be given to the Management Board to have the Company repurchase its own shares under the system provided in Article L. 225-209 of the Commercial Code.

4.1.2 FOR THE JURISDICTION OF THE EXTRAORDINARY GENERAL MEETING:

- Harmonization of the Company Articles with the provisions of Order No. 2004-604 of 24th June 2004 making reforms to the securities system and those concerning reform of the reforms mode of been worth movable and those of Law No. 2005-842 of 26th July 2005,
- Powers to be conferred.

4.2 RESOLUTIONS

4.2.1 FOR THE JURISDICTION OF THE ORDINARY GENERAL MEETING:

FIRST RESOLUTION – APPROVAL OF THE ANNUAL COMPANY ACCOUNTS

The General Meeting, after hearing the reading of the reports from the Management Board, the Supervisory Board and the Auditors for the company financial year closed 31st December 2005 approves the annual company accounts closed on that date as they have been presented, showing a net loss of <139,721.81> Euros.

It also approves the transactions reflected in these accounts or summarized in these reports.

The General Meeting consequently grants the Management and Supervisory Boards full and unreserved quietus for the execution of their duties during the said financial year.

The General Meeting approves the amount of expenses non-deductible from company income tax covered by Article 39-4 of the General Taxes Regulations, which amount to € 271,18, corresponding to the surplus amortizations on the company job-related vehicles.

SECOND RESOLUTION – APPROVAL OF THE CONSOLIDATED ACCOUNTS

The General Meeting, after hearing the reading of the reports from the Management Board, including the Group Management report, the Supervisory Board and the Auditors for the financial year closed 31st December 2005 approves the consolidated accounts closed on that date as they have been presented showing a net income for the Group of € <1,631,936>.

THIRD RESOLUTION – AGREEMENTS UNDER ARTICLES L225-86 FF OF THE COMMERCIAL CODE

Ruling on the special report from the Auditors, which has been presented regarding the agreements to which Articles L. 225-86 ff of the Commercial Code apply, the General Meeting approves the agreements mentioned therein.

FOURTH RESOLUTION – ALLOCATION OF INCOME

Regarding the proposal from the Management Board, the General meeting decides to allocate the income as follows:

Origin		
Carried forward "Credit balance"		€ 11,222,273.95
Income from the financial year: loss of		€ - 139,721.81
Allocation		
"Carried forward" account established at	€ 11,082,552.14	
TOTALS	**€ 11,082,552.14**	**€ 11,082,552.14**

In accordance with the provisions of Article 243 a of the general Tax regulations, The General Meeting notes that it has been reminded that the Company has not distributed any dividends during the past three financial years.

FIFTH RESOLUTION – SHARE REPURCHASE PROGRAMME

The General Meeting, having taken note of the report from the Management Board, authorizes the latter for a period of eighteen months in accordance with Articles L. 225-209 ff of the Commercial Code, to proceed to the purchase the Company shares, on one or more occasions, at the times it may deem appropriate, within a limit of 5% of the number of shares composing the authorized capital, namely, on the basis of the current capital, 991,935 shares.

The acquisitions may be made with a view to:

- Encouraging the secondary market for the share or its liquidity, via an investment services provider by means of a liquidity contract in accordance with the AFEI professional code of ethics charter accepted by AMF,
- Retaining the purchased shares and put them subsequently for exchange or in payment as part of any potential external growth operations, it being specified that the shares acquired for this purpose may not exceed 5% of the Company Capital,
- Providing cover for share purchase option plans and other forms of share allocation to employees and/or company directors in the Group under the terms and conditions stipulated by the Law, particularly as participation in the company income, as a company savings plan or through free allocation of shares,
- Providing cover for securities providing the right to allocation of the Company's shares under the prevailing Stock Exchange regulations.

These purchases of shares may be effected by all available means, including by the acquisition of blocks of securities, and at the times the Management Board may deem appropriate, including during a period of public offer, within the limits of the stock exchange regulation. However, the Company does not intend to have recourse to the derived revenue.

The maximum purchase price is set at 6 euros per share. In the event of an operation on the capital, in particular division or regrouping of the shares or free allocation of shares, the amount indicated above will be adjusted proportionately (multiplication coefficient equal to the relationship between the number of shares forming the capital before the operation and the number of shares following the operation).

The maximum amount of the operation is therefore fixed at 5,951,610 Euros.

The General Meeting confers all powers on the Management Board for the purpose of proceeding to perform these operations, to set the conditions for them and to conclude all the agreements and to carry out all the formalities.

SIXTH RESOLUTION – RENEWAL OF THE MANDATE FOR KPMG SA AS TITULAR AUDITORS

On proposal of the Supervisory Board, the General Meeting renews the mandate of KPMG SA for the functions of titular Auditors for a period of six financial years, namely until the end of the Annual Ordinary General Meeting to be held in 2012 and called to rule on the accounts for the financial year closed 31st December 2011.

KPMG SA which, during the last two financial years, has not verified any contribution or merger operations within the Company and the companies it controls in the sense of Article L. 233-16 of the Commercial Code, has stated that it accepts these functions.

SEVENTH RESOLUTION – RENEWAL OF THE MANDATE FOR CHRISTIAN LIBEROS AS SUBSTITUTE AUDITOR

On proposal of Supervisory Board, the General Meeting renews the mandate of Christian LIBEROS for the functions of substitute auditor for a period of six financial years, namely until the end of the Annual Ordinary General Meeting to be held in 2012 and called to rule on the accounts for the financial year closed 31st December 2011.

Christian LIBEROS who, during the last two financial years, has not verified any contribution or merger operations within the Company and the companies it controls in the sense of Article L. 233-16 of the Commercial Code, has stated that he accepts these functions.

4.2.2 FOR THE JURISDICTION OF THE EXTRAORDINARY GENERAL MEETING:

EIGHTH RESOLUTION – HARMONIZATION OF THE COMPANY ARTICLES WITH THE ORDER OF 24TH JUNE 2004 AND THE LAW OF 26TH JULY 2005

The General Meeting, having taken note of the report from the Management Board, decides:

- To bring the Company Articles into conformity with the provisions of the Order of 24th June 2004 bring reforms to the securities system and those of the Law of 26th July 2005.
- Consequently, to alter Articles 7, 8, 10, 11, 12, 29, 35, 36, 37 and 41 f the Company's Articles as follows:

ARTICLE 7 – ISSUE OF SPECIAL BENEFIT SECURITIES – PREFERENCE SHARES –- FORM OF CAPITAL SECURITIES AND OTHER SECURITIES – MAINTENANCE OF THE ACCOUNTS – IDENTIFICATION OF THE SHAREHOLDERS – CROSSING OF THRESHOLDS AND PARTICIPATION (new draft)

The Company may issue securities providing access to its capital or granting the right to allocation of debt securities. The issue of these securities is authorized by the Extraordinary General Meeting. The issue of bonds is decided or authorized by the Ordinary General Meeting. Under the conditions established by the law, the Company may also issue securities providing access to the capital of a company it controls or which controls it. The Shareholders have a preferential right to the subscription to securities providing access to the capital according to the terms envisaged in the event of an immediate increase in capital by the issue of cash shares. Dating from the issue of securities providing access to the capital, the Company must make the necessary provisions for maintaining the rights of the holders of these securities in the cases and under the conditions envisaged by the Law.

These Company Articles do not stipulate any particular benefit for the associated persons or not.

The Company may create preference shares, with or without voting rights, and with particular rights of any nature whatsoever, whether temporary or permanent.
Preference shares without voting rights may not represent more than half of the Company capital. Preference shares may be repurchased or converted into ordinary shares or preference shares of another category, under the conditions established by law. In the event of alteration or amortization of the capital, the Extraordinary General Meeting determines the effects of these operations on the rights of the bearers of preference shares.

Unless other wise stipulated in the issue agreement, capital securities and any other securities that the Company may issue are in nominative or bearer firm at their holder's discretion. They may only be in bearer form after their complete release. Fully released shares are nominative or bearer at the shareholder's discretion.

At the capital shareholder's request, a certificate of inscription in the account will be supplied to him by issuing Company or the authorized intermediary.

The Company is authorized to demand at any tile from the organization responsible for compensating for securities the information envisaged in the law relating to the identification of the holders of shares granting immediately or in due course the right to vote at Shareholders' Meetings.

The Company also has the right to demand, under the conditions laid down by the Commercial Code, the identity of the owners of securities, when it considers that certain holders whose identity has been revealed to it are the owners of shares for third parties.

The Company may also demand any legal entity owning more than 2.5% of the capital or the voting rights to inform it of the identity of the people holding, directly or indirectly, more than a third of the authorized capital of the respective legal entity or of the voting rights at its General Meetings.

Any person or legal entity, acting alone or in concert, which has just come to possess a number of shares or voting rights representing more than one of the thresholds set by the law must observe the obligations to inform envisaged by the law within the time period allowed. The same information is also provided when the participation in the capital or the voting rights falls lower than the legal thresholds

ARTICLE 8 – TRANSFER AND TRANSMISSION OF CAPITAL SECURITIES AND OTHER SECURITIES GRANTING ACCESS TO THE CAPITAL (new draft)

Capital securities and other securities providing access to the capital are transmitted by banking transfer from account to account under the conditions prescribed by the prevailing regulations.

Their transfers and transmissions are free.
The same applies to the transfer of the rights to subscribe to these securities.

ARTICLE 10 – RIGHTS ATTACHED TO ORDINARY SHARES – VOTING (new draft)

The possession of an ordinary share automatically brings complete adherence to the Company Articles and the resolutions regularly adopted by all the General Assemblies.

The Shareholders bear the losses only to the extent of their contributions.

Each ordinary share provides the right to a proportional share, in proportion to the capital which it represents, in the profit, the company assets and the liquidation bonuses.

If necessary and subject to imperative regulations, it will be form part of the body of all the ordinary shares regardless of any tax exemptions or charges, just like all taxations likely to be dealt with by the Company, before proceeding to any refund during the Company's existence or on its liquidation, so that, taking into account their respective nominal value, all the ordinary shares may receive the same net sum whatever their origin and their creation date.

The voting rights attached to the ordinary shares are proportional to the share of the capital which they represent and each share gives the right to at least one vote, subject to the exceptions envisaged by the law and the Articles.

VOTING RIGHTS:

In all the Ordinary and Extraordinary General Meetings, the voting rights attached to the ordinary shares are proportional to the share of the capital which they represent and each share gives the right to at least one vote, subject to the exceptions envisaged by the law and the Company Articles.

However, a right to a vote double that granted to other ordinary shares, with regard to the proportion of the Authorized capital that they represent, is allotted to:

- All fully released ordinary shares justified by personal inscription for at least four years without interruption in the same Shareholder's name,

- Ordinary nominative shares allotted free to a Shareholder in the event of an increase in Capital by incorporation of reserves, profits or issue premiums, because of old shares through which he benefits from this right,

- The right to a double vote will automatically cease for any ordinary share converted to bearer status or transferred as property,

- Nevertheless, the period set above does not interrupt or preserve the acquired right:

- Any transfer as a result of inheritance, liquidation of communal property between spouses or donation inter vivos, to the benefit of a spouse or a relative to the degree entitled to inherit,

- Any transfer by way of merger, separation or universal transmission of the inheritance by a legal entity being a shareholder in another Company:

  - ✓ Which it controls directly or indirectly with more than 50% of the capital and/or the voting rights,
  - ✓ Which controls directly or indirectly more than 50% of the capital and/or of the voting rights.

ARTICLE 11 – INDIVISIBILITY OF THE SECURITIES – BARE OWNERSHIP – USUFRUIT (new draft)

1. The capital securities are indivisible with regard to Company.

The undivided owners of capital securities and other securities are required to have themselves represented to the Company by just one of them, considered as the sole owner or by a single agent; in the event of dissension, the single agent can be appointed by the court at the request of the more diligent co-owner.

2. Unless by agreement to the contrary notified to the Company, the usufructuaries of ordinary shares validly represent the bare owners with regard to the Company; however, the voting rights belong to the bare owner in the Extraordinary General Meetings.

ARTICLE 12 –CASE OF "ASSORTED LOTS" (new draft)

Every time it is necessary to have several securities to exercise some right or other, in the case of exchange, regrouping or allocation of securities, or consequently of increase or reduction in capital, of merger or other company operation that may entail the existence of "assorted lots", the owners of isolated securities or of a lesser number of securities that that required, may only exercise these rights if they make it their personal business to gather together and possibly purchase or sell the necessary securities.

ARTICLE 29 – AUTHORITY AND QUALIFICATION OF THE GENERAL MEETINGS (new draft)

The Shareholders' Meetings are qualified as Ordinary, Extraordinary or Special Meetings. The Extraordinary Meetings are those called to deliberate on all alterations to the Articles.
The Special meetings bring together the holders of shares of a given category to rule in particular on any alteration to the rights of shares of this category. All the other Meetings are Ordinary Meetings.

The General Meetings of the holders of securities providing access to the capital are called in particular to authorize any alterations to the issue agreement and to rule on any decisions touching on the conditions for subscription or allocation of the capital securities determined at the time of issue.

They are called and deliberate under the conditions fixed by the law.

The deliberations of the General Meetings are binding on all holders of stock or securities, even those absent, dissident or incapable of attending.

ARTICLE 35 - OBJECT AND CONDUCT OF ORDINARY SHAREHOLDERS' MEETINGS – QUORUM AND MAJORITY (new draft)

The Ordinary General Meeting makes all the decisions exceeding the powers of the Management Board and the Supervisory Board and which do not fall under the responsibility of the Extraordinary General Meeting. It is held at least once a year, in the six months after the closing of the financial year, to rule on all the questions relating to the financial year's accounts; this period may be prolonged at the request of the Management Board by instruction of the President of the Commercial court ruling on the request.

The Ordinary General Meeting only deliberates validly, on first convening, if the Shareholders present, voting by correspondence or represented hold at least one fifth of the shares with voting rights.
On the second convening, no quorum is necessary.

It rules through the majority of the votes available to the Shareholders present or represented, including those of the Shareholders having voted by correspondence, subject to the limitations mentioned above.

ARTICLE 36 – JURISDICTION AND ATTRIBUTION OF THE EXTRAORDINARY GENERAL MEETING - QUORUM AND MAJORITY (new draft)

The Extraordinary General Meeting is alone entitled to alter the Company Articles in all their provisions. It cannot, however, increase the commitments of the Shareholders, subject to operations resulting from a regular regrouping of shares.

Subject to the exemptions envisaged for certain increases in capital and conversions, the Extraordinary General Meeting deliberates validly only if the shareholders present, voting by correspondence or represented have at least, on the first convening, a quarter and, on the second convening, a fifth of the shares with voting rights. In default of this latter quorum, the second meeting can be extended to a date two months later than the date on which it was convened. Subject to these same reservations, it rules with a majority of two thirds of the votes available to the shareholders present, voting by correspondence or represented.

By legal exemption from the preceding provisions, the Extraordinary General Meeting which decides an increase in Capital by means of incorporation of reserves, profits or issue premiums, can rule under the quorum and majority conditions for an Ordinary General Meeting; in the case of those called to decide on the conversion of Company, it deliberates under the majority conditions envisaged below in Article 44, which differ depending on the new form adopted.

ARTICLE 37 – SPECIAL MEETINGS (new draft)

Special Meetings bring together the holders of a specific category of shares.

The decision of a General Meeting to alter the rights relating to a particular category of shares is only definitive after approval by a Special meeting of the shareholders in this category.

The Special Assemblies only deliberate validly if the shareholders present, voting by correspondance or represented hold at least a third, on the first convening, and a fifth, on the second convening, of the shares with voting rights and for which it is envisaged to alter the rights. In default of this latter quorum, the second meeting can be extended to a date two months later than the date on which it was convened. Subject to these same reservations, it rules with a majority of two thirds of the votes available to the shareholders present, voting by correspondence or represented.

1st paragraph of ARTICLE 41 - INCREASE IN CAPITAL (new draft of the 1st paragraph):

The Company Capital may be increased by the issue, at parity or with a premium, of new ordinary or preference shares released either for cash or in compensation for certain liquid receivables payable by the Company either by incorporation of reserves, profits or issue premiums, or by contribution in kind, by virtue of a decision by the Extraordinary General Shareholders' Meeting or the Management Board specially authorized by the said Meeting for this purpose.

Moreover, the General Meeting also decides to alter the headings for Chapters V, VI, VII and VIII, which will now be titled as follows (new note):

CHAPTER V: GENERAL SHAREHOLDERS' MEETINGS – COMMON PROVISIONS

CHAPTER VI: SPECIAL PROVISIONS FOR ORDINARY GENERAL SHAREHOLDERS' MEETINGS

CHAPTER VII: SPECIAL PROVISIONS FOR EXTRAORDINARY GENERAL SHAREHOLDERS' MEETINGS

CHAPTER VIII: PROVISIONS FOR SPECIAL SHAREHOLDERS' MEETINGS

NINTH RESOLUTION – POWERS TO BE GRANTED

The General Assembly grants all powers to the bearer of a copy or an extract of the present report for performing all the formalities for filing and publicizing required by the Law.

5. CONTACTS

To contact us:

ACTIELEC TECHNOLOGIES

Public Limited Company with a Capital of € 14,894,955.75
Company Registration No. in TOULOUSE: 542 080 791 – NAF: 741J

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

Tel.: 05.61.17.61.98
Fax: 05.61.55.42.31

By E-mail: contact@actielec.com

Shareholders' information:
Catherine MALLET: catherine.mallet@actia.fr

Our Internet site:

www.actielec.com