aubay

Annual report 2003

Contents

1. Annual report and Auditing managers

1.1 Annual report manager

Mr. Christian Aubert,
Chairman of the Board of Directors

1.2 Auditing managers

Appointed Statutory Auditors:
Mr. Bernard Lelarge
61, rue La Boétie – 75008 Paris.
Date of first appointment: Extraordinary General Meeting of 17th December 1997, renewed by the Extraordinary General Meeting of 23rd May 2003.
Mandate expiry date: Annual General Meeting convened to approve the annual financial statements for the year ending on 31st December 2008.

Mr. Gérard Rivière
1, cours Valmy – 92923 Paris-La Défense.
Date of first appointment: Extraordinary General Meeting of 5th March 1998.
Mandate expiry date: Annual General Meeting convened to approve the annual financial statements for the year ending on 31st December 2003.

Assistant Auditors:
Mr. Jean-François Plantin
49, rue de Rome – 75008 Paris.
Date of first appointment: Extraordinary General Meeting of 17th December 1997, renewed by the Extraordinary General Meeting of 23rd May 2003.
Mandate expiry date: Annual General Meeting convened to approve the annual financial statements for the year ending on 31st December 2008.

KPMG Audit – Division of KPMG SA
1, cours Valmy – 92923 Paris-La Défense.
Date of first appointment: Extraordinary General Meeting of 5th March 1998.
Mandate expiry date: Annual General Meeting convened to approve the annual financial statements for the year ending on 31st December 2003.

1.3 Information managers

Mr. Philippe Rabasse
Chief Executive Officer
235, avenue le Jour se Lève
92651 Boulogne-Billancourt Cedex
Tel.: 01 46 10 67 67
Fax: 01 46 10 67 51
e-mail: prabasse@aubay.com

Mr. David Fuks
Financial Director
235, avenue le Jour se Lève
92651 Boulogne-Billancourt Cedex
Tel.: 01 46 10 67 67
Fax: 01 46 10 67 51
e-mail: dfuks@aubay.com

2. General information on the Company and its capital

2.1 General information

2.1.1 Corporate name (article 3 of the articles of association)

Aubay.

2.1.2 Head offices

233-235, avenue le Jour se Lève, 92651 Boulogne-Billancourt Cedex.

2.1.3 Date of incorporation and duration of the Company

The Company was incorporated on 10th November 1944 for a duration of 90 years as from the date of its registration in the Trade and Companies Register, except in the event of liquidation or extension.

2.1.4 Legal form

Société anonyme, limited liability company under French law, with a Board of Directors governed by the Commercial Code and decree n° 67-236 of 23rd March 1967 relating to commercial companies.

2.1.5 Trade and Companies Register

391 504 693 RCS Nanterre.

2.1.6 APE Code and name of the activity sector

721Z – IT Systems Consultancy.

2.1.7 Consultation of documents and information concerning the Company

The memorandum and articles of association, accounts, reports and minutes of general meetings can be consulted at the head offices.

2.1.8 Corporate purpose (article 2 of the articles of association)

The Company's purpose, directly or indirectly, in all countries, is information technology, notably research, creation, development, distribution, information, introduction, application, operation and marketing of any method or software. It also includes any operations generally, of an industrial, commercial or financial nature, involving securities or property, which may be directly or indirectly related to the corporate purpose, any similar or connected purposes, or which may facilitate its expansion and development. The company may acquire interests in any existing businesses or companies in France or abroad, or those yet to be formed, which may be directly or indirectly related to the corporate purpose or any other similar or associated purposes, notably businesses or companies whose purpose may potentially contribute to the achievement of the corporate purpose, by whatever means, notably through contribution, subscription or purchase of shares, share capital or participating shares, mergers, joint ventures, alliances or limited partnerships.

To this end, the Company can notably: create, acquire, manage, contract out management and run any establishments, even on behalf of third parties, in accordance with legal stipulations governing any operations related directly or indirectly to its corporate object.

2.1.9 Annual accounting period (article 14 of the articles of association)

From 1st January to 31st December of each year.

2.1.10 Exceeding thresholds

The provisions which apply to exceeding thresholds are those envisaged by the law.

2.1.11 General meetings (article 12 of the articles of association)

General Meetings are convened and held in accordance with legal stipulations. They take place in the head offices or in any other place as specified in the notification.

2.1.12 Dividend payments (article 13 of the articles of association)

Dividends are paid out on the date and at the place specified by the General Meeting, or failing this, by the Board of Directors. Before the annual accounts have been approved, the Board of Directors may distribute one or several interim dividends. In accordance with the procedure envisaged by the law and the articles of association, the General Meeting approving the annual accounts is entitled to offer each shareholder the option between payment in cash and payment in shares for all or part of the proposed dividend and interim dividend payments.

2.1.13 Statutory distribution of profit

The articles of association do not contain any particular provision on this subject.

2.1.14 Identification of holders of bearer securities: Identifiable Bearer Securities or "IBS" (article 8 of the articles of association)

In accordance with article L. 228-2 of the Commercial Code, the Company can at any time request Euroclear to undertake the identifiable bearer security procedure.

2.1.15 Double voting rights (article 8 of the articles of association)

Aubay's articles of association stipulate that each registered share that has been fully paid up and registered for at least two years by the same shareholder, since 17th December 1997, is entitled to a double voting right.

2.2 Information on capital

2.2.1 Share capital

On 31st December 2003, the share capital amounted to €5,820,112.50, divided into 11,640,225 identical, fully paid up, subscribed shares with a nominal value of €0.5.

2.2.2 Breakdown of capital and voting rights on 31st December 2003 to the best of the Company's knowledge

To the best of the Company's knowledge, the shareholdings were as follows:

Shareholders on 31st December 2003

	Situation on 31/12/03			Situation on 31/12/02			Situation on 07/03/02		
	Number of shares	% capital	% voting rights	Number of shares	% capital	% voting rights	Number of shares	% capital	% voting rights
Concerted action by Rabasse/ Andrieux/Gauthier [(1)]	2,893,746	24.86	26.37	2,668,695	23.29	19.10	1,909,201	16.66	13.92
Aubert family	2,048,219	17.60	23.78	2,043,025	17.83	24.91	2,043,025	17.83	25.37
Entrecanales family	539,363	4.63	7.27	565,460	4.93	8.09	686,120	5.99	7.08
Acquired shares	326,610	2.81	0.00	319,677	2.79	0.00	124,631	1.09	0.00
Public	5,832,287	50.10	42.58	5,861,621	51.16	47.89	6,695,501	58.43	53.63
TOTAL	**11,640,225**	**100.00**	**100.00**	**11,458,478**	**100.00**	**100.00**	**11,458,478**	**100.00**	**100.00**

(1) Including the interests of the holding company Capitalinvest, entirely owned by Messrs. Rabasse, Andrieux and Gauthier.

To the best of the Company's knowledge, no public shareholder owns more than 5% of the capital or voting rights. Messrs. Andrieux, Gauthier and Rabasse have continued to increase their share in the Company's capital in 2003, bringing their stake to 24.86% of the capital stock.

To the best of the Company's knowledge, no other concerted action exists other than that declared by Messrs. Andrieux, Gauthier and Rabasse.

2.2.3 Natural persons and legal entities which held a significant share in the Company's capital on 31st December 2003, to the best of the Company's knowledge

The Company's share capital on 31st December 2003 was mainly held by Messrs. Rabasse, Andrieux and Gauthier (24.86%), Mr. Aubert and his family (17.60% of the capital) and Mr. Entrecanales and his family (4.63 %).

2.2.4 Changes in the share capital since formation

Date	Operation	Number of shares created	Registered	Premium [1]	Registered cumulated	Number of shares cumulated
02/04/97	Capital increase through incorporation of reserves	0	FRF1,500,000	-	FRF1,500,000	15,000
17/12/97	Reduction in nominal value	-	FRF1,500,000	-	FRF1,500,000	1,500,000
05/03/98	Capital increase through offsetting claims and increasing nominal value	-	FRF1,500,000	-	FRF3,000,000	1,500,000
05/03/98	Capital increase through cash contributions	30,000	FRF60,000	-	FRF3,060,000	1,530,000
31/03/98	Capital increase through cash contributions	530,000	FRF1,060,000	FRF100,700	FRF4,120,000	2,060,000
23/06/98	Capital increase through cash contributions	33,523	FRF67,046	FRF2,279,564	FRF4,187,046	2,093,523
04/12/98	Capital increase through cash contributions	41,477	FRF82,954	FRF2,820,436	FRF4,270,000	2,135,000
31/03/99	Capital increase through contributions of shares/securities	66,500	FRF133,000	FRF9,842,000	FRF4,403,000	2,201,500
25/05/99	Capital increase through contributions of shares/securities	231,667	FRF463,334	FRF34,286,716	FRF4,866,334	2,433,167
12/07/99	Transfer to Second Marché and capital increase by cash contributions	200,000	FRF400,000	FRF35,022,000	FRF5,266,334	2,633,167
07/02/00	Capital increase through cash contributions	200,000	FRF400,000	FRF220,001,552	FRF5,666,334	2,833,167
09/06/00	Capital increase through free allocation of shares, capitalising reserves and conversion of capital into euros	2 833 167	€4 802 507	-	€5,666,334	5,666,334
09/06/00	Halving of nominal value	5,666,334	-	-	€5,666,334	11,332,668
31/12/00	Subscription to 14 equity warrants (BSA)	28	€14	€1,526	€5,666,348	11,332,696
13/04/01	Capital increase through offsetting accounts receivable	85,782	€42,891	€1,348,493.04	€5,709,239	11,418,478
31/12/01	Subscription to 40 000 shares as part of the share subscription or purchase option scheme	40,000	€20,000	€250,000	€5,729,239	11,458,478
25/06/03	Dividend distribution with option to pay in shares	181,747	€90,873.50	€252,628.33	€5,820,112.50	11,640,225

(1) Before issue expenses.

2.2.5 Unissued authorised capital

2.2.5.1 Simple investment securities

In the Combined General Meeting of 23rd April 2002, the Board of Directors was authorised to increase the capital on one or several occasions, over a maximum period of 26 months, either maintaining or cancelling the preemptive right for the issuing of all securities, including detachable warrants, giving immediate or future access to a share in the company's capital, except for preferred shares, non-voting preferred shares and investment certificates up to a maximum nominal value of €6,000,000 and/or through incorporation into the capital of reserves, profits, share premiums or any other item which it is possible to incorporate into the capital, up to a maximum nominal value of €6,000,000.

2.2.5.2 Investment securities representing accounts receivable that give access to capital

The board was also authorised by the Combined General Meeting of 23rd April 2002, for a maximum duration of 26 months, to issue a maximum overall nominal number of securities representing amounts receivable that grant access to capital worth €150,000,000.

These authorisations cancel and replace the authorisations granted for the same purpose by the previous Extraordinary General Meeting. They have not been used by the Board of Directors and there has been no undertaking to increase the capital.

During the General Meeting convened for 8th June 2004, it will be proposed to renew these authorisations for a further 26 months, maintaining the same conditions and limits.

2.2.6 Buyback of the Company's own shares

The Combined General Meeting of 23rd April 2003, after acknowledging the Board of Directors' report and the prospectus approved by the Commission des Opérations de Bourse no. 03-338, authorised the Board of Directors in accordance with the provisions in article L. 225-209 of the Commercial Code to buyback Company shares in order to (in decreasing order of priority):

- cancel shares;
- buy and sell according to market situations;
- reassign shares for payment or exchange, notably in the context of external growth operations;
- allocate shares within the context of employee profit-sharing schemes;
- grant stock purchase options to company and/or Group employees and executives, or offering them the opportunity to purchase shares under the conditions envisaged in articles 443-1 and thereafter of the labour code;
- allocate shares when exercising rights attached to securities offering entitlement to Company shares through reimbursement, conversion, exchange, presentation of a coupon or any other manner.

Shares acquired in this way can be kept, sold or transferred.

The maximum amount of the capital that can be bought back should not permanently exceed the limit of 10% of the share capital (i.e. in terms of the number of shares on 31st December 2003 a maximum of 1,164,022 shares), the maximum purchase price of 5 euros and minimum selling price of 0.5 euro should not be exceeded, subject to potential operations on the Company's capital.

During the financial year ending on 31st December 2003, the Company purchased 139,782 of its own shares and sold 136,925 of its own shares. These transactions were carried out for the purposes of stabilising the share price. On 31st December 2003, the company owned 326,610 of its own shares, representing 2.81% of its capital.

Summary table of operations on the Company's own shares during the 2003 financial year and until 31st March 2004

2003	Securities purchased	Weighted average	Securities sold	Weighted average
January	110,100	1.51	-	-
February	1,400	1.39	-	-
March	190	1.33	-	-
April	9,027	1.44	-	-
May	-	-	1,700	2.39
June	-	-	39,858	2.81
July	3,329	2.60	1,490	2.72
August	10,439	2.85	-	-
September	-	-	18,738	3.39
October	-	-	21,852	3.54
November	-	-	16,646	3.68
December	5,297	3.56	36,641	3.65
TOTAL	**139,782**	**1.71**	**136,925**	**3.33**
2004				
January	12,675	3.67	3,515	3.69
February	9,834	3.83	4,168	3.95
March	12,334	3.46	6,700	3.65
TOTAL	**174,625**	**2.09**	**151,308**	**3.37**

No shares were cancelled during the course of 2003.

A further buyback programme which will be presented to the General Meeting on 8th June 2004 resulted in the issuing of a memorandum approved by the Autorité des Marchés Financiers. This programme envisages the possibility for the Company to buyback its own shares under the following conditions:

• Objectives in decreasing order of priority:
  - cancelling shares (subject to approval by the General Meeting of resolution no. 11 relating to the cancellation of shares),
  - buying and selling according to market situations,
  - reassigning shares for payment or exchange, notably in the context of external growth operations,
  - allocating shares within the context of employee profit-sharing schemes,
  - granting stock purchase options to Company and/or Group employees and executives, or offering them the opportunity to purchase shares under the conditions envisaged in articles 443-1 and thereafter of the labour code,
  - allocating shares when exercising rights attached to securities offering entitlement to Company shares through reimbursement, conversion, exchange, presentation of a coupon or any other manner.

• Maximum share of the authorised capital: the maximum share of the company's capital that can be bought back is theoretically fixed at 10% of the capital, which currently corresponds to 1,164,022 shares.

• Maximum share of the affected capital: taking into account the 347,070 shares held by the Company on 31st March 2004, representing 2.98% of the capital, the maximum number of shares that could be held according to the latest programme would be 816,952 shares, representing a maximum theoretical sum of €4,901,712, based on a maximum price of €6 per share.

• Maximal amount payable by the Company: €4,901,712,
  - maximum purchase price: €6,
  - minimum selling price: €2,
  - financing methods: financing the buying back of shares using its cash funds or by borrowing,
  - operation schedule: as from the Combined General Meeting of for a maximum duration of 18 months, i.e. until 8th December 2005.

2.2.7 Potential capital: stock option plan

In accordance with the authorisations granted to them by the General Meetings of 25th May 1999, 9th June 2000, 13th April 2001 and 23rd April 2002, the Board has approved stock option plan for the Group's "key" managers and employees. Details of these allocations are shown below.

Summary table of securities granting access to capital

	Stock options								
Plan	**1999**	**1999**	**1999**	**1999**	**1999**	**2000**	**2000**	**2001**	**2002**
Date of the General Meeting	25/05/99	25/05/99	25/05/99	25/05/99	25/05/99	09/06/00	09/06/00	13/04/01	23/04/02
Date of the Board Meeting	12/07/99	26/08/99	14/09/99	09/11/99	18/05/00	24/08/00	19/01/01	06/02/02	14/03/03
Total number of shares that can be subscribed (1)	202,800	20,000	50,000	23,376	48,400	1,400	333,423	336,554	143,000
Number of people involved (1)	79	1	2	12	2	8	246	27	11
Company executives of Aubay SA (1)	*0*	*0*	*0*	*0*	*0*	*0*	*20,000*	*60,000*	*0*
10 most senior employees of Aubay SA (1)	*40,000*	*20,000*	*0*	*1*	*48,400*	*0*	*82,800*	*85,000*	*40,000*
Starting point for exercising options	12/07/04	26/08/04	14/09/04	09/11/04	18/05/05	24/08/05	19/01/06	06/02/06	14/03/07
Expiry date	12/07/07	26/08/07	14/09/07	09/11/07	18/05/08	24/08/08	19/01/09	06/02/10	14/03/11
Subscription price	€6.75	€6.82	€7.24	€10.56	€31.75	€23.52	€16.06	€3.91	€1.33
Payments (instalments)	5 years	5 years	5 years	5 years	5 years	5 years	5 years	4 years	4 years
Number of shares subscribed	40,000	0	0	0	0	0	0	0	0
Stock options cancelled (2)	63,900	0	10,000	11,008	0	1,100	48,261	2,185	0
Remaining stock options	98,900	20,000	40,000	12,368	48,400	300	285,162	334,369	143,000

(1) On the allocation date.
(2) Since allocation.

Stock options or purchase shares offered to each company executive and options exercised by them	**Number of options allocated/ of shares subscribed or purchased**	**Price**	**Maturity dates**	**Plan number**
Options granted	-	-	-	-
Options exercised	-	-	-	-

Subscription or share purchase options granted for the top ten employees excluding company executives beneficiaries and options exercised by them	**Total number of options allocated/shares subscribed or bought**	**Price weighted average**	**plan number**
Options granted by the issuer during the financial year and by all the companies included in the scope of the allocation of options to the ten most senior employees from all the companies included in this context, with the highest number of options thus granted (global information)	143,000	€1.33	9
Options held with respect to the issuer and the aforementioned companies, exercised, during the financial year, by the ten senior employees of the issuer and these companies, with the highest number of options thus purchased or subscribed (global information)	-	-	-

The subscription of all of the allocated options would result in the issuing of 982,499 new shares, generating a potential dilution of 7.78%.

There is no other form of potential capital. None of the options granted were exercised during the course of 2003.

2.2.8 Shareholders' alliance

The Company is not aware of any shareholders' alliance involving its own shares. Likewise, the Company is not aware of any agreement between shareholders with regard to the availability of the Group's assets which is notably liable to reduce their use or transferability.

To the best of the Company's knowledge, no shareholder is the owner of any significant assets used by the Group.

2.2.9 Dividends

The distribution of a net dividend of €0.04 per share was decided by the General Meeting held on 23rd May 2003. No other distribution has taken place during the course of the previous financial years.

The distribution of a dividend of €0.05 per share will be proposed to the General Meeting convened on 8th June 2004.

The duration of entitlement to dividends is five years, in accordance with the legal provisions applicable in this area.

2.3 Pledges and guarantees on securities and assets

The Company has not pledged or given any securities which it owns in guarantee.

3. Consolidated management report

3.1 History, objectives and strategy of the Group

Aubay was founded at the end of 1997 on the initiative of Christian Aubert with the aim of operating in the high-growth, technological niches of the IT sector, by developing a consultancy and engineering activity oriented exclusively towards large clients.

The Group rapidly expanded in France and then to the three other geographic territories of Belux, Spain and Italy.

These strategic choices have enabled the Group to increase its turnover from €4.57 million in 1997, to €15.24 million in 1998, €30.48 million in 1999, and to double it again in 2000.

The 2001, 2002 and 2003 financial years have been marked by a net turnaround in the economic situation and have been particularly difficult in the new technologies sector.

Market recession increased competition, creating a strong downward pressure on sales prices.

Over recent years however, information systems have become a crucial element within large enterprises. 2002 and 2003 have proved that even with a very poor economic climate, major players could not reduce their expenditure, if not to improve, at least to maintain their information systems. The second half of 2003 was marked by an upturn in investment by large companies in their information systems. This should enable the sector to resume its growth as from 2004. Aubay's positioning in the high-growth niches for new technologies should thus enable it to pursue its development.

3.1.1 Aubay's business activities

Since its creation, Aubay has developed in the specific niche market of new technologies consultancy.

This expert position enables it to differentiate itself from the major players in the sector and offer its clients high value added advice resulting from its experience acquired by all of the Group's entities.

Through its consultancy role with its clients, Aubay is ideally positioned to implement the recomendations resulting from its advice upstream of projects and offer the management of both engineering projects and more widely, third-party applicative maintenance or outsourcing missions.

Its services can thus be summarised in the following table :

Upstream	TECHNOLOGICAL CONSULTING						
	Information Systems Architecture	Distribution management systems	Security	Networks	Open source	Enterprise Content Management	Etc.
Down-stream	ENGINEERING						
	THIRD-PARTY APPLICATIVE MAINTENANCE						
	OUTSOURCING						

3.1.1.1 New technologies consulting services

Aubay constantly invests in the gaining specialist knowledge of the most advanced technologies to enhance its differentiating factors, which guarantees both its attractiveness to clients and employees as well as its competitiveness.

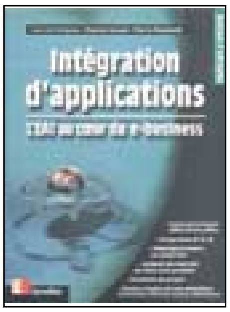
The group's two "historic" pillars are technical architectures in complex environments and very high speed networks. Subsequently, on identifying the growing problems of IT security and large account management requirements, the security and decision-making services appeared. Finally, with the group constantly seeking to develop in the high-growth fields, two new services are currently being developed, open source and content management.

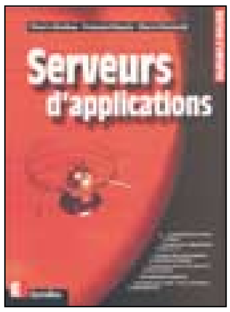
3.1.1.1.1 Technical architecture in a complex environment

Aubay has an exceptional, complete knowledge of the tools which currently enable it to design the most effective architectures, so that all of the functional "building blocks" in the information system can operate efficiently together. The large number and diversity of these "blocks" and the volume and cruciality of information flows exchanged between them now makes it essential to implement more reliable and effective "exchange platforms". The technologies which enable these information flows to be managed, both within and beyond the enterprise, are known as "middleware," EAI (Enterprise Application Integration), and ETL (Extract Transform Load). This has now become the heart of the information system, which is essential to connect up the various blocks of the internal system (ERP, Legacy system, Supply Chain Management and other client relation management tools) and externally to interconnect the information system with partner companies via Internet. The exchange standard used is XML.

This field accounts for the largest share of Aubay's activity and probably offers the widest scope for development in the coming years, given the ever increasing complexity of information systems.

*Aubay has created numerous solutions in thisfield. For Entenial, Aubay integrated the CRM Pivotal product with the production systems (large systems and web applications) by means of the EAI e*Gate, along with the supply of information for a Datawarehouse. For a mass marketing company, Aubay undertook an architecture consultancy mission then implemented its recommendations (EAI e*Gate) for the management of flows between several applications (cash desk receipt, product reference system, etc.). For a Mobile telephone operator, Aubay piloted the implementation and management of the TAM for a central platform for managing distribution network flows (EAI IBM Websphere Business Integration). For Crédit Du Nord, Aubay is responsible for the reorganisation of the E-Banking platform, central to the bank's relations with its business clients; the new platform's architecture is based on EAI Datastage TX (by Ascential). For a major bank, Aubay was responsible for the technical piloting of the exchange and compensation system reorganisation: market research, evaluation and selection of the various technical scenarios (specific development, EAI and middleware), and piloting the implementation.*





3.1.1.1.2 Very high speed networks

The giant strides made in the capacity to interconnect the information system's components are reliant upon the specialist knowledge of very high-speed communication services (fibre optic networks for backbones and ADSL, LRL, UMTS and Wi-Fi for access networks). These enable exponential growth in data transmission capacity and promote the development and enhancement of information systems.

With its far-reaching knowledge of the most advanced technologies in this field [Fibre Optics, General Pocket Radio Service (GPRS), Universal Mobile Telecommunication System (UMTS), Asymmetric Digital Subscriber Line (ADSL), Local Radio Loop (LRL) and Wi-Fi], Aubay has positioned itself alongside the essential actors in the telecoms world, such as the established operators and major manufacturers, and has assisted them in the rollout of vast networks over the past seven years.

The rollout services that Aubay offers its clients range from consultancy to project assistance. Consultancy assignments include advice on telecoms strategy, requirements studies and the technical, financial and organisational aspects of network development scenarios, drawing up of specifications, managing invitations to tender and network security. Network engineering and expertise missions include the choices of technologies and definition of network protocols, architectures high-speed networks (Gigabit, ATM, etc.), virtual networks (VLAN, VPN), the choice and proportion of equipment, etc. Given the major investments made by the major operators in such equipment over recent years, it is probable that the group's activity will remain stable for the next two to three years.

Aubay has contributed to the rollout of almost all the major networks which now cover France. It has notably been responsible for the engineering and piloting of network rollout for several major European operators. The following technologies have been used for such projects: Fibre Optic, WDM, SDH and IPVPN.
For a private operator, Aubay took charge of the engineering and project management for the creation of infrastructures for high-speed metropolitan data networks using Giga Ethernet, Fast Ethernet and IPVPN technologies.

Aubay has also audited and subsequently reorganised local and wide area network infrastructures for industrial clients who wanted to connect up various production sites across Europe. The technologies used include Giga Ethernet, Fast Ethernet and VPNinternet.

3.1.1.1.3 Security

By increasing the number of components in large computer systems and enabling them to open up to the outside world, security problems soon became apparent. In the virtual world, unfortunately, just as in the real physical world, it is no longer possible to overlook checking and access restriction procedures in order to ensure the integrity of a system's IT resources. Whereas in the past, a solid safe guaranteed the respecting of confidentiality and integrity of the company's sensitive information, the transfer of this data to the information system requires perfect control over its security.

Beyond the notion of protection against intrusion, the far wider problem is posed of the integrity of the information system's operation, which may be threatened by electronic or physical attacks. This has led to the introduction of network duplication measures, automatic backups, etc.

However, security is a liability rather like an insurance policy, and is therefore almost always perceived as being too expensive, with an insufficient return on investment… Investments therefore remain limited and our work is often confined to isolated consultancy missions, often at a moment of crisis.

Aubay has taken part in several security oriented projects which implement:
- *private/public key management infrastructures (PKI),*
- *SSO architectures for Internet/Intranet or extended to clients' IS,*
- *LDAP authorisation reference system,*
- *security expertise for audit missions, therecommendation of security policy or architecture.*

Aubay has notably been entrusted with certification policy study missions (PKI) and interoperability of PKI on behalf of a major aeronautics player. The tasks involved analysing the existing situation, defining the certification policy, analysis of certificate compatibility, setting up the corresponding tests then assistance in the production and preparation of operational documents.

Another mission was conducted for a major bank to implement an LDAP directory to manage customer personalisation information for the Internet service and the introduction of an SSO between the various Internet sites that can be accessed by the web surfer, as part of this service.

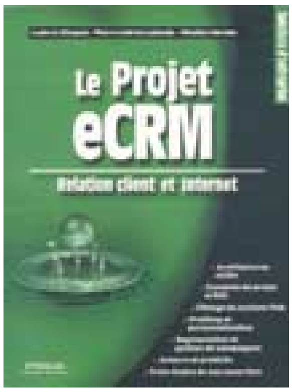
3.1.1.1.4 Distribution management

The effective use of data collected by enterprises increasingly requires the capacity to both share the information available between everyone in the company and enable it to be presented in accordance with the specific requirements of the various types of users within the enterprise. This is precisely the purpose of distribution management tools, which offer each category of user the possibility, initially, to access the company's resources and then process the data in order to assist them in their distribution management.

The contribution of new technologies in this field not only involves the broadening, or rather democratisation, of the use of these tools by facilitating access to information by means of "Web" type interfaces, which now offer all of the market tools (e.g. Business Object Webl), but also the comprehensiveness and quality of the information provided, through the interconnection of databases as enabled by the aforementioned solutions (EAI, ETL, etc.). Previously the reserve of a very restricted group in the company (executives) for strategic decisions, all departments now have tools which provide them with operational indicators.

The core of a distribution management information system is the datawarehouse (= EMC, Oracle, IBM, Sybase, etc.) which consolidates all of the company's relevant information, for the development of strategic piloting or operational indicators. This datawarehouse is supplied by a system (ETL - Informatice, Ascential, Sunopsis, etc.) which is capable of extracting, transforming and cleaning up the data contained in the company's various applications. The stock of information thus constituted is then used by means of tools which offer each of the company's departments a personalised view according to its line of business and presents it in the form which has been designed to highlight its relevance (multidimensional bases, reporting tools - SAS, Business Object, Brio, Hyperion, Cognos, Actuate, etc.).

Aubay is unique in that it is able to deal with the problems related to distribution management both at the front end (the visible part of interfaces available to users) as well as the back end (technical architecture for the provision and storage of very large volumes of data), whereas most of its competitors specialise in one or other of these areas of expertise.



In this field, Aubay's added value is achieved both through its expertise in the technologies and its capacity to implement solutions, as well as its capacity to propose each of the customer company's departments with performance indicators which are relevant for their business. Thus by making the most of its knowledge of the mobile telephone supply, marketing and distribution sectors, Aubay's teams of consultants and engineers guarantee the design and production of indicators aimed notably at mobile operators' marketing and sales departments. For a major Parisian bank, Aubay is responsible for a technology watch and assessment and support for project teams, with regard to Business Intelligence tools.

3.1.1.1.5 Enterprise Content Management

The development of new technologies has also made it possible to digitalise entire sections of documentation. Facilitating information storage, new technologies have above all enabled the optimal management of this documentation and it is now possible to have excellent quality information through web portals, which is highly relevant in terms of the needs expressed by the user and updated regularly owing to the lifecycle management of this information. The various players thus position their poducts in all or part of the documentary management sequence, from the portal to archiving, collaborative work or management of technical content. The major publishers are Documentum (acquired by EMC), Vignette, Interwoven, Everteam, Panagon, Open Text, etc.

Aubay, as a descendent of what used to be called EDM (Electronic Document Management), has been working in this field for a long time. In particular, Aubay has worked extensively for the European institutions, which are major consumers of this type of service to extract a maximum of information from the considerable quantities of documentation they generate. The OOPEC (Office for Official Publications of the European Communities) has thus entrusted Aubay with the task of integrating Everteam in its documentary logic. Aubay has also taken charge of the technical management of the Electronic Loan project (DCE) for a major Parisian bank. Aubay has implemented a CMS solution based on Panagon's Filenet for a foreign ministry and for the French Ministry of Defence. For a major French industrial group, Aubay carried out a comparative study and a POC (Proof Of Concept) for a professional online press review.

3.1.1.1.6 Open source

Faced with the oligopolies which the IT industry has forged since its emergence a few decades ago and their heavyweight solutions, a phenomenon which was originally non-commercial has recently emerged, supported by a technical, (relatively) disinterested community, to develop free software tools.

Upsetting the highly profitable model which made the fortunes of the main players in the IT sector, this community has developed solutions which now offer entirely credible alternatives to the software and packages sold under licence.
After being ignored for a long time by IT consumers because they were not promoted by the sector's players, who could not see how they could draw profit from free solutions, open source solutions have nevertheless become established and are now used by an overwhelming majority who seek to move away from the control of software publishers.

It was inevitable that service providers should also take part in this phenomenon, to avoid laying themselves open to justified criticism of a lack of objectivity in the advice they proffered to their clients. The scale of open source development has finally obliged the major publishers to include it in their strategies by proposing global, paid solutions which include open source blocks. They even sometimes finance developments: e.g. SUN with OpenOffice and IBM for Eclipse.

All of the IT fields are now concerned and open source solutions can be found for operating systems which offer an alternative to the predominant Windows, such as Linux, along with security solutions, content management and even office automation (Open Office) and business applications.

Aubay was thus quick to react to this phenomenon and invested in it to master the technologies for the benefit of its clients.

Aubay has implemented and industrialised technical architectures and development frameworks for new appli-cations for administrations and ministries, entirely based on Open Source building blocks, enhanced by specific components.

3.1.1.2 Engineering services

Making the most of its privileged position owing to the quality of its consultancy upstream of projects, Aubay has naturally extended its supply of activities to engineering projects for all of the offers described above. This development results from the clear advantage that a player such as Aubay enjoys over its competitors, whose clients call on it initially for technological audit assignments, prototype validations or to develop pilot projects, i.e. at the source of the clients' strategic reflections on their information systems.

The engineering market is unquestionably extremely broad and buoyant. It is made up of a very mixed group of protagonists, combined with the wide range of hardware and software products that are currently available. The expertise of a group such as Aubay is absolutely essential for any client who wants to build on its information system without necessarily calling into question the major investments decisions of the past years or even decades that have created this IT tool. Through its particularly in-depth knowledge of its clients' information systems, Aubay is very often ideally placed to initiate and maintain long-term working relations with its clients.

Aubay has assisted the development of a video transmission management service in the .Net environment using webcams, for broadband customers of a Spanish cable operator. Two sections were developed for this project :

- *the first involved the development of a customer service: Windows application, to enable the registration and call for video transmissions,*
- *the second involved the server service: Web site application enabling the search of customers' active webcams and connection with them.*

Aubay has also developed a distributor portal for the same operator which combines the user services, document management, cooperative marketing, supply management and content management in a Microsoft .Net environment.

For a major Belgian economic daily paper, Aubay[3] implemented the system for the development adn publication of economic graphics. The client approached Aubay for architecture analysis. The multi-tier architecture proposed and implemented by Aubay is based on J2EE with a BEA Weblogic application server and Oracle database. UML modelling was conducted using Rational tools. The development tools used were Jbuilder, Visual Source Safe, ANT and an XML schema.

3.1.1.3 Third-party Applicative Maintenance

The increasing complexity of information systems and the applications they include imply constant updating, correction and development work. For numerous reasons and notably in order to break free from the dependency in which they can find themselves with regard toapplication developers, clients may wish to entrust this maintenance phase to service providers, when the providers have not developed the application in question themselves. Aubay accomplishes these missions which are highly recurrent and therefore highly visible.

Aubay's contract with the Belgian Federal Police proposes the provision of expertise, on a multi-annual basis, aimed at advising the client with regard to architecture (urbanisation of its Information Systems), strengthening its teams in terms of the development of new technologies and offering it third-party maintenance services (TAM) for its IT infrastructure. The contract also provides for assistance in "business" analysis tasks in order to prepare the structure of development specifications.

3.1.1.4 Outsourcing

"Traditional" outsourcing provides a response to clients' needs to entrust all or part of their information system to a third party, who is responsible for its operation. This solution has the advantage of transferring all of the problem of IS operation to a service provider, in exchange for remuneration which is most often a fixed price and payable over several years.

This form of outsourcing nevertheless has the disadvantage for the client of placing them in a highly dependent situation in relation to the chosen service provider, and has often been compared with an investment tunnel which provides short term satisfaction but hinders the long-term development of the system which it covers.

Aubay has thus chosen to offer its clients intelligent outsourcing solutions, through which it takes charge of all or part of the information system, not so much to manage its operation but above all to ensure long-term development and updating. The client is thus released from the demanding and costly search for developments and updating the multiple components of its IS. It entrusts the management of these developments to a single contact.

3.1.2 The market

3.1.2.1 The market in 2003

The software and IT services market in 2003 suffered its sharpest decline in recent years, falling back by nearly 5%. The strong fall in investment by the major IT consumers generated significant overcapacity within the sector, reflected by strong downward pressure on prices, which obliged software and service companies to restructure in order to adapt to the new situation.

In this dismal landscape, only the Spanish market recorded a slight increase in 2003, whilst all the other European-countries' markets were in decline.

A small improvement was nevertheless clearly felt at the end of 2003, when price pressure fell significantly and turnover of employees increased slightly, the tangible signs of an upturn in the sector.

According to the markets, the results finally approached the estimates made at the end of 2002, and are once again quite varied.

Markets	2003/2002 Variations
Public sector	+ 5%
Banking and insurance	- 8%
Telecoms and media	- 7%
Industry	- 5%
Utilities	+ 2%
Trade and distribution	- 7%
Transport and tourism	- 7%
Services	- 6%

Source: Syntec Informatique.

Likewise, results were quite varied depending on the lines of business.

Activities	2003
Consultancy	- 10%
Projects and integration	- 9%
Development and technical assistance	- 11%
TAM	+ 9%
Facilities Management (excl. TAM)	+ 5%
Tool software packages	+ 2%
Application software packages	- 6%
Training and miscellaneous	- 10%

Source: Syntec Informatique.

Generally speaking, regarding the consultancy market, 7% of the 10% fall was accounted for by the fall in sales prices, and almost 5% by a fall in the general volume, with improvements in usage rates offsetting this major fallback by 2%. This analysis nevertheless allows us to be confident about the evolution of this market in the short term, notably with regard to the end of the falling price cycle since September 2003.

3.1.2.2 The market in 2004

Numerous positive factors reflect the sector's recovery for 2004. The first of these is the great improvement in the results of large companies, the main consumers of IT services. Companies in the CAC 40 have largely returned to profitability and in 2003 achieved over € 37 billion after losing nearly € 20 billion in 2002. The general level of debt also greatly improved, which will contribute to an increase in investment.
Thus the GDP is expected to increase by 1.7% in 2004 and investment, on which growth in the IT services market is highly dependent, has increased by 2.4%.

The software and IT services market should thus grow significantly, notably in the Banking/insurance and telecoms sectors, which should grow by 6 to 8%, followed to a lesser extent by the administration, utilities, industry, services and distribution sectors.

With regard to growth according to activity type, the following table shows a continuation of the 2003 trend:

Activities	2004/2003
Consultancy and management for information systems	0 to + 2%
Engineering	0 to + 2%
Engineering and TAM	+ 6 to + 9%

Source: Syntec Informatique.

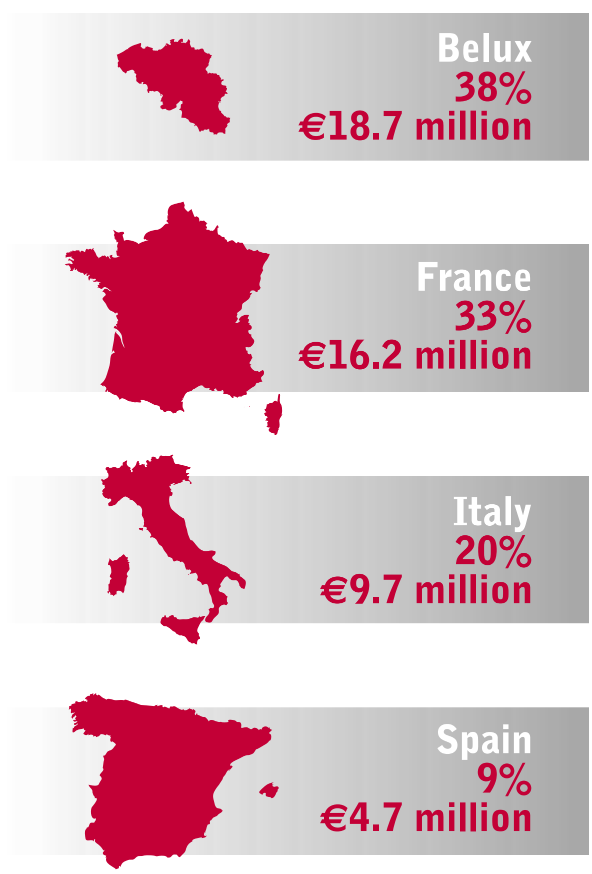
To conclude, after two crisis years, the IT services sector should resume its course towards growth, encouraged initally by the increase in investments in IT projects to reduce costs, followed by business value creation projects.

3.1.3 European presence and major account clients

All of the Group's clients, banks and telecommunications operators, have resolutely European strategies nowadays. These strategies rely on the search for technological service providers capable of assisting them in their development beyond their national borders. In 2003, Aubay generated 67% of its turnover outside France, whereas the majority of new technology consultancy players remained largely national. The Group's aim is to maintain long term working relations with major clients and capitalise on the quality of the services it offers. These efforts are reflected by a high renewal rate in services offered to clients.

Aubay currently has sites in France (Paris, Toulouse and Sophia Antipolis), Spain (Madrid and Valladolid), Belux (Brussels and Luxembourg) and Italy (Milan and Rome).

3.1.3.1 Distribution of turnover by country presented below:



Aubay's clients are exclusively major European businesses whose needs in terms of adaptation to new technologies are both large-scale and strategic. These clients are the only businesses which are both able and willing to invest massively in new technologies by repeatedly calling on the expertise of groups such as Aubay.

The number of active clients (taken to mean a client invoiced at least once during the financial year for a sum of at least €50,000) recorded at the end of 2003 was 114, which represented over 96% of the annual turnover. This clearly demonstates the Group's capacity to convince them to make use of its expertise to manage their most complex IT problems.

No single Aubay client represents a significant share of the turnover except for the Belgian Federal Police which represents 10% of the overall sales volume. The top ten clients together account for less than 41% of total sales.

3.1.3.2 List of the Group's ten largest clients

The list of the Group's ten largest clients is shown below: Belgian Federal Police, EMC, Société Générale, Siemens, Orange, BNP, Telefonica, European Institutions, Air Liquide and Airbus.

3.1.4 Competitors

Aubay's most direct competitors are engineering and computer services companies including such firms as Unilog, Atos and Indra in Spain.

3.1.5 Human resources

All of the Group's consultants are highly qualified and are recruited from the leading European schools.

Between 1997 and mid-2001, the company's workforce increased from 46 to 750 people. The Group then reduced its workforce to 640 people by the end of the 2002, but this has since increased to 657 employees by 31 December 2003.

Employee motivation is based primarily on the quality of the assignments with which they are entrusted. Further financial incentives range from targeted allocations of stock options, company savings schemes additional voluntary contributions and variable remuneration, guaranteeing a high level of employee commitment within the Group.

3.2 Key figures

3.2.1 Variation in 2001, 2002 and 2003 key figures

	2003/2002	2002/2001
Turnover	- 4.4%	- 17.6%
Operating profit	+ 123.7%	- 53.4%
Equity capital, Group share in	- 5.9%	- 25.5%
Net fixed assets	- 11.8%	- 33.4%
Total employees at year end	+ 2.7%	- 8.8%

Consolidated data for the year ending 31st December (in K€)	2003	2002	2001
Turnover	49,265	51,506	62,525
Operating profit	3,109	1,390	2,983
Operating profits as a% of turnover	6.3	2.7	4.8
Current income before income tax and extraordinary income	2,998	1,058	2,584
Net result, group share (before amortisation of goodwill)	798	(1,515)	111
Group share of equity capital, at year end	33,314	35,420	47,360
Net fixed assets	20,729	23,514	35,309
Financial debt	1,711	2,170	3,358
Cash	6,771	6,295	4,758
Total balance sheet	47,836	50,678	64,332

3.2.2 Strategic partners

Aubay is forging strategic technological partnerships which enable it to remain at the cutting edge of consultancy services:

- 3Com, Aonix, Ascential, BEA, Broadvision, Business Object, Cisco, Colt, Critical Path, Everteam, Highdeal, Hewlett Packard, Hyperwave, IBM, Inprise, Intel, Mediapps, Mercator, Microsoft, Nescape, Niku, Nortel, Oracle, Seebeyond, Soamaï, Sun, Swift, Symantec, Tibco, Togethersoft, Versant, Vignette, Vitria, Webmethods, etc.

These joint-ventures are non-exclusive, to ensure total independence and to optimise the advice that we give to our clients. When they are concluded, the durations are generally annual and renewable, but they are most often informal and thus continue for an indefinite duration.

The severing of any of these joint ventures is not likely to have any financial consequences on the Company.

3.3 Highlights of the financial year and major events since the end of the year

In 2003, although there were no prospects for increasing the volume of activity, there was a marked improvement in the levels of the Group's operating margins. It increased from 6.2% in the first half of the year to 6.5% in the second half.

3.3.1 Highlights of the financial year

January: Aubay finalised the merger of its Luxembourg activities (Offis Luxembourg in Aubay Luxembourg).

February: Aubay announced its 2002 turnover of M€51.4 in line with its objectives.

March: Aubay announced its definitive results for the 2002 financial year: turnover of €51.5 million and operating margin of 2.7%, which doubled during the second half of the year (3.7%).

May: Aubay announced its turnover for the first quarter of 2003 of €12.564 million and an operating margin of 6.2%. The General Meeting of 23rd May 2003 decided to pay out a net dividend of €0.04 per share together with a tax credit of €0.02 per share. This dividend payout totalling €458,000 was paid out through €97,000 in cash and the remainder in shares.

August: Aubay announced its turnover for the first half of 2003 of €25.079 million.
October: Aubay anounced the major increase in its half-year results: operating result of €1,548,000 i.e. an operating margin of 6.2% and increased its forecast operating margin objective for 2003 from 5.5% to 6.2%.

November: Aubay announced its 9 month turnover of €36.775 million and an operating result of €2.227 million, i.e. a 6.1% margin.

December: Aubay ended the 2003 year with a total of 657 employees, compared with 640 in the previous year.

3.3.2 Major events since the year-end

Nil.

3.4 Outlook

Over its six years of existence, during which the group has expanded from 0 to 657 employees, Aubay has been supported by an extremely sound basis:

- low debt financial structure,
- high profitability level,
- excellent distribution of turnover:
  - geographic,
  - sectoral,
  - generated through 114 active clients (cf. 3.1.3.1).

The slightest improvement in the sector's activity will enable the Group to resume its sustained internal growth rate. Its profitability and financial structure now enable it to envisage external expansion.

3.5 Aubay stock trend

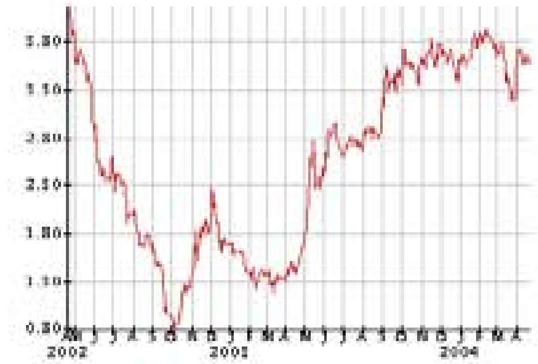
During 2003, the share prices in the technology sector increased slightly. This upturn can probably be explained by the combination of two factors:

- the fall in the risk of sectoral players failing to withstand the crisis,
- improvement if not in terms of activity volumes, at least in terms of company profitability in the sector.

Aubay share price from April 2002 to April 2004 on the Second Marché of Euronext Paris.

Source: Fininfo

For Aubay, the share price reflects the major improvement in operating profitability recorded during the first half of the year, which stood at 6.2% compared with 2.7% in the previous half-year. This improvement was then confirmed in the second half of the year, to finally stand at 6.3% for 2003. The share price thus increased from €1.72 on 3rd January 2003 to €3.63 on 31st December 2003.



Aubay's shares are currently listed on the Second Marché of the Paris Stock Market. Aubay shares are listed in the NextEconomy compartment and are also included in the midcac and ITCAC 50 share indexes.

Aubay share price during the 2003 financial year

(In €)	Trading highs and lows [1]		Monthly transaction volume	
	High	Low	In number of securities	In thousands of euros
2001				
January	19.25	14.36	722,592	12,305
February	19.70	14.70	402,782	6,852
March	18.20	15.55	218,516	3,721
April	12.40	8.98	884,930	8,859
May	11.85	10.60	532,599	6,006
June	10.50	6.30	1 566,264	12,834
July	9.38	7.70	414,812	3,466
August	8.35	6.42	305,786	2,241
September	6.50	3.65	718,870	2,290
October	5.14	3.90	535,303	2,448
November	5.14	4.00	587,618	2,673
December	4.45	3.80	913,312	3,672
2002				
January	4.12	3.75	513,226	2,017
February	4.27	3.80	444,663	1,803
March	4.61	4.04	514,071	2,237
April	4.48	3.87	426,328	1,763
May	3.90	2.93	293,873	1,271
June	2.94	2.34	402,228	994
July	2.62	1.91	289,146	612
August	2.06	1.61	175,281	302
September	1.70	0.93	427,987	516
October	1.38	0.79	438,027	469
November	1.95	1.39	326,037	566
December	2.29	1.61	287,049	542
2003				
January	1.72	1.38	281,263	426
February	1.44	1.22	107,559	145
March	1.43	1.18	135,203	174
April	1.70	1.35	1,306,428	2,079
May	2.80	1.73	435,293	1,068
June	2.95	2.40	376,798	1,043
July	2.82	2.59	174,686	471
August	2.95	2.79	144,890	414
September	3.56	3.12	368,118	1,238
October	3.74	3.36	267,543	957
November	3.84	3.54	245,137	906
December	3.78	3.40	168,371	606

(Source Fininfo).
(1) Closing price.

3.6 Risk factors

3.6.1 General legal risks

Aubay's activity does not expose it to any particular legal risk in any of the countries where it operates.

3.6.2 Industrial and environmental risks

Aubay's activity mainly involves the sale of intellectual services, thus it has no notable industrial or environmental impact.

3.6.3 Liquidity risk

As assets are not more long-term than its liabilities, Aubay does not have any liquidity risk. The following table indicates the main characteristics of the loan contracted by Aubay S.A.

(In k€)

Characteristics of securities issued or loans contracted	Fixed rate or variable rate	Total amount of lines on 31/12/03	Maturity dates	Existence or not of cover
Loan contract	Variable rate	1,519	31/07/2006	Nil.

The aforementioned loan is subject to the various customary contractual clauses attached to this type of funding ("covenants" or causes for acceleration of payment) notably with regard to:
- the debt ratio (financial debts offset by investments and available funds in relation to shareholders' equity) which has to remain less than 0.5,
- the operating ratio (financial costs minus financial products in relation to the operating result) which has to remain less than 0.4.

These ratios applied to Aubay S.A. on 31st December 2003 gave the following results:
- debt ratio: - 0,15,
- operating ratio: 0,04.

3.6.3 Exchange rate risk

Aubay undertakes most of its activity within the euro zone and since it has adopted an expansion strategy in this specific economic area, the exchange rate risk has been almost nil since 1st January 1999.

3.6.5 Interest rate risk

Aubay has no significant debts, thus the interest rate risk is extremely low. Interest rates are in any case extremely stable within the euro zone, which reduces any possibility of a short to medium-term risk.

3.6.6 Share risk

Most of the Company's cash assets are invested in cash monetary Sicavs, which by their very nature have a low risk.

The self-regulating stock that has been immobilised and neutralised in shareholders' equity has no impact on the group's profitability in the event of fluctuation of the share price.

3.6.7 Client risks

Aubay's clients are almost exclusively large organisations. This significantly reduces the risk of default in their payments. Furthermore, each client represents a very small share of the turnover: our largest client represents around 10% of the total turnover, which eliminates a risk of dependency on any one major account.

Furthermore, Aubay has set up very prudent provision rules: any outstanding debt that is not paid after 90 days is provisioned at 50%. After 180 days, it is provisioned at 100%, except in the event of a detailed analysis by the Group's financial department. Thus major accounts which have long payment leadtimes owing to their specific administrative procedures are excluded from the overdue payments balance, except where a dispute has been reported.

3.6.8 Supplier risks

Given its activity as a supplier of IT services, Aubay does not have any particular supplier risks or in terms of payments made to them, as purchases and payments are relatively small.

3.6.9 Risks related to key personnel

Christian Aubert, the Chairman and founder of the Group, works with a dynamic, experienced team, both in the parent company and its subsidiaries.

Aubay's operational organisation is highly decentralised and all of the key managers of the companies within the Group are committed to the results of the structures which they manage, either through purchase commitments to buy minority shares that they hold in their companies, or in the form of future incentives, such as stock option schemes.

3.6.10 Risk of payroll expenses

Aubay is a cutting-edge company in a sector that is highly technology-driven. In order to maintain competitiveness in such a sector, Aubay has based its performance on the quality of its employees.

However, Aubay's personnel management policy is not solely based on the salaries paid to its employees. Sustained effort representing approximately 4% of business days is devoted to maintaining the level of technological expertise of employees. As a result of this effort, Aubay can operate in the most technologically advanced markets, working with teams that are able to make best use of their expertise.

3.6.11 Risk of dilution for shareholders

Aubay has off-balance sheet commitments as a result of promises made to purchase minority interests in its subsidiaries (cf. 3.10.8.3). These commitments, whose estimated amount is now marginal in relation to the Company's stock market value, can be honoured either by a cash payment or payment in new securities, at Aubay's discretion. There is thus a limited risk of dilution for the company's shareholders, but only in the event that the company decides to pay in securities.

3.6.12 Competition risks

Aubay has managed to establish its position though its specific knowledge and cutting-edge technologies applied within its original structure.

With its capacity to recruit the best engineers and maintain their standard of training, Aubay should consolidate its position as a reference in the world of new technologies.

3.6.13 Intellectual property

All of the brands required by the Company to operate are registered with the competent international institutions. Likewise, the rights to the domain names are reserved for all of the Group's entities.

3.6.14 Insurance

3.6.14.1 General and professional third-party cover

The Aubay group is insured for the financial consequences of its general and professional third party liability resulting from its activities, within a global cover programme taken out with a leading company in the insurance sector. The terms and conditions of this programme, including cover limits, are revised and adjusted regularly in order to take into account the development of turnover, areas of activity and risks incurred. The total amount of the premium for this insurance policy in 2003 amounted to €56,000. In 2003, the sums for guarantees and excesses were as follows:

General third party liability *(in euros)*	
All risks included, per claim:	10,000,000
of which:	
1) Personal injury covered and moral prejudice resulting directly from it, caused by:	
- company restaurants/food poisoning: per insurance period	1,525,000
- professional illnesses not covered by French Social Security: per insurance period	1,000,000
2) Property damage and moral prejudice resulting from it, per claim	5,000,000
Excess: 15,000	
of which, property damage and/or moral prejudice caused to entrusted and/or loaned goods per claim	800,000
Excess: 15,000	
of which, property damage or resulting moral prejudice, suffered directly by employees:	
- per claim	800,000
- per employee	800,000
Excess: 15,000	
of which, damage caused by theft, misappropriation, swindling and/or corruption of employees or company negligence facilitating theft	
- per claim	800,000
Excess: 15,000	
3) Moral prejudice not directly related to bodily inury or property damage not covered:	
- per claim	800,000
Excess: 15,000	
4) Accidental environmental damage causing personal injury, damage to property and moral prejudice resulting directly from it:	
- per insurance period	305,000
Excess: 15,000	
Third-party liability after delivery	
All damages covered: (including professional third-party liability)	
- per claim and per insurance period	5,000,000
Excess: 15,000	

3.6.14.2 Direct damages and interruption of activity

The insurance cover for damages to property is managed at a local level. The limits of the cover are fixed in each country according to the value of the property and are updated regularly.

Given that the group generates its turnover principally through the assignment of its consultants to its clients, the Company does not consider it necessary to insure the risk for interruption of activity.

3.7 Exceptional events and disputes

The Company and its subsidiaries are involved in a certain number of disputes during the normal course of the management of its business.

Some of these cases or disputes are likely to involve significant sums, either payable or receivable by the Company. None of the current disputes represent a risk to the Group however, in terms of its development prospects.

Spain

A dispute has arisen between Aubay Isalia, 100% subsidiary of Aubay SA, and one of its former sub-contractors, Gema, following the termination of a contract which bound the two companies. The amount claimed by this sub-contractor in compensation for damages it considers it has suffered amounts to €1,000,000. A decision has already been handed down in the first instance in Aubay Isalia's favour and has therefore cleared it of any condemnation. Gema has appealed against this decision. The company's management does not expect, as the case currently stands, that it will have any significant impact on its financial situation.

France

Combined commercial and industrial relations proceedings oppose the Company with the former shareholder and manager of the Aubay Consulting Télécom subsidiary (ex-Iksen) and another company in which the individual had interests, U-Télécoms. The damages claim facing it amount to over €3 million. The claims made by the interested party amount to approximately €300,000, those claimed by U-Télécoms are €150,000. The Group's Management does not expect this case to have a significant negative impact on its financial situation.

Belgium

A commercial dispute has been brought against the Aubay Belgique subsidiary by one of its former clients. The former client's claims against our subsidiary amount to €1,047,000, whereas Aubay Belgique considers itself to be a creditor of this client for the sum of €392,000. The Group's Management does not expect this case to have any significant negative impact on its financial situation.

The Company is not aware of any other exceptional circumstances or dispute that is liable to have or which has had any significant impact in the recent past on the company's financial situation, results or prospects, or those of its subsidiaries.

3.8 Annual report on business activity

The Company's Board of Directors met on 29th March 2004, under the chairmanship of Mr. Christian Aubert, in order to examine the consolidated accounts as recorded on 31st December 2003.

3.8.1 Group business activity

Business activity in 2003 seems to mark the beginnings of an upturn compared with the major crisis that has affected the sector for two and a half years. In spite of a first half of the year which resembled 2002, the second half enabled investments to be resumed, as reflected by the increase in client business flows.

In this context, the Group has been generally successful and has significantly improved its margins. In particular, the excellent performances of Italy and Belux have contributed to the Group's growth and profitability. France and Spain have nevertheless continued to suffer from the downward price pressure of market overcapacity. There has nevertheless been a significant improvement in the markets of these two countries since September.

Thus after achieving €25.1 million in the first half of the year, annual turnover increased to €49.3 million. This turnover figure is slightly lower (- 3.5% pro forma) compared with 2002. The management's sustained efforts in the Group and the subsidiaries over the past two and a half years have resulted in a significant fall in operating charges and have contributed to a net improvement in the operating result, which now stands at €3.1 million (i.e. 6.3% of the operating margin).

The global workforce increased in 2003, from 640 to 657 employees at the end of 2003.

3.8.2 External growth policy

Since mid-2000, Aubay has not undertaken any external growth operations. By refusing to burden its finances to fund such undertakings, the Group has chosen to follow a prudent course. The Group's situation is now extremely healthy. Its level of debt is very low and its operating cash flow has been significantly positive in 2003. Aubay thus remains in a position to undertake external growth operations, but is imposing the essential condition that any such operation should involve profitable entities with no significant debts.

3.8.3 Consolidated numerical data

3.8.3.1 Income statement

The 2003 financial year closed with turnover of €49.3 million, down 4.4% compared with 2002. Performance varied from country to country: Italy and Benelux increased their turnover by 20% and 3% respectively. In France and Spain, turnover fell by - 14% and - 27%.

Turnover generated outside France amounted to €33.1 million, i.e. 67% of the Group's overall activity. Overall turnover has stabilised over the past 4 quarters and was recorded as follows: T103 €12.6 million, T203 €12.5 million, T303 €11.7 million, T403 €12.5 million. The operating result amounts to €3.1 million, a major increase compared with the €1.4 million achieved on 31st December 2002, i.e. an operating margin of 6.3% for the year, and improving each half year (6.5% in S2 compared with 6.2% in S1). All of the countries have made a positive contribution to the overall result: Italy €1.6 million (+ 33%), Belux €1.4 million (+ 133%), France €0.1 million (- 75%), Spain 0 (compared with a loss of €0.7 million in 2002).

The financial result was €-111,000 compared with €-332,000 one year previously.

The exceptional loss amounted to €0.8 million, resulting mainly from restructuring.
Tax on profits amounted to €1.2 million, i.e. 56% of the pre-tax profit.
There ensued a net result for the consolidated companies of €0.970 million, compared with €-1.4 million on 31st December 2002, i.e. a net margin of 2%. The net result group share amounted to €-2 million after goodwill amortisation of €2.8 million, €0.3 million of which are extraordinary items.

3.8.3.2 Balance sheet

The balance sheet total for 2003 amounts to €47.8 million, compared with €50.7 million in 2002. The net cash flow increased from €4.1 million to €5.1 million. The other balance sheet items did not alter significantly.

3.8.4 Workforce

The workforce at the end of the year increased from 640 to 655 employees. On the other hand, the average workforce figure continued to fall as it stands at 640 employees in 2003 compared with 667 in 2002. The productivity rate increased from 83% to 88%, thus enabling inter-contract rates to be reduced from 9.8% to 7.1%.

3.8.5 Buyback of minority interests, acquisition of shareholdings and sale of businesses

In early 2003, the Company acquired a 35% stake in the capital and voting rights of its French subsidiary, Aubay Stratégie Technologique, bringing its holding to 100%.

3.8.6 Major events since the year-end

Nil.

3.8.7 Changeover to IFRSs

In order to present the accounts using IFRSs as from 30th June 2004, our auditors have been requested, country by country, to prepare an analysis of the major potential impact on the Aubay Group's financial statements.

Once these differences have been identified, they will be precisely assessed in order to prepare the accounting entry reprocessing for 2003 which will enable the opening balance sheet position to be established for 2004.

Judging by the initial diagnoses and given the specific nature of the Aubay group, the following standards will have a certain impact on the financial statements:
- IFRS 1 relating to the presentation of financial statements,
- IFRS 2 relating to payments by means of company shares (stock options),
- IFRS 3 relating to the group of enterprises, IAS 36 and IAS 38,
- IAS 19 relating to the recording of commitments for retirement and similar benefits.

The existing information and consolidation systems should not have to be altered significantly and should make it possible to respect the new obligations regarding financial information before the 2005 deadline.

The Board of Directors
Christian Aubert

3.9 Consolidated financial statements

3.9.1 Income statement

Consolidated income statement (in K€)	Note	2003	2002	2001
Operating income		**49,591**	**51,818**	**62,976**
Net turnover	(3.10.4.1.1)	49,265	51,506	62,525
Capitalised production costs		-	(46)	46
Revenue grants		7	-	2
Other income and transferred charges	(3.10.4.1.2)	259	162	243
Reversals of provisions		60	196	160
Operating charges		**46,482**	**50,428**	**59,993**
Other purchases and external charges		12,127	13,241	22,107
Income taxes, other taxation and assimilated amounts payable		403	322	271
Salaries and fringe benefits	(3.10.4.1.3)	33,188	35,523	35,538
Depreciation and amortisation of fixed assets		536	948	1,397
Provisions		109	307	379
Other operating charges		119	87	301
Operating profit	(3.10.4.1.4)	**3,109**	**1,390**	**2,983**
As a percentage of turnover		6.3 %	2.7 %	4.8 %
Financial income		287	53	111
Financial charges		398	385	510
Financial result	(3.10.4.1.5)	**(111)**	**(332)**	**(399)**
Operating result		**2,998**	**1,058**	**2,584**
Extraordinary income		159	696	113
Extraordinary charges		955	2,918	1,652
Extraordinary result	(3.10.4.1.6)	**(796)**	**(2,222)**	**(1,539)**
Income tax	(3.10.4.1.7)	1,232	192	760
Net result of consolidated Companies		**970**	**(1,356)**	**285**
As a percentage of turnover		2.0 %	(2.6 %)	0.5 %
Minority shares		**172**	**159**	**174**
Net result, Group share before amortisation of goodwill		**798**	**(1,515)**	**111**
Depreciation and amortisation of goodwill		**2,804**	**10,003**	**2,529**
Net result, Group share		**(2,006)**	**(11,518)**	**(2,418)**
Net earnings per share		-	-	-
Weighted average number of shares		11,230,365	11,138,801	11,325,897
Operating earnings per share		0.14	0.06	0.15
Net result, Group share before amortisation of goodwill		0.07	(0.14)	0.01
Net result, Group share		(0.18)	(1.03)	(0.21)
Net result, Group share per diluted share		(0.16)	(0.96)	(0.20)

3.9.2 Consolidated balance sheet

Consolidated balance sheet assets (in K€)	Note	Gross	2003 Amort. provisions	Net	2002 Net	2001 Net
Goodwill	(3.10.4.2.3)	**37,198**	**(17,777)**	**19,421**	**21,873**	**32,826**
Intangible assets		**1,155**	**(995)**	**160**	**198**	**266**
Research and development expenses	(3.10.4.2.1)	-	-	-	-	-
Goodwill	(3.10.4.2.2)	150	(65)	85	98	110
Other intangible assets		1,005	(930)	75	100	156
Tangible assets	(3.10.4.2.4)	**3,251**	**(2,553)**	**698**	**870**	**1,813**
Financial assets		**501**	**(51)**	**450**	**573**	**404**
Fixed assets		**42,105**	**(21,376)**	**20,729**	**23,514**	**35,309**
Stocks		**7**	**-**	**7**	**-**	**113**
Amounts receivable		**20,747**	**(719)**	**20,028**	**20,440**	**23,764**
Trade accounts receivable	(3.10.4.2.5)	17,197	(665)	16,532	16,342	19,383
Other amounts receivable	(3.10.4.2.6)	3,550	(54)	3,496	4,098	4,381
Cash		**6,771**	**-**	**6,771**	**6,295**	**4,758**
Investments		1,384	-	1,384	1,214	828
Cash at bank and in hand		5,387	-	5,387	5,081	3,930
Current assets		**27,525**	**(719)**	**26,806**	**26,735**	**28,635**
Deferred charges and accrued income		**301**	**-**	**301**	**430**	**388**
Prepayments		301	-	301	430	388
Deferred charges		-	-	-	-	-
TOTAL ASSETS		**69,931**	**(22,095)**	**47,836**	**50,678**	**64,332**

Consolidated balance sheet liabilities (in K€)	Note	2003	2002	2001
Shareholders' equity - Group share	(3.10.4.2.7)	**33,314**	**35,420**	**47,360**
Consolidated reserves		35,320	46,938	49,778
Result for the financial period		(2,006)	(11,518)	(2,418)
Minority interests	(3.10.4.2.9)	**568**	**561**	**525**
Shareholders' equity		396	402	351
Result for the financial period		172	159	174
Provisions for liabilities and charges		**189**	**142**	**216**
Provisions for liabilities		129	80	17
provisions for charges		60	62	199
Creditors		**13,395**	**14,353**	**15,382**
Loans and debts with credit institutions	(3.10.4.2.10)	1,711	2,170	3,358
Current accounts				
Trade accounts payable		2,662	3,353	3,546
Taxes and social security		8,848	8,504	8,198
Other amounts payable		174	326	280
Debts on fixed assets		**119**	**99**	**740**
Accrued liabilities		**251**	**103**	**109**
Deferred revenue		245	31	98
Other accrued liabilities		6	72	11
TOTAL LIABILITIES		**47,836**	**50,678**	**64,332**

3.10 Notes to the consolidated accounts

3.10.1 Highlights of the financial year

Cf. 3.3.1.

3.10.2 Accounting rules and methods

The consolidated accounts are prepared and presented in accordance with the Act of 3rd January 1985 and its implementing decree of 17th February 1986, the CRC regulation no. 99-02 and pursuant to the Group's principles concerning:
- amortisation of goodwill (note 3.10.2.4),
- effective date of the acquisitions (note 3.10.2.5),
- goodwill (note 3.10.2.8),
- amortisation of tangible assets (note 3.10.2.9),
- trade receivables (note 3.10.2.10),
deferred taxation (note 3.10.4.1.7).

3.10.2.1 Consolidation methods

The full consolidation method is applied to the financial statements of the companies in which Aubay has an exclusive controlling interest.

3.10.2.2 Principles of closing accounts

All of the companies are consolidated on the basis of their annual accounts closed on 31st December 2003 and adjusted where necessary to comply with the Group's accounting principles.

3.10.2.3 Conversion of the financial statements of foreign companies

All of the consolidated companies are located within the euro area (the English companies are not consolidated), thus there are no unrealised exchange gains or losses.

3.10.2.4 Goodwill

The goodwill recorded on acquiring an interest is the difference between the purchase price paid for securities and the Group share in the restated net assets of the acquired company.

This difference in value is divided between:
- purchase price discrepancies relating to certain identifiable balance sheet items that are reclassified in the appropriate section of the balance sheet and follow their own accounting rules,
- consolidated goodwill for the non-allocated balance.

Negative goodwill is posted to liabilities in the balance sheet as provisions for risks and charges. Consolidated goodwill is amortised over 15 years using the straight-line method. If the evolution of the acquisition does not match up to the initial prospects, the goodwill will be accounted for as extraordinary amortisation beyond the anticipated amortisation plan.

Extraordinary amortisation concerning the goodwill can be recorded when over 3 consecutive half-years, the overall inventory value of the goodwill of a country is lower than the net spread of the year for the same country. The net spread corresponds to the gross goodwill minus the net write down practised. The inventory value of goodwill is determined by applying the ratio (average Stock Market price-earnings ratio over the six months prior to closing date / consolidated turnover) to the turnover achieved by the affiliated company. It should be noted that this coefficient can not be less than 0.8 times the turnover.

The tests conducted applying the method resulted in the identification of an accelerated amortisation of €0.3 million in the 2003 financial satements, in addition to the annual depreciation of €2.5 million .

3.10.2.5 Effective date of acquisitions

In accordance with the provisions in force, the companies entering the scope of the consolidation are effectively consolidated from the time of the legal transfer of the securities acquired. To this end, the companies acquired are required to issue a statement of account

3.10.2.6 Research and development expenses

Expenses for the research and development of applications and products are posted as expenses for the financial year in which they are incurred.

3.10.2.7 Licences and software

Licences and software are amortised using the straight-line method over three years except for standard low-value software, which is amortised pro rata temporis over the financial year in which it was acquired.

3.10.2.8 Goodwill

Goodwill is not amortised, except in the case of the purchase merger of the Spanish company Anfri, in accordance with the local tax regulations.

3.10.2.9 Tangible assets

- Tangible assets are posted at their acquisition cost and depreciated over a period corresponding to their projected useful lives.

- Allowing for exceptions, the depreciation schemes are the same as those used for the corporate financial statements (excluding exceptional items for tax purposes).

- The main basis of depreciation is the straight-line method:

Fixtures and fittings	5 years
Computer hardware	3 years
Office equipment and furniture	3 to 5 years

3.10.2.10 Trade receivables

- Receivables are valued at par value. They are assessed individually and where appropriate, are subject to a provision for depreciation, owing to the potential recovery problems they can generate.

- Receivables that are not paid on their due date are depreciated in the consolidated accounts in accordance with the following rule:
  a. receivables due for more than 90 days: 50%,
  b. receivables due for more than 180 days: 100%.

If these due dates are exceeded, the finance department can decide not to record any provisions if it receives information or facts which guarantee future recovery of the debts incurred. Also, major accounts which have long payment lead times owing to their specific administrative procedures are excluded from the overdue payments balance except when a dispute has been reported.

3.10.2.11 Investments

Investments are entered in the balance sheet at their acquisition cost. A provision is created when the inventory value is higher than the market price on 31st December 2003.

3.10.2.12 Operating income

Operating income mainly comes from the sale of services. Sales are invoiced on the basis of the actual time spent by consultants in performing contracts. Income from fixed-rate contracts that are spread over several financial years are recorded according to the progress method.

Furthermore, if the cost price of a contract turns out to be higher than its turnover, a provision for loss on completion is recorded when the accounts are closed.

3.10.2.13 Deferred taxation

The timing difference between the effective date when taxation is payable as establised by local laws and the possibilities to use losses carried over are taken into account in order for the entities concerned to asses the recoverability of deferred taxes and related assets.

3.10.3 Changes in the scope of consolidation

3.10.3.1 Companies included in the consolidation in 2003

No additional companies were included in the consolidation during the year.

3.10.3.2 Additional shareholdings in 2003

Aubay has acquired a 35% minority interest in the company Aubay Stratégie Technologique, bringing its shareholding to 100%.

3.10.3.3 Companies removed from consolidation in 2003

The companies Aubay Telecom UK and Octo Technology UK did not undertake any activities in 2003 and have not been consolidated. Only the opening reserves have been retained.

3.10.3.4 Mergers

Aubay Luxembourg took over Offis Luxembourg on 21st January 2003 with retroactive effect as from 1st January 2003.

3.10.4 Audit

3.10.4.1 Explanatory notes to the income statement

3.10.4.1.1 Breakdown of turnover by industrial branch and country, per quarter

The Group's turnover stands at €49.3 million, a fall of 4% compared with 2002. It is broken down as follows:

• Per branch (in M€)

	2003	%	2002	%	2001	%
Technological consultancy and engineering	49.3	100	46.1	90	44.6	71
Networks	-	-	5.4	10	17.9	29
TOTAL	**49.3**	**100**	**51.5**	**100**	**62.5**	**100**

Given the non-significant nature of the Network branch, it has een decided to no longer follow this indicator.

• Per country (in M€)

	2003	%	2002	%	2001	%
France	16.2	33	18.7	36	21.0	34
Belux	18.7	38	18.2	35	20.3	32
Spain	4.7	9	6.4	12	15.5	25
Italy	9.7	20	8.1	16	5.6	9
Great Britain	-	-	0.1	0	0.1	0
TOTAL	**49.3**	**100**	**51.5**	**100**	**62.5**	**100**

• Per quarter (in M€)

	2003	2002		Variation(1)
	published	published	Pro forma(1)	
First quarter	12.6	13.3	13.2	- 4.5%
Second quarter	12.5	13.6	13.3	- 6.0%
Third quarter	11.7	12.0	12.0	- 2.5%
Fourth quarter	12.5	12.6	12.6	- 0.8%
12 MONTH TOTAL	**49.3**	**51.5**	**51.1**	**- 3.5%**

(1) Pro forma 2002: sale of Global Concept on 1st July 2002.

3.10.4.1.2 Other income and transferred charges

Other income and transferred charges relate either to the charging back of expenses not connected with the activity, i.e. reimbursement from other social organisations associated with personnel costs.

3.10.4.1.3 Personnel expenses

Charges

Personnel expenses amount to €33,188,000 and account for 71.4% of operating expenses and 67.3% of turnover.

Average number of employees

Our Group reduced its average workforce, which fell from 665 peopl in 2002 to 640 people in 2003. However, the production workforce increased from 555 employees in January to 581 in December 2003. The number of employees at the end of the year stood at 657 people, compared with 640 at the end of December 2002.

Average number of employees	2003	2002	2001
France	194	214	237
Belux	221	236	252
Spain	105	112	160
Italy	120	102	74
United Kingdom	-	1	1
TOTAL	**640**	**665**	**724**
People working in production	561	572	-
Administrative and sales personnel	79	93	-
TOTAL	**640**	**665**	-

These workforce figures include sub-contracted production personnel.

3.10.4.1.4 Operating profit

The operating profit of €3 million.1 results in a margin of 6.3%. It increased from 6.2% in the first half of the year to 6.5% in the second half.

• Per industrial branch (in M€)

	2003	%	2002	%	2001	%
Technological consultancy and engineering	3.1	100	1.8	128	2.8	93
Networks	-	-	(0.4)	(28)	0.2	7
TOTAL	**100**	**100**	**1.4**	**100**	**3.0**	**100**

Given the non-significant nature of the Network branch, it has een decided to no longer follow this indicator.

• Per country (in M€)

	2003	%	2002	%	2001	%
France	0.1	3	0.4	29	1.5	50
Belux	1.4	45	0.6	43	1.8	60
Spain	0.0	0	(0.7)	(50)	(1.2)	(39)
Italy	1.6	52	1.2	85	1.0	32
Great Britain	-	-	(0.1)	(7)	(0.1)	(3)
TOTAL	**3.1**	**100**	**1.4**	**100**	**3.0**	**100**

• Per half year

	2003	2002	% Variation
First half	1.5	0.5	200
Second half	1.6	0.9	78
ANNUAL TOTAL	**3.1**	**1.4**	**121**

3.10.4.1.5 Financial result

The financial result shows a loss of €111,000 which can be broken down as follows:

(In K€)

Financial charges	(398)
Financial income	287
Financial result (loss)	(111)

Financial charges result mainly from interest paid to leasing companies, factoring companies and interest on loans.

Financial income is generated through interest on cash investments, capital gains on the sale of public mutual fund investments (OPCVM) and capital gains realised on own shares, for thos acquired in 2003 and classed from the outset as investment securities.

3.10.4.1.6 Extraordinary result

The extraordinary result of €(796,000), is composed of extraordinary income of €159,000 and extraordinary charges of €955,000.

Breakdown of the extraordinary result

Operating items (in K€)	Charges		Income
Restructuring expenses	718	Reversal of a provision for disputes	27
Client dispute	67	Correcting entry for fees	51
Provision for disputes	89	Reversal of a provision for taxation	32
NBV of fixed assets sold	6	Other extraordinary income	49
Adjustment of payroll taxes	14		-
Damages paid in dusputes	17		-
Other extraordinary charges	44		-
	955		**159**

Tax savings (calculated on the basis of average tax rates per country) generated by the extraordinary result amount to €(242,000).

3.10.4.1.7 Income tax

Breakdown of taxes (in K€)	31/12/2003
Tax generated by corporate accounts 1,449	
Deferred taxes	
a. Spreading of the acquisition cost for securities	-
b. Reversal of a provision for own shares	(202)
c. Change in the deferred tax on deferments in deficit	(15)
TOTAL	**1,232**

Breakdown of deferred taxes

(In K€)	Start of fiscal year	Increase	Decrease	End of fiscal year
Deferred tax on the assets side				
- Fiscal deficits carried forward	2,032	48	(33)	2,047
- Temporary differences	-	-	-	-
Total deferred tax on the assets side	**2,032**	**48**	**(33)**	**2,047**
Deferred tax on the liabilities side				
- Temporary differences (1)	310	-	(202)	108
Total deferred tax on the liabilities side	**310**	-	**(202)**	**108**

(1) Cancelling out of the provision for depreciation of own shares.

Evidence of tax (in K€)	31/12/2003
Accounting result before taxes	2,201
Theoretic tax charge at the rate in force for Aubay SA	741
Effect of the differences between taxation rates	290
Effect of the definitely non-deductible expenses	141
Miscellaneous deferred taxes on the assets side	60
TOTAL	**1,232**

3.10.4.1.8 Fully diluted earnings per share

The fully diluted earnings per share takes into account the maximum effect of the dilution instruments on ordinary shares. As a consequence, the weighted average number of shares is adjusted by share subscription and purchase options, i.e. 982,499 securities.

3.10.4.1.9 Auditing and consultancy fees

(in €)	Bernard Lelarge		Gérard Rivière	
Statutory auditing and certification of the annual and consolidated accounts	108,095	100%	76,815	100%
Incidental assignments	-	-	-	-
Sub-total	**108,095**	**100%**	**76,815**	**100%**
Other services	-	-	-	-
Legal, fiscal, social	-	-	-	-
Sub-total	-	-	-	-
TOTAL	**108,095**	**100%**	**76,815**	**100%**

3.10.4.2 Explanatory notes to the balance sheet

3.10.4.2.1 Research and development expenses

Nil.

3.10.4.2.2 Goodwill

The gross amount shown in the balance sheet of €150,000 is the result of intangible items acquired totalling K€24 combined with a sum of €126,000.

Fund	Value (in K€)
Aubay clients and staff (ex-Aubay Télécoms)	24
Anfri customers and staff	126

The goodwill of Anfri, recorded in the accounts of the Spanish company Aubay Isalia, is amortised over 10 years. This goodwill resulted from the acquisition merger by Aubay SDS (absorbed by Isalia) with Anfri.

3.10.4.2.3 Changes in goodwill

(In K€)	Start of fiscal year	Acquisitions budgets	Disposals Reversals	End of fiscal year
Gross value	36,846	352	-	37,198
Amortisation	(14,973)	(2,804)	-	(17,777)
Net value	21,873	(2,452)	-	(19,421)

3.10.4.2.4 Tangible assets

These are mainly composed of computer equipment and office furniture and are depreciated under schemes according to their envisaged period of use, excluding exceptional items for tax purposes.

3.10.4.2.5 Amounts receivable

Net amounts receivable total €16,532,000. They represent 27.8% of turnover including taxes, i.e. the equivalent of 3.4 months' turnover.

It should however be noted that receivables discounted with factoring companies have been reclassified. They are posted as net values at customer-item level.

The application of the provisioning rule (cf. 3.10.2.10) resulted in the posting of a provision of €665,000 including an annual allocation of €108,000 and a reversal of €60,000.

3.10.4.2.6 Other amounts receivable

The "other amounts receivable" item shows €3,496,000 which is broken down as follows:

Receivables from employees	103
Receivables from social security organisations	-
Receivables from the State	1,258
Deferred tax on the assets side	2,047
Other trade receivables	58
Suppliers: advances and down payments	84
Provisions for other trade receivables	(54)

3.10.4.2.7 Changes in Group share of shareholders' equity

(In K€)	Start of fiscal year	Capital of capital and dividends	Allocation of the result	Result from the fiscal year	Variation own shares	Other transactions	Closing
Share capital	5,729	91	-	-	-	-	5,820
Issue premium	41,180	(188)	-	-	-	-	40,992
Reserves and retained earnings	29	-	(11,518)	-	(3)	-	(11,492)
Consolidated results	(11,518)	-	11,518	(2,006)	-	-	(2,006)
BALANCE SHEET TOTAL	**35,420**	**(97)**	**0**	**(2,006)**	**(3)**	-	**33,314**

1. Own shares, which can not be allocated to employees or for the regulation of the share price, are recorded as the Group's equity. The number of securitites held, classed as long-term investments in the corporate financial statements, amounts to 318,987 shares purchased at an average price of €4.62.
2. The closing share capital comprises 11,640,225 shares.
3. The authorised potential capital stands at 982,499 shares. The conditions for exercising them are defined in section 2.2.7.

3.10.4.2.8 Changes in minority share of shareholders' equity

(In K€)	Total	Shareholders' equity	Net result
31/12/2002	**561**	**402**	**159**
Allocation of the result and 2002 dividend	-	159	(159)
Buyback of minority shares	(165)	(165)	-
Departures from consolidation	-	-	-
Other transactions	-	-	-
2003 result	172	-	172
31/12/2003	**568**	**396**	**172**

3.10.4.2.9 Breakdown of minority interests

(In K€)	Shareholders' equity	Result
Art	263	167
Octo	113	5
Aubay Télécoms UK	12	-
Octo UK	8	-
TOTAL	**396**	**172**

3.10.4.2.10 Net debt

(In K€)		2003		2002
	Amount	Less than 1 year	More than 1 year	Amount
Bank loans	1,519	558	961	2,083
Bank credit	192	192	-	87
DEBTS	**1,711**	**750**	**961**	**2,170**
Investments	1,384	1,384	-	1,214
Cash at bank and in hand	5,387	5,387	-	5,081
CASH AT HAND	**6,771**	**6,771**	**-**	**6,295**
GROSS SURPLUS	**5,060**	**6,021**	**(961)**	**4,125**

Breakdown of borrowing and debts with credit institutions per nature of rate

(In K€)	31/12/2003
Fixed rate	-
Variable rate	1,711
TOTAL	**1,711**

3.10.5 Disputes

There are no other disputes known by the management and carrying significant risks to the Group's profits or financial situation, which have not been provisioned accordingly at year-end.

3.10.6 Statement of fixed assets

• **By type**

(In K€)	01/01/2003	Entries into scope	Acquisitions	Disposals	Other transactions	Departures from scope	31/12/2003
Uncalled capital	-	-	1	-	-	-	1
Formation expenses	-	-	-	-	-	-	-
Research and development expenses	-	-	-	-	-	-	-
Licences and software	876	-	34	(37)	-	-	873
Goodwill	150	-	-	-	-	-	150
Other intangible assets	127	-	4	-	-	-	131
Goodwill - securities	36,846	-	352	-	-	-	37,198
Tangible assets	3,161	-	239	(138)	(11)	-	3,251
Financial assets	611	-	32	(135)	(7)	-	501
TOTAL	**41,771**	**-**	**662**	**(310)**	**(18)**	**-**	**42,105**

• **By geographic zone**

(In K€)	31/12/2003 Net intangible assets of which goodwill	31/12/2003 Net tangible assets	31/12/2002 Net intangible assets of which goodwill	31/12/2002 Net tangible assets
France	4,042	274	4,284	386
Belux	8,321	73	9,109	123
Spain	3,758	80	4,917	76
Italy	3,459	271	3,761	283
TOTAL	**19,580**	**698**	**22,071**	**868**

3.10.6.1 Statement of amortisation

(In K€)	01/01/2003	Entries into scope	Allowance	Reversals	Other transactions	Departures from scope	31/12/2003
Formation expenses	-	-	-	-	-	-	-
R&D Expenses	-	-	-	-	-	-	-
Licences and software	806	-	48	(35)	-	-	815
Other intangible assets	97	-	18	-	-	-	115
Goodwill	52	-	13	-	-	-	65
Goodwill - securities	14,973	-	2,804	-	-	-	17,777
Tangible assets	2,291	-	458	(200)	-	-	2,553
TOTAL	**18,219**	**-**	**3,341**	**(235)**	**-**	**-**	**21,325**

3.10.6.2 Statement of provisions

(In K€)	01/01/2003	Entries into scope	Allowance	Reversals	Departures from scope	Other transactions	31/12/2002
Liabilities and charges	**142**	**-**	**101**	**(54)**	**-**	**-**	**189**
Depreciation							
- Financial assets	38	-	12	-	-	-	50
- Own shares	-	-	-	-	-	-	-
- Stocks and production	-	-	-	-	-	-	-
- Client accounts receivable	617	-	108	(60)	-	-	665
- Other amounts receivable	54	-	-	-	-	-	54
TOTAL	**709**	**-**	**120**	**(60)**	**-**	**-**	**769**
Operation	709	-	120	(60)	-	-	769
Financial	-	-	-	-	-	-	-
Extraordinary	-	-	-	-	-	-	-

Reversals of provisions are offset in charges.

3.10.6.3 Cash flow

(In K€)	2003	2002	2001
Net result	**(1,834)**	**(11,359)**	**(2,244)**
Allocations for the year to amortisations and provision for intangible and fixed assets	3,353	10,951	3,901
Provisions for depreciation for trade and other receivables	108	378	374
Provisions for liabilities and charges	101	127	
Reversal of provisions for trade receivables	(60)	(196)	(129)
Reversal of provisions for liabilities and charges	(54)	(201)	196
Provisions for depreciation of stocks	-	-	7
Change in deferred taxes	(217)	(904)	(495)
Income from disposal of fixed asset items	(6)	(434)	-
Net book value of assets sold	19	1,328	9
Adjustments to net income	**3,244**	**11,049**	**3,863**
Cash flow	**1,410**	**(310)**	**1,617**

3.10.6.4 Statement of maturities, receivables and debts at closing of the accounting period

Statement of receivables (in K€)	Gross amount	Less than 1 year	More than 1 year
Current assets	-	-	-
Advances and down payments for orders	84	84	-
Trade accounts receivable	17,197	17,197	-
Social security organisations	-	-	-
Personnel and related accounts receivable	103	103	-
Receivables from the State	1,258	810	448
Deferred tax on the assets side	2,047	-	2,047
Miscellaneous debtors	58	58	-
Receivables from the disposal of fixed assets	**-**	**-**	**-**
Prepayments	**301**	**301**	**-**
Deferred charges	**-**	**-**	**-**
GRAND TOTAL	**21,048**	**18,553**	**2,495**

Statement of debts (in K€)	Gross amount	Less than 1 year	More than 1 year
Loans and debts with credit institutions	1,711	750	961
Associates	-	-	-
Trade accounts payable	2,662	2,662	-
Personnel, social security, social security organisations and related accounts	5,675	5,675	-
Income tax	206	206	-
Other tax liabilities (VAT, other income taxes and taxation)	2,859	2,859	-
Deferred tax on the liabilities side	108	108	
Debts on fixed assets and related accounts	119	119	-
Other amounts payable	174	174	-
Other accrued liabilities	6	6	-
Deferred revenue	245	245	-
GRAND TOTAL	**13,765**	**12,804**	**961**

3.10.7 Cash flow statement

(In K€)	2003	2002	2001
Cash flow generated by operations			
Net result of consolidated companies	(1,834)	(11,359)	(2,244)
Elimination of expenses and revenues which do not affect the cash situation or are unrelated to operations			
- Amortisation and provisions	3,400	10,877	4,097
- Change in deferred taxes	(217)	(904)	(495)
- Capital gains from disposals	13	897	9
Gross cash-flow margin of the consolidated companies	**1,362**	**(489)**	**1,367**
Dividends received from companies consolidated by the equity method	-	-	-
Changes in working capital needs related to operations	410	4,282	556
Net cash flow generated by operations	**1,772**	**3,793**	**1,923**
Cash flow related to investment operations			
Acquisition of fixed assets	(289)	(1,329)	(1,946)
Disposal of fixed assets, net of tax	135	397	340
Impact of changes in scope	(586)	126	(4,807)
Net cash flow related to investment operations	**(740)**	**(1,058)**	**(6,413)**
Cash flow related to financing operations			
Dividends paid to shareholders of the parent company	(97)	-	-
Dividends paid to minority shareholders of consolidated companies	-	(1)	-
Capital increase in cash	-	(15)	270
Loan issues	-	-	2,774
Loan repayments	(564)	(510)	(158)
Net cash flow related to financing operations	**(661)**	**(526)**	**2,886**
Impact of exchange rate fluctuations	-	(4)	2
Cash flow variation	**371**	**2,205**	**(1,602)**
Opening cash position	6,208	4,003	5,605
Closing cash position	6,579	6,208	4,003

Details of changes in working capital needs related to operations (in K€)			
Changes in stock and production	(7)	114	308
Changes in advances and down payments	(7)	19	(6)
Change in operating receivables	(190)	3,141	5,489
Change in other receivables and accrued liabilities	729	828	592
Changes in advances and down payments received	0	-	-
Change in operating debts	(691)	(193)	(5,067)
Change in other debts	576	373	(760)
Changes in working capital needs related to operations	**410**	**4,282**	**556**

(In K€)	2003	2002	2001
Breakdown of the impact of consolidation variations			
Acquired liquid funds / entry into consolidation	-	-	29
Liquid funds withdrawn / departure from consolidation	(70)	(211)	-
Investment in consolidated securities	(516)	(25)	(4,836)
Disposal price of consolidated securities	-	110	-
Charges from previous financial years	-	-	-
Impact of changes in scope	**(586)**	**(126)**	**(4,807)**

3.10.8 Off-balance sheet commitments

3.10.8.1 Retirement

Given the average age of the workforce, no provision has been made for pensions and retirement indemnities.

3.10.8.2 Stock Options

Cf. 2.2.7.

It has been agreed that Aubay should take charge of any tax expenses that may be incurred by Belgian tax residents if the profit from options were taken from them, notably as a result of the application of provisions of the regulation governing these options. The total amount that might be payable as a result of this commitment stands at €24,000.

3.10.8.3 Estimated purchase value of minority interests in subsidiaries

The estimated amounts to be paid based on the accounts of 31st December 2002 stand at €351 million for minority interests. These payments could be made between 2004 and 2007. The estimated value is likely to increase or decrease in accordance with the future results of each of the subsidiaries.

3.10.8.4 Other off-balance sheet commitments

Bonds, pledges and guarantees given

(In K€)	2003	2002
Surety bonds for contracts	1,533	1,533
Unmatured receivables sold	2,965	2,268
Collateral, mortgages and charges on property	Nil.	Nil.
Pledges, bonds and guarantees given	700	595
Other off-balance sheet liabilities	24	24
TOTAL	**5,222**	**4,420**

Furthermore, the company is collateral surety for the leases contracted by the subsidiaries Aubay Conseil en Organisation in Toulouse (100% subsidiary) and Octo Technology in Paris (84% subsidiary).

Receivables due which have not yet been collected by the factoring companies at year-end are provisioned according to the conditions mentioned in section 3.10.2.10.

To the Company Management’s knowledge, there are no other significant off-balance sheet liabilities which are likely to alter the financial statements presented.

3.10.9 Scope of the consolidation on 31st December 2003

This consolidation includes all of the Group's subsidiaries.

Company	% interest	Method	Head offices	Identification no.
Aubay	Consolidating parent company		235, avenue Le Jour se Lève 92651 Boulogne-Billancourt Cedex	391 504 693
		France		
Aubay Organisational Consulting	100	FC	17, avenue Didier Daurat BP 21 31701 Blagnac Cedex	403 142 797
Octo Technology	84	FC	62, rue La Boétie 75008 Paris	418 166 096
Aubay Stratégie Technologique	100	FC	235, avenue Le Jour se Lève 92651 Boulogne-Billancourt Cedex	414 946 301
Aubay Consulting Télécoms	100	FC	235, avenue Le Jour se Lève 92651 Boulogne-Billancourt Cedex	379 120 074
		Spain		
Aubay Isalia	100	FC	Calle Albacete 5 28027 Madrid	A-82280124
		Benelux		
Aubay Luxembourg (Merger of Aubay Service Intégration and Offis Luxembourg)	100	FC	Immeuble de Beauvoir Rue de Strasbourg, 51 2561 Luxembourg	52528
Offis	100	FC	Rue Gatti de Gamondstraat, 145 1180 Brussels Belgium	455405
		Italy		
Aubay Italie	100	FC	Largo la Foppa 2 20121 Milan Italy	29027/2000
ART	75	FC	Largo la Foppa 2 20121 Milan Italy	41340/1998

Shares in subsidiaries excluded from the consolidation: Aubay NV, Aubay BS, Aubay Consulting Italia, Aubay Telecom UK, Octo UK conducted no activities in 2003 and were therefore not consolidated.

Octo acquired a 19.9% share in the company Pivolis. This company is not consolidated.

3.11 Pro forma income statement

The Aubay group has not acquired any companies during the course of 2003, nor undertaken any significant disposals. Consequently, it is not necessary to produce a pro forma income statement.

3.12 Events after year-end

Nil.

4. Executive and management bodies

4.1 Composition of the Board of Directors

As on 31st December 2003, Aubay's Board of Directors had the following members:

Surname and first name or company name of board member	Date of appointment or renewal	Mandate end date	Member's main function exercised in
Mr. Christian Aubert	23rd May 2003	Year-end 2008	Chairman of the Board
Mr. Philippe Rabasse	5th March 1998	Year-end 2003	Chief Executive Officer
Mr. Christophe Andrieux	23rd May 2003	Year-end 2008	Managing Director France
Mr. Modeste Entrecanales	5th March 1998	Year-end 2003	Director
Mr. Patrick Grumelart	23rd May 2003	Year-end 2008	Director
Mrs. Rosemary Aubert	5th March 1998	Year-end 2003	Director
Mr. François Hisquin	23rd May 2003	Year-end 2008	Director
Capitalinvest SNC Represented by Mr. Vincent Gauthier	24th October 2003	Year-end 2006	Mr. Gauthier is the legal director of Aubay

The Board of Directors was convened 6 times during the 2003 financial year.

4.2 List of mandates and functions exercised in all companies by each of the executives during the year

• Alongside his mandate as Chairman of the Aubay Board of Directors, **Mr. Christian Aubert** exercised the following functions and mandates:
- chairman of the Supervisory Board of Aubay Stratégie Technologique,
- chairman of the Supervisory Board of Aubay Consulting Télécoms (ex-Iksen),
- permanent representative of Aubay SA on the Supervisory Board of Aubay Conseil en Organisation,
- permanent representative of Aubay SA on the Supervisory Board of Octo Technology,
- Aubay representative on the Board of Directors of Aubay Isalia (Spain).

• Alongside his functions as Chief Executive Officer and director of Aubay, **Mr. Philippe Rabasse** exercised the following functions and mandates:

a) In the Group:
- chairman of the Supervisory Board of Aubay Conseil en Organisation,
- chairman of the Supervisory Board of Octo Technology,
- vice-chairman of the Supervisory Board of Aubay Stratégie Technologique,
- vice-chairman of the Supervisory Board of Aubay Consulting Télécoms (ex-Iksen);

b) outside the Group:
- Manager of the company Capitalinvest,
- director of the company Adex SA.

• Alongside his directorship functions in Aubay, **Mr. Christophe Andrieux** exercised the following functions and mandates:

a) in the Group:
- Managing Director of Aubay Consulting Télécoms (ex-Iksen),
- member of the Supervisory Board of Aubay Stratégie Technologique;

b) outside the Group:
- chairman of the company Capitalinvest,
- director of the company Adex SA.

• Alongside his functions of permanent representative of the company Capitalinvest, a director of Aubay, **Mr. Vincent Gauthier** exercised the following functions and mandates:

a) in the Group:
- vice-chairman of Aubay Conseil en Organisation,
- member of the Supervisory Board of Octo Technology,
- member of the Supervisory Board of Aubay Stratégie Technologique,
- member of the Supervisory Board of Aubay Consulting Télécoms (ex-Iksen);

b) outside the Group:
- manager of the company Capitalinvest,
- director of YCIMN SA, Mandelieu la Napoule.

• Alongside his directorship functions in Aubay, **Mr. François Hisquin** exercised the following functions and mandates:

a) in the Group:
- Managing Director of Octo Technology;

b) outside the Group:
- chairman of the company Pivolis SAS (75008),
- chairman of Réalisations et Prestations Graphiques “RPG” SA in Leers (59115),
- manager of SCI du Blanc Seau in Vésinet (78110).

• Alongside his directorship functions in Aubay SA, Mr. Modeste Entrecanales is the chairman of the Board of Directors of Aubay Isalia.

• Mr. Patrick Grumelart has the sole mandate of director of Aubay.

• Mrs. Rosemary Aubert has the sole mandate of director of Aubay.

4.3 Corporate governance

The company has not set up any specific committee. However, it does have an independent director on its Board of Directors.

4.4 Interests of personnel

The French companies operate a profit sharing / incentive remuneration scheme. Employees benefit from shares in this scheme through the Corporate Savings Schemes. It contained 40,861 Aubay shares on 31st December 2003. Its total value (including cash assets) amounted to €210,630.68 on the same date.

Depending on the results of the structures, the profit sharing / incentive remuneration scheme is financed by the companies involved through their salaries.

Furthermore, a participation agreement has been signed within Aubay SA, which includes the applicable legal stipulations in this area.

4.5 Remuneration and advantages in kind paid to the company’s executives

Cf. 4.5.10.

4.6 Interests of senior management in Aubay’s capital

Cf. 2.2.2.

4.7 Interests of senior management in Aubay’s subsidiaries, clients or major suppliers

Nil.

5. Board of Directors' report to the General Meeting

We have called a Combined General Meeting (Ordinary and Extraordinary) in order on the one hand to present to you the corporate and consolidated financial statements relating to the financial year ending on 31st December 2003 and on the other, to submit a certain number of resolutions to you for your approval, which are explained below.

With regard to the approval of the corporate and consolidated financial statements for the year ending on 31st December 2003, it is our pleasure to present to you the annual management report. The annual report has been registered with the Autorité des Marchés Financiers as a reference document.

The main purpose of the Board's report to the General Meeting is to explain all the other resolutions submitted for your approval.

We draw a distinction between ordinary and extraordinary resolutions.

5.1 Ordinary resolutions

Approval of the financial statements / Allocation of the results

Resolutions 1 to 3 concern the closure of the annual accounts. The distribution of a dividend is proposed to the shareholders. This measure is dictated on the one hand by the constant improvement of the company's fundamental data and on the other, by the very healthy balance sheet situation. Given that the distributable reserves amount to €26,992,568, it is proposed to pay out a dividend of €582,011.25, i.e. €0.05 per share, including, for private individuals, a tax credit of €0.025, resulting in an overall income per share of €0.075.

Renewal of Mrs. Aubert's and Messrs. Rabasse and Entrecanales' mandates

It is proposed under the terms of **resolution numbers 4 to 6** to renew the three directors' mandates which will expire with this General Meeting.

It is therefore proposed to renew the mandate of Mrs. Rosemary Aubert, who was appointed on 5th March 1998.

The same applies to Messrs. Rabasse and Entrecanales, who were also appointed on 5th March 1998.

Nominations of the principal Statutory Auditors and the assistant Statutory Auditors

Mr. Gérard Rivière was nominated as principal Statutory Auditor on 5th March 1998 and KPMG was nominated on the same date as assistant Statutory Auditors.

These mandates expire at this General Meeting.

It is therefore proposed to nominate the firm Constantin & Associés, 26, rue de Marignan, 75008 Paris, represented by Mr. Jean-Claude Sauce, under the terms of **resolution number 7**, for a 6-year mandate, expiring at the General Meeting which will deliberate on the financial statements for the 2009 financial year.

It is proposed under the terms of **resolution number 8**, to appoint Jean-François Serval, C/o Constantin & Associés, 114, rue Marius Aufan, Levallois-Perret, 92300.

Directors' fees

Resolution number 9 establishes the overall amount of remuneration which should be allocated to the members of the Board of Directors at the sum of €60,979.60 for their mandates. The Board is free to distribute this remuneration as it sees fit. The amount of remuneration is fixed until a further decision is taken by the General Meeting on this matter.

Shares buyback

Resolution number 10 should enable us to receive the necessary authorisations to intervene in the market regarding for own shares. The reasons for intervention by the Company in the market regarding its own shares are listed in decreasing order of priority:

- cancellation of shares (subject to approval in **resolution number 11** presented below),
- buying and selling according to market situations,
- reassigning shares in payment or exchange, notably in the context of external growth operations,
- allocating securities in the context of employee profit-sharing schemes,
- allocating shares when exercising rights attached to securities offering entitlement to Company shares through reimbursement, conversion, exchange, presentation of a warrant or any other manner.

5.2 Extraordinary resolutions

Authorisation for the Board of Directors to cancel all or part of the shares

Resolution number 11 proposes to confer on the Board the power to cancel in one or several instalments, up to a limit of 10% of the Company's capital every twenty-four months, all or part of the "Aubay" shares acquired in the context of a buyback authorised by resolution number 10.

General authorisations for increasing the capital

Under the terms of **resolution numbers 12 and 13,** it is proposed that you confer on the Board the power to undertake capital increases under various types of conditions. If market conditions so permit or the opportunity arises, it is appropriate for the Board to be able to increase the capital, mainly for the purposes of funding new external growth operations or major internal development projects. The definitive conditions for these potential capital increase operations will be decided in due course by the Board of Directors. In any event, the application of the provisions stipulated in **resolution number 13** will be conducted in accordance with the provisions in article L. 225.136 of the Commercial Code relating to the terms under which the withdrawal of a pre-emptive right can be decided.

Authorisation to increase the capital in the event of a takeover bid or exchange involving the Company's securities

Resolution number 14 proposes to authorise the Board of Directors to use the powers delegated to it by the General Meeting on 23rd April 2002 during a takeover bid or exchange involving the Company's securities, in order to increase the capital stock by any legal means.

Authorisation to increase the capital stock for the benefit of employees

Resolution number 15 aims to mandate the Board to increase the capital in favour of the employees and thereby bring the Company into line with regard to the obligations resulting from the Act on save-as-you-earn schemes of February 2001. This delegation of powers will only be permitted for a period of 26 months in order to match its validity period with those of the capital increase authorisations which feature in resolution numbers 12 and 13, presented above.

We trust that the above will meet with your approval.

The Board of Directors

6. Draft agenda and text of the resolutions

6.1 Agenda

Ordinary decisions

- Reading of the Board of Directors' management report on the corporate financial statements for the year ending 31st December 2003 and presentation of the consolidated financial statements.
- Reading of the Statutory Auditors' reports on the corporate and consolidated financial statements for the year ending 31st December 2003.
- Reading of the special report by the Statutory Auditors on the regulated conventions and decision on this issue.
- Approval of the corporate financial statements for the year ending 31st December 2003 and the consolidated financial statements for the same year.
- Allocation of the result for the year ending 31st December 2003 and fixing of the amount of the optional dividend;
- Renewal of a director's mandate.
- Nomination of a principal Statutory Auditor.
- Nomination of an assistant Statutory Auditor.
- Fixing of the amount of remuneration allocated to the members of the Board of Directors (directors' fees).
- Authorisation given to the Company to intervene in the market for its own shares.

Extraordinary decisions

- Authorisation for the Board of Directors to cancel all or part of the shares purchased and undertake a correlative reduction in the capital stock.
- General authorisation for the Board to increase the capital stock with a pre-emptive right, up to a global ceiling, through the issuing of any securities offering immediate or future access to the capital and/or through the incorporation of reserves, profits or premiums.
- Ceiling for the increases in capital which can be achieved through issues of securities, with no pre-emptive right for shareholders, as envisaged in the previous resolution.
- Possibility to use the authorisations to increase the capital in the event of a takeover bid or exchange involving the Company's securities.
- Authorisation given to the Board of Directors to increase the capital stock for the benefit of employees.
- Powers.

6.2 Text of the resolutions

6.2.1 Ordinary decisions

Resolution one: Approval of the financial statements

After being informed of the financial statements for the year ending on 31st December 2003 as reported by the Board of Directors and the consolidated financial statements for the same year as prepared by the Company at the request of the Board of Directors, and after being informed of the Board of Directors' management report for the year ending 31st December 2003 to which the Chairman's report is adjoined, relating to the conditions for the preparation and organisation of the Board's work and internal control, and the general report by the Statutory Auditors for the same year, the General Meeting:

- approves the corporate financial statements for the year as presented by the Board of Directors, along with all the operations reflected in these statements or mentioned in this management report,
- approves the consolidated financial statements for the year ending 31st December 2003 as presented during this General Meeting.

Resolution two: Allocation of the result / fixing of the amount of the optional dividend

After listening to the reading of the Board of Directors' report, the General Meeting decided to allocate all of the losses for the year, amounting to €859,000 to the balance carried forward and to charge the cumulative negative balance carried forward of - €12,520,868 to the issue premiums item, which prior to the charging amounted to €41,361,778.

Certifying that all of the shares issued by the Company have been entirely paid up, and that the distributable reserves amount to €26,992,568, the General Meeting has decided:

- on the distribution of a net dividend of €582,011.25, i.e. €0.05 per share, through a withdrawal from the issue premium item, combine with a tax credit of €0.025 per share, giving an overall income of €0.075 per share, subject to the provisions in the General Taxation Code applicable to the individual circumstances of beneficiaries,
- that the entitlement to the dividend will be detached from the share on 10th June 2004,

- that the dividend, at the shareholder's choice, can be paid out either in cash or in shares, at a value of €0.05 per share.

For this purpose, during a period as from 10th June 2004 and ending on the 23rd June 2004 inclusive, each shareholder can opt for the payment in shares by so requesting from the payment establishments.

The cash dividend payment will be made in euros, on 1st July 2004, after the expiry date for the option to reinvest the dividend in shares.

Pursuant to the law, the price of the shares which will be allocated in payment of the dividend will be 90% of the average of the initial prices quoted on the Second Marché during the first twenty trading sessions prior to the date of this General Meeting, minus the net amount of the dividend.

If the amount of the dividends for which the option is exercised does not correspond to a whole number of shares, the shareholder will receive the number of shares immediately below and the remaining balance in cash.

The enjoyment of the shares thus allocated in payment of the dividend will be effective as from 1st January 2004.

As from their issue, the shares resulting from the reinvestment of the dividend will be deemed to have the same rights as the shares which generated them.

The General Meeting gives full power to the Board of Directors in order to take the necessary measures to apply and implement this resolution, to record the increase in capital resulting from this decision and to modify the Company's articles of association accordingly.

The General Meeting notes that a dividend of €458,339.12 has been distributed in relation to the 2002 financial year and that no dividend has been distributed in relation to the previous financial years.

Resolution three: Special report by the Statutory Auditors

After listening to the reading of the special report by the Statutory Auditors on the conventions covered by article L. 225-38 of the Commercial Code, the General Meeting approved the conclusions and conventions described in the said report.

Resolution four: Renewal of a director's mandate

After having been informed of the Board of Directors' report, the General Meeting decided to renew the director's mandate of:
- Mrs. Rosemary Aubert, residing at 452, chemin Pablo Picasso, "La Datcha", 06250 Mougins, for a duration of six years, expiring at the General Meeting convened to deliberate upon the financial statements for 2009.

Resolution five: Renewal of a director's mandate

After having been informed of the Board of Directors' report, the General Meeting decided to renew the director's mandate of:
- Mr. Philippe Rabasse, residing at 10, rue de l'Ancienne mairie, 92100 Boulogne-Billancourt, for a duration of six years, expiring at the General Meeting convened to deliberate upon the financial statements for 2009.

Resolution six: Renewal of a director's mandate

After having been informed of the Board of Directors' report, the General Meeting decided to renew the director's mandate of:
- Mr. Modesto Entrecanales, residing at 28 D Calle Frascuelo, 28043 Madrid, for a duration of six years, expiring at the General Meeting convened to deliberate upon the financial statements for 2009.

Resolution seven: Nomination of a prinicpal Statutory Auditor

After listening to the reading of the Board of Directors' management report, the General Meeting has decided to nominate as principal Statutory Auditor:
- the firm Constantin & Associes, 26, rue de Marignan, 75008 Paris, represented by Mr. Jean-Claude Sauce, for a duration of six years, expiring at the General Meeting convened to deliberate the financial statements for 2009.

Resolution eight: Nomination of an assistant Statutory Auditor

The General Meeting has decided to renew the mandate of the assistant Statutory Auditors:
- Mr. Jean-François Serval, C/o Constantin & Associés, 114, rue Marius Aufan à Levallois-Perret, 92300, for a duration of six years, expiring at the General Meeting convened to deliberate the financial statements for 2009.

Resolution nine: Fixing of the amount of remuneration allocated to the members of the Board of Directors (directors' fees)

The General Meeting decided to fix the amount of remuneration paid to members of the Board of Directors at €60,979.60, paid in the form of directors' fees for the 2004 financial year.

The Board is free to distribute this amount as it so decides. This remuneration sum is fixed until a further decision is taken by the General Meeting on this matter.

Resolution ten: Authorisation is given to the Company to intervene in the market for its own shares.

After being informed of the Board of Directors' report and the prospectus approved by the Autorité des Marchés Financiers, the General meeting authorised it, in accordance with articles L. 225-209 and thereafter of the Commercial Code, to make the Company buy back its own shares with a view to (in decreasing order of priority):

- cancellation of shares (subject to approval in resolution number 11 presented below),
- buying and selling according to market situations,
- reassigning shares in payment or exchange, notably in the context of external growth operations,
- allocating shares within the context of employee profit-sharing schemes,
- granting stock purchase options to Company and/or Group employees and executives, or offering them the opportunity to purchase shares under the conditions envisaged in articles 443-1 and thereafter of the labour code;
- allocating shares when exercising rights attached to securities offering entitlement to Company shares through reimbursement, conversion, exchange, presentation of a warrant or any other manner.

The General Meeting has fixed the maximum purchase price at €6 per share and the minimum selling price at €2.

The maximum number of shares to be acquired has been fixed at 10% of the total number of shares which make up the capital stock, i.e. based on the number of shares at 31st December 2003, 816,952 shares (1,164,022 - 347,070, the latter figure representing the number of shares owned by the Company on 31st March 2004), for a sum of €4,901,712.

The acquisition, sale or transfer of these shares can be undertaken by all methods, on the market or by mutual agreement, including the use of derivative financial instruments, except for the acquisition of purchase options, as long as it does not increase the share volatility, along with, where appropriate, any operation for block sales, respecting the legal and regulatory constraints which apply in such a scenario. Acquisition and sale operations can take place at any moment, including during a takeover bid, within the limits permitted by stock market regulations.

Shares acquired as part of the buyback programme can be retained, sold or transferred, or cancelled subject to the approval of the Extraordinary General Meeting of 8th June 2004 of resolution number 11 authorising such cancellations.

The Meeting establishes the duration of this authorisation at eighteen (18) months as from this General Meeting, i.e. until 8th December 2005, which henceforward replaces the authorisation given by resolution twelve of the General Meeting of 23rd May 2003.

The Board of Directors will inform the shareholders in its report of any acquisitions, sales or cancellations undertaken in the implementation of this authorisation.

The General Meeting confers all powers on the Board of Directors to put in an order, conclude any agreements, notably with regard to the keeping of the register of purchases and sales, make any declarations to the stock market authorities, conduct any other formalities and generally do whatever is necessary.

6.2.2 Extraordinary decisions

Resolution eleven: Authorisation for the Board of Directors to cancel all or part of the shares purchased and undertake a correlative reduction in the capital stock

On proposal from the Board of Directors and after listening to the reading of the special report of the Statutory Auditors, the General Meeting can authorise the Board of Directors to cancel all or part of the "Aubay" shares acquired in the context of the buyback authorised in the preceding resolution, on one or several occasions, up to a limit of 10% of the Company's capital per period of twenty-four months.

On a decision of the Board of Directors, any excess of the purchase price of shares cancelled in relation to their face value will be charged to the issue premium, merger and contributions items, or to any other available reserve item, including the legal reserve, up to the 10% limit for the realised capital reduction.

The General Meeting delegates all the powers to the Board of Directors to undertake the cancellation and capital reduction operation(s), make the correlative alteration to the statutes and whatever may be generally required.

This authorisation is granted for a duration of eighteen (18) months and replaces the authorisation given in resolution thirteen by the General Meeting of 23rd May 2003.

Resolution twelve: Authorisation for the Board of Directors to increase the capital stock with a pre-emptive right, up to a global ceiling, through the issuing of any securities offering immediate or future access to the capital and/or through the incorporation of reserves, profits or premiums

The General Meeting, deciding in quorum and majority conditions for an Extraordinary General Meeting, in full knowledge of the Board of Directors' report and the special report by the Statutory Auditors:

1 - authorises the Board of Directors to increase the capital stock with pre-emptive rights, one or several times:
  a) through the issuing of all securities, including detachable warrants, offering immediate or future access to the capital stock, except for preferred stock, non-voting preferred shares and investment certificates,
  b) and/or through the incorporation into the capital of reserves, profits, issue premiums or any other item which can be incorporated into the capital;

2 - decides the limits of operations thus authorised as follows:
  a) the nominal global ceiling for the increase in capital which is liable to result from the issuing of the investment securities referred to in 1-a) is fixed at six million (6,000,000) euros,
  b) the nominal global ceiling for the increase in capital through incorporation referred to in 1-b) is fixed at six million (6,000,000) euros and is in addition to the global ceiling fixed in the previous paragraph.

  The amount of any capital increases connected with the adjustment of rights of certain capital security holders in the event of further financial operations will be added, where appropriate, to the aforementioned ceilings.

  Furthermore, the global nominal amount of issues of investment securities representing accounts receivable that give access to capital can not exceed one hundred and fifty million (150,000,000) euros;

3 - decides that:
  a) the aforementioned investment securities can be issued either in euros, or in a foreign currency, up to the authorised ceiling in euros or its exchange value on the issue date,
  b) the owners of existing shares when the shares and investment securities or warrants listed in 1-a) are issued will have an irreducible pre-emptive right, or reducible where appropriate, in proportion to the number of shares owned by each of them,
  c) any investment securities which, in the context of issues with pre-emptive rights, are not subscribed by the shareholders with an irreducible right or, where appropriate, a reductible right if the Board of Directors envisages such a right during the issue, can be offered to the public.

  This decision includes the express renunciation of shareholders to their pre-emptive right for all other securities giving access to capital to which the issued investment securities will offer entitlement;

4 - delegates all necessary powers to the Board of Directors to:
  a) undertake these issues within twenty-six months as from this General Meeting, by fixing the amounts and any methods, notably to determine the form and characteristics of the investment securities to be issued, and to decide on their issue price,
  b) to establish, even retroactively, the date of effective enjoyment of the shares created,
  c) to decide that the shareholders' rights to fractions of shares, in the event of a share issue through the incorporation of reserves, profits or issue premiums into the capital, will not be transferable and the corresponding shares will be sold,
  d) to potentially limit the amount of each increase in capital to the subscriptions received, subject to it reaching at least three-quarters of the decided increase, to record its accomplishment and undertake the correlative modification in the statutes, and charge the issue expenses, where it considers necessary, to the corresponding premiums,
  e) to carry out any necessary agreements for the proper accomplishment of the issues and for the quotation and financial servicing of the shares,
  f) and in general, to take all the necessary steps, under the legal and regulatory conditions applicable during these issues;

5 - decides that this authorisation replaces the authorisation given in resolution eight of the General Meeting of 23rd April 2002.

Resolution thirteen: Ceiling for the increases in capital which can be achieved through the issue, with no pre-emptive right for shareholders, of the securities envisaged in the previous resolution

The General Meeting, deciding in quorum and majority conditions for an Extraordinary General Meeting, in full knowledge of the Board of Directors' report and the special report by the Statutory Auditors :

1 - authorises the Board of Directors to increase the capital once or several times through the issue with no pre-emptive right for all securities, including detachable warrants, giving immediate or future access to a share of the capital stock, as envisaged in resolution twelve, section 1-a).

These investment securities can notably be issued for the remuneration of contributions to the Company's securities in response to a takover bid through the exchange of shares.

They can also be issued during the exercising of rights attached to their securities, for the benefit of bearers of securities giving access to the Company's capital that have been issued by companies in which the Company holds a direct or indirect majority share of the capital.

2 - fixes at:

a) six million (6,000,000) euros, the nominal global ceiling for the increase in capital which is liable to result from the issuing of the investment securities with no pre-emptive right for shareholders,
b) and at one hundred and fifty million (150,000,000) euros, the global nominal amount for the issues of investment securites representing accounts receivable which give access to capital,

all within the limit of the unused fraction of the ceilings fixed respectively in resolution twelve;

3 - decides that:

- the investment securities envisaged above can be issued either in euros or a foreign currency, up to the limit of the authorised ceiling in euros or its exchange value on the issue date, it being understood that the sum payable to the Company for each of the shares issued with no pre-emptive right should be at least equal to the lower limit defined by the law,
- the sum payable immediately or in the future to Aubay for each share, investment security or warrant issued by virtue of the delegation given in paragraph 1 above, could be less than the minimum amount determined by the applicable regulation in this area, on the date when this authorisation was implemented; this amount may potentially be corrected to take into account the difference of the effective enjoyment date; it is specified that the issue price for the stock warrants issued separately should be such that the sum of this price and the exercice price of each warrant is at least equal to 100% of this amount,
- the Board of Directors can confer on the shareholders a priority period, for a duration and according to the methods that it will establish, for all or part of the issue, to subscribe proportionately to their share of the capital, to the issued securities, without this being able to give rise to the creation of transferrable or negotiable rights.

This decision includes the shareholders' express renunciation to their pre-emptive right for all other securities giving access to capital that the issued investment securities which themselves have been issued without a pre-emptive right would offer entitlement;

4 - delegates to the Board of Directors the same powers as those defined in resolution twelve to undertake these isues within a period of twenty-six months as from this General Meeting;

5 - decides that this authorisation replaces the authorisation granted in resolution nine of the General Meeting of 23rd April 2002.

Resolution fourteen: Possibility to use the authorisations to increase the capital in the event of a a takeover bid or exchange involving the Company's securities

The General Meeting, deciding in quorum and majority conditions for an Extraordinary General Meeting, expressly authorises the Board of Directors, as from this Meeting and until the next General Meeting convened to deliberate on the financial statements for the current year, to use the general authorisations for an increase in capital during a takeover or exchange of the Company's shares which have been granted by this General Meeting in resolutions twelve and thirteen, in order to increase the capital stock by any legal means.

Resolution fifteen: Authorisation to increase the capital stock for the benefit of employees

After being informed of the Board of Directors' report and the special report by the Statutory Auditors and in accordance with the provisions in article L. 225-129-VII of the Commercial Code and articles L. 443-5 and thereafter of the Labour Code, the General Meeting delegates all the necessary powers to the Board of Directors in order to increase the capital through the creation of new shares, if it is considered necessary, on one or several occasions, in the proportions and at the times it deems to be appropriate, to be purchased by the employees participating in a corporate or group savings scheme.

The General Meeting:
- expressly decides to cancel shareholders' pre-emption right for any shares that are issued during potential capital increases that may be decided by virtue of this authorisation, in favour of the beneficiaries;
- decides that the subscription price to be established by the Board of Directors can not be higher than the average price quoted during the the twenty stock market sessions prior to the day of the Board of Directors' decision establishing the opening date for subscriptions, nor more than 20% lower than this average;
- establishes the period of validity of this delegation at 26 months as from the date of this General Meeting;
- decides to establish at 1% the total number of Company shares that can be thus issued;
- decides that the Board of Directors should have all the necessary powers to be able to implement this delegation, notably with regard to determining the dates and methods for the issues, establishing the amounts to be issued, the effective enjoyment date for the shares to be issued, the methods for paying up the shares, charging the costs of this increase in capital to the sum of the premium and related items and generally take all the necessary steps for the proper accomplishment of the envisaged share issue and to record the increase(s) in capital and modify the articles of association accordingly.

This authorisation cancels resolution fifteen of the Combined General Meeting of 23rd May 2003.

Resolution sixteen: Powers

The General Meeting confers all the powers on the Board of Directors and its Chairman to carry out or authorise any persons substituting him to conduct all the necessary formalities for the publication of the aforementioned resolutions.