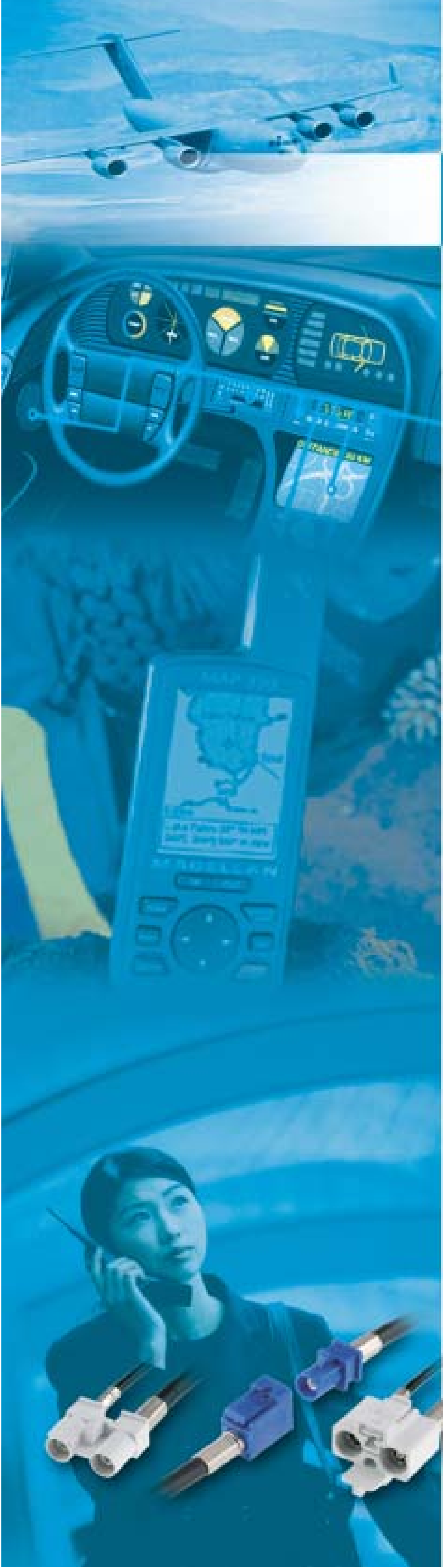

RADIALL®

annual report 2003

PROFILE

2003 Turnover
EUR : **145 M€**

Business activity outside France:
79 %

Staff:
1,585

R & D:
8.6% of Turnover

An industrial Group which specialises in the design, development and manufacturing of electronic components, RADIALL is a reputed player in its three business lines: Telecommunications, Aerospace, and Automotive.

Being very internationally-orientated, the Group is represented on the five continents through fourteen subsidiaries, and an active network of agents and distributors.

Since its creation in 1952 by the GATTAZ family, RADIALL has been ensuring the harmonious development of its human capital in compliance with ethics, and in order to satisfy both its shareholders and customers.

So as to be able to offer the most innovative solutions to its customers, the Group devotes a large proportion of its resources to Research and Development. The continuous improvement of technologies and processes provides the guarantee of RADIALL's durability on its worldwide, and fiercely competitive, markets.

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THE CHAIRMAN'S MESSAGE

During 2003, the RADIALL Group's operations began returning to stable levels.

Did the year 2003 end on a more positive note than at the beginning of the year?

Following three years of historical recession in the electronic sector, RADIALL gradually raised its head above water during 2003. As a result, in particular, of highly unfavourable currency fluctuations, the Group's operating income remained slightly in the red. Nevertheless, the prevalent trend was for the continuous improvement in operations during all the four quarters of 2003, with several encouraging signs which should be underlined:

- **At a constant exchange rate, turnover for 2003 would have been the same.** RADIALL's markets stopped falling.
- **The operating income for the 4th quarter of 2003 was slightly positive.** Over the last three years, the sustained efforts to adjust RADIALL's structure and expenditure to very low levels of business activity enabled operations to be stabilised during the final months of the year.
- **RADIALL's break-even point was reduced** by more than one third during the recession period. Consolidated staffing levels fell from 2,225 at the end of 2000 to 1,585 at the end of 2003, representing a significant reduction, in particular, in high-cost sites.

Finally, and most importantly, we observed a slight buzz in business activity as from October 2003, first as regards volume, and subsequently, as regards turnover.

Could you be more specific on this last point?

The recovery really began at the end of the Summer with the announcement by mobile telephony operators of the classifications of equipment suppliers and major 3G infrastructure programmes. The electronics sector had not heard such good news for a long time. Then during the 4th quarter, RADIALL's order book began to slowly fill up. As a result, the ratio of "orders on invoices" at the year-end had reached 1.10 for this period, demonstrating an upward reversal of the trend following many stagnant quarters.

This good news should however be tempered by the fact that visibility on our markets has not improved, that pressure on sale prices is still significant, and that these markets have shifted dramatically towards Asia which is, by its very nature, more competitive.

Do you believe that the RADIALL Group is well-equipped to face the last two challenges?

Absolutely. The slump, which we have now emerged from, forced us to be reactive and belligerent. RADIALL is now more streamlined, and has even been strengthened, by this recession, which lasted almost three years. We were obliged to rethink our strategic positions, optimise our organisation, and constantly speed up our productivity and diversification programmes. This new-look RADIALL will take full advantage of the recovery and will be less and less vulnerable to unpredictable fluctuations in the markets and in exchange rates.

Are you therefore optimistic for 2004?

Definitely. The encouraging trend witnessed at the end of 2003 is still continuing as we speak. We are therefore approaching the coming years with serenity, and we possess all the competitive advantages:

- **An intact capacity for innovation**, as we deliberately maintained R&D expenditure at a high level (almost 9% of turnover in 2003). Innovation represents the only means of development for a technological and industrial company such as RADIALL, which is faced with a globalised economic model, and where the main markets, such as telecommunications, have, in recent years, shifted massively towards Asia.
- **Additions to our best-selling product ranges,** such as the group of EPX modular multi-contact connectors for aircrafts, the Ramsès switch range for telecommunications markets, or light coaxial cables for military applications.
- **New products with more innovative technical content,** such as the new, and highly successful range of QMA and QN "push pull" connectors, RF Fakra and US-Car connectors for the highly promising automotive telematics market and antennas for Wlan, Wifi and military applications.
- **Greater presence in Asia:** our subsidiary, Shanghaï RADIALL, RADIALL's flagship in Asia, now employs around 300 people, with assembling, machining and plating, and also sales and purchasing teams, and a R & D office. This entity is already enabling RADIALL to serve its main customers in this area, which has good growth potential, by offering them high-quality local services at competitive prices.
- **A position as a specialist with a worldwide reputation in its main business lines:** RADIALL operates on the 4 main continents through around fifteen subsidiaries managed by a centralised ERP (Enterprise Resource Planning) system in order to facilitate procurement and management flows. Sales outside France represent 79% of global turnover. RADIALL's strategy is to hold key supplier or preferred supplier positions vis-à-vis the major worldwide players in each of its markets, and to stand out as a result of the excellence of its services. We do not offer all the components to our customers, but we do endeavour to provide our best efforts with the constant aim of ensuring customer satisfaction and loyalty.
- **A financial situation which is still as sound,** as net cash stood at EUR 19 M at the end of December without any indebtedness.

The above holds true without mentioning the talent of over 1,500 employees who demonstrated, both in times of crisis, and during boom years, a fighting spirit, creativity and adaptability. They are the perfect example of professionalism, service requirements and quality, and of the innovative in-house spirit which we wish to be able to offer our customers at all times, and which characterises RADIALL. I congratulate them and thank them for their trust in, and commitment to, our company.

Do you have anything further to add?

Indeed. I would like to dedicate the 2003 Chairman's Message to Lucien GATTAZ, my uncle, and co-founder of RADIALL, who passed away on 24 October 2003. Throughout his career, Lucien GATTAZ underlined his unconditional commitment as to the quality of manufactured products and industrial excellence. These values have represented the foundations for the remarkable worldwide expansion which the Group has undergone. On behalf of the staff, I would like to make a final homage to him and thank him for the work which he accomplished.

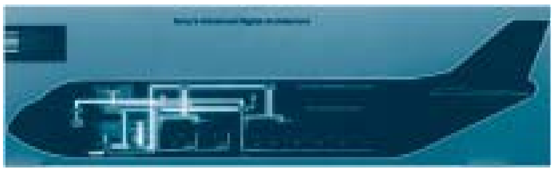
Pierre GATTAZ
Chairman of the Management Board

Wireless communication

Developing tomorrow's communication tools and supplying the major original equipment manufacturers with turnkey solutions so as to optimise infrastructures and wireless networks.

Innovations for Aerospace

Offering a product range with high added value, meeting the complex technical specificities of embedded connector technology in aircraft.



Automotive Telematics

Being involved in the growth of the intelligent vehicle which offers its occupants more leisure activities and greater safety.

2001-2004 : A tale of the management of an historical recession

RADIALL has experienced three difficult years characterised by the historical recession in the electronics sector. In spite of the fall in both orders and prices in a highly beleaguered industry, the Group was always able to adapt and remain on course so as to bounce back once growth trends returned:

2001

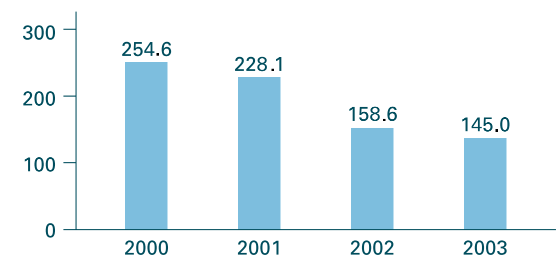
As from the first quarter, the traffic lights, which had been artificially kept at green for many months as a result of unrealistic growth objectives from mobile telephony operators, turned red. The UMTS (third generation mobile telephony), which was to have taken growth levels to un-scaled heights, was laid low by the introduction, by the main European States, of disproportionate and anti-economic licence fees.

RADIALL, predicting the impact of this u-turn, was one of the first listed companies to announce, in all honesty, that the wind had changed and that business activity was going to slow-down.

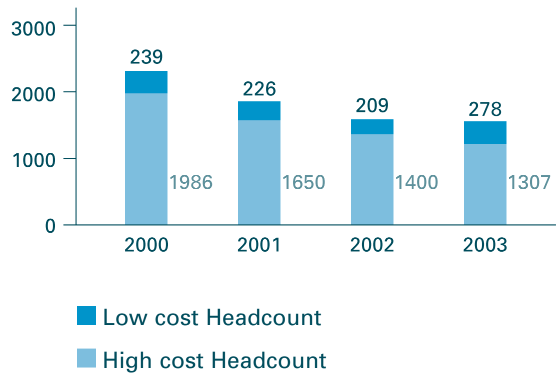
The situation was compounded by the dramatic events of 11 September 2001 which accentuated the economic downturn and led to the recession in the aerospace industry where the Group records a significant proportion of its turnover.

Faced with this exceptional recession, RADIALL needed to react rapidly and to reduce its wingspan. During the second six months, a capacity-reduction programme was launched and staffing levels were reduced from 2,225 people at the end of 2000, to 1,876 at the end of 2001, and turnover fell by 10%.

Turnover (in M€)



Headcount



2002

The recession took a firm foothold throughout the electronics industry. The significant fall in orders recorded during 2001 had a knock-on effect in 2002. The Design Offices of the major ordering customers dramatically reduced their business activities and very few new projects were initiated. The expected diversification into alternative sectors (local radio loops,…) did not generate the forecasted earnings.

In the space of one year, RADIALL's turnover fell by 30% and the market conditions were highly favourable for purchasers who applied more and more pressure on prices.

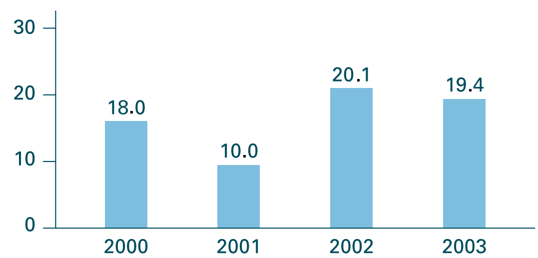
In order to ensure its survival, RADIALL constantly adjusted its structures and reduced its costs. A major rationalisation of the USA zone, which was significantly affected by the recession, was undertaken and the decision to increase flexibility by more systematic use of subcontracting was taken. At the same time, the majority of optical fibre activities were wound down (packaging, specific connectors…) as a result of the lack of outlets.

After one year, the break-even point had fallen from EUR 210 M at the end of 2001 and to EUR 155 M at the end of 2002.

However, the redundancies, the closing of sites and the abandoning of certain product lines was reflected in the financial statements by high levels of extraordinary expenses and major provisions on inventories. The financial year ended with a deficit of EUR 14.6 M.

The Group did however conduct a successful cash-preservation policy by controlling its investments and its Working Capital Requirements. Cash-flow, which had fallen dramatically since the beginning of the recession, recovered and reached slightly over EUR 20 M at the end of December 2002.

Net cash (in M€):



2003

After two stormy years, business activity began to stabilise. Quarterly turnover has remained stable since the end of 2002. Gradually orders began to recover and RADIALL recorded order/invoice ratios of over 1 during the second six months.

The operational break-even point was reduced to EUR 145 M with the aim of returning to stable levels by the end of 2003. Unfortunately, this objective was compromised by the fall of the American dollar and correlated currencies (Chinese Yuan, Hong-Kong dollar and Pound Sterling). RADIALL, which makes 79% of its sales outside France, with a large proportion being made in foreign currencies, suffered the knock-on effect of these unfavourable exchange rates. The aim of returning to stable operating levels at actual rates was not achieved but the Group posted stable sales and a positive operating margin at constant exchange rates.

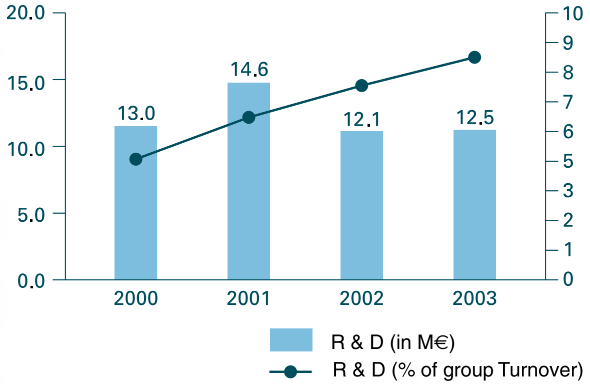
This performance is fairly remarkable in a persistently slack climate characterised by greater pressure on prices from Telecommunications and Aerospace customers. In order to manage this, RADIALL made greater use of low cost subcontracting through its Chinese subsidiary which had total

staffing levels of 278 at the end of 2003. The challenge was made even more difficult by the fact that the Group was forced to delay its delocalisation to China as a result of the SARS epidemic which had materialised at the start of the year.

The burden of staff expenses has been greatly reduced as a result of better allocation of resources. Large volume, or labour-intensive assembly, runs are produced for more favourable prices in Asia, or by Tunisian or Mexican subcontractors, whereas parts with high added value, or with high levels of technicality, are still produced in France at specialised sites. In this manner, RADIALL managed to maintain a high level of R&D expenditure (8.6% of Turnover) in spite of the economic climate, so as to guarantee its future survival, and to offer its customers evermore innovative solutions.

Through the certification of new products, and the gaining of market shares, made both in the aerospace and telecommunications sectors, the Group was therefore able to ensure greater motivation of its teams, and to pave the way for the future in the best possible conditions.

R & D



2004

At the beginning of this year, the trend for RADIALL's markets is that of recovery. The new investments being made by mobile telephony operators has been reflected by more sustained order levels. At 31 March 2004, the Group's quarterly turnover had increased by 13.8% compared with the same period in 2003 (+21% at a constant exchange rate).

Having learned many lessons during the three years of recession, RADIALL continues to drive forward by being increasingly flexible, more productive, and by having the desire to become a world leader in its business lines in order to better satisfy its customers, shareholders and employees.

2003 : Introduction of the Mov'One logistics project

An ambitious project

In 2003, RADIALL reached a major stage in the optimisation of its logistics performance:

- improvement of the service standard,
- reduction in the lead times offered,
- increased flexibility,
- greater organisational agility,
- the removal of stages without added value,

these areas benefited greatly from the effects of the major rationalisation project for the supply chain which was launched at the end of 2002.

Called Mov'One, during the whole year, this project mobilised the efforts of the ERP[1], IT[2], Finance and SCM[3] teams worldwide, in the Group's various entities.

Significantly improved productivity

Mov'One: involves "carrying" all RADIALL's entities on a "single" machine, which is available 24 hours per day, and causing them to share best practices on the same ERP application.

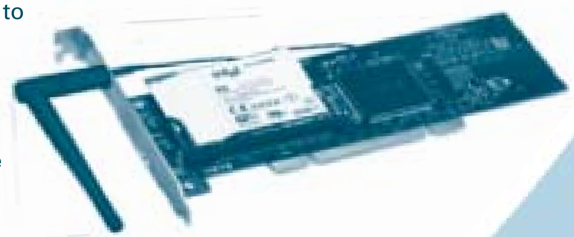
As regards SCM, the question of the "rationalisation of the supply chain" had reached truly critical levels. It was essential for the speed of information and product distribution from the estimate stage right up to the supplying of products to customers be improved. In order to achieve this, links had to be established, and the distances between the Group's different entities had to be virtually shortened. Mov'One meet this challenge full-on and has proved to be an essential factor in the success of this challenge.

Today, this shared management platform provides an overall view of product availability, as well as the possibility of directing flows to the different zones in question. Moreover, obsolete tasks have been removed and RADIALL has been able to ensure the coherence and consolidation of operational data throughout the whole Group.

As a result of Mov'One, the Group is able, for example, to input a customer order on the East coast of the United States for a product which is available in Europe, to request this site, in real time, to dispatch the products directly to the customer's Canadian establishment and to associate this delivery with the customer's article code and all the logistics elements which it requests.

As with the progress made in logistics, all accounting and financial processes have also been rationalised within this Mov'One.

This single database has enabled the visibility of costs, from production to the marketing of products, to be greatly improved.



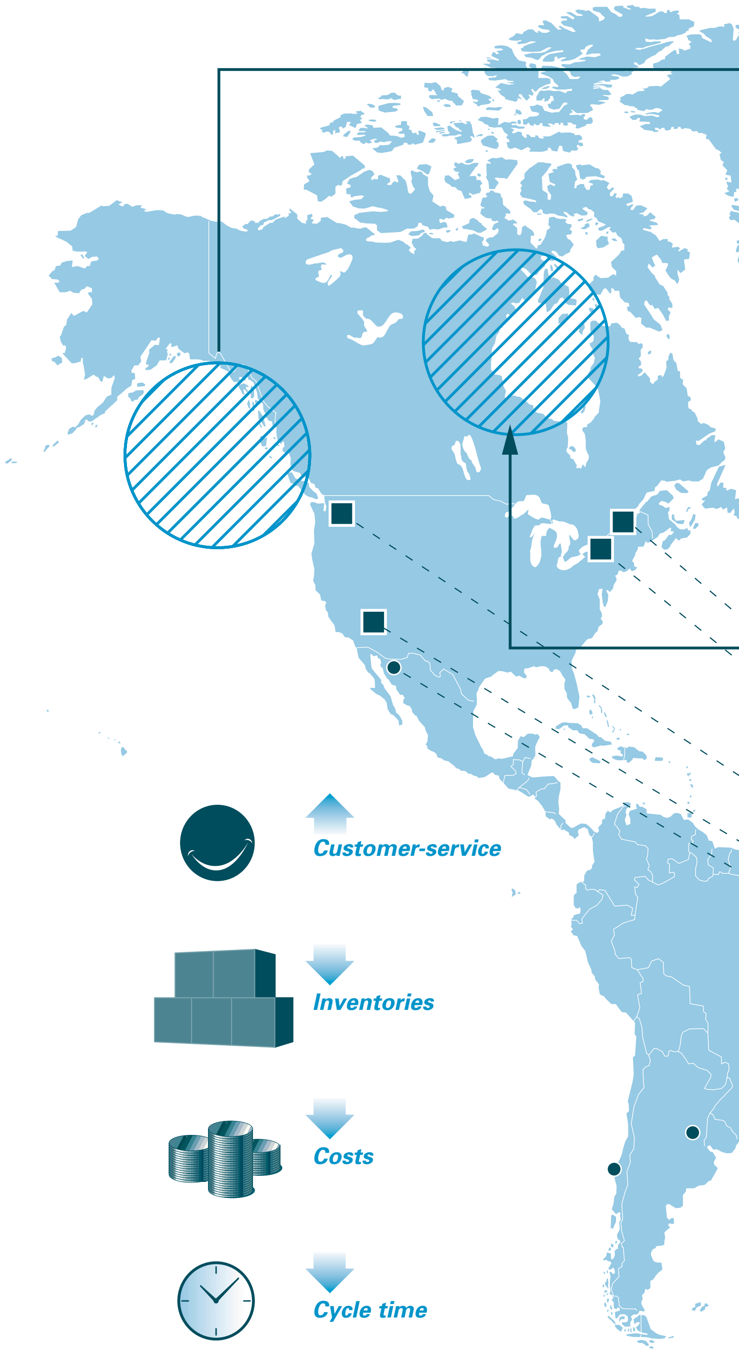
1 - ERP : Enterprise Resource Planning
2 - IT : Information Technology
3 - SCM : Supply Chain Management

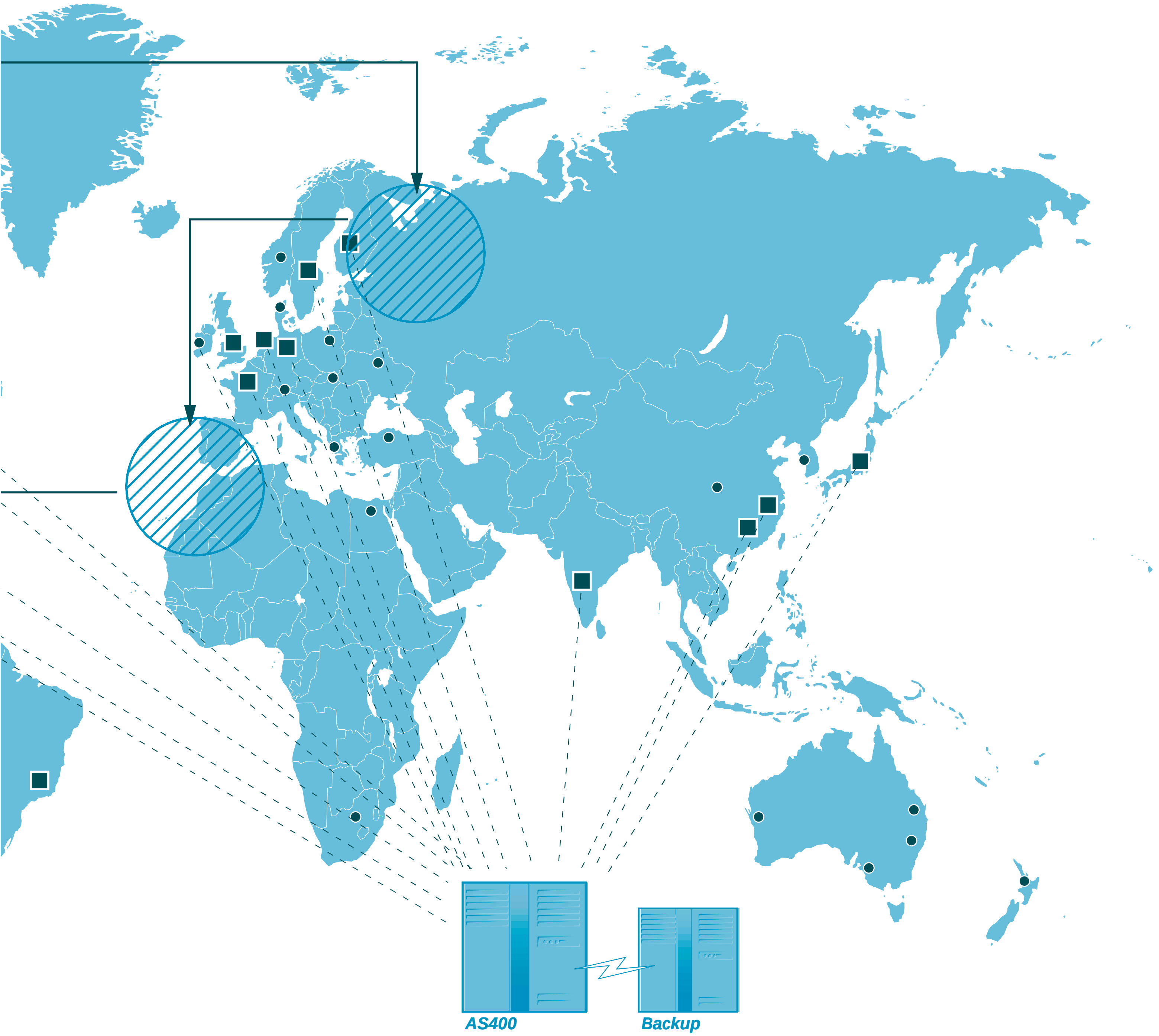
A high-level information system served by high-performance technology

These technical performances have been made possible as a result of the total availability of the IT platform which is itself served by an electronic network with constant performance levels. This platform, which is available 24 hours per day, consists of two IBM servers, located in two, ultra secure external hosting centres. Their "mirroring" enables back-ups to be made without interrupting operations and, in the event of malfunctioning, for operations to be almost immediately taken over. As for the network, redundant remote data processing links provide direct access to the centres whilst two telecommunications operators, which are market leaders, provide the interconnection for around fifteen sites in France and worldwide. Links to the Internet provide access for mobile employees and also in the event of an incident affecting the main network.

This ambitious project has been a resounding success and has placed RADIALL amongst the mere handful of companies possessing such a state-of-the-art information system.

Mov'One is the real backbone of its supply chain and opens up many other possibilities of performance enhancing.





The Mov'One project

All the RADIALL entities are managed by a single ERP, on a single machine, available 24 hours per day. This organisation enables best practices to be shared and to offer, in real time, visibility and readability of availability and costs.

The emergence of a new growth opportunity: the expansion of the automotive telematics activity

The past year witnessed the materialisation of many projects in this new market segment.

The "infotainment" boom and embedded electronic communication

As a result of "infotainment", automotive telematics offer very interesting perspectives for growth. Whether one is interested in the weather forecast, sport, television programmes, cinema news, or tips for leisure activities, everything is displayed on a mobile terminal under the generic name of "infotainment". Where this information is required to be available in cars, automotive manufacturers use the services of radio frequency specialists.

Many electronic companies are venturing into the leisure and embedded electronic communication sectors: car radios, navigation systems, video screens, tuners for DTT (Digital Terrestrial Television). In particular, the development of embedded applications will enable mobile telephone functions to be managed, using, for example, Bluetooth wireless technology.

The development of a full new range of products

These outlets with very good growth potential for RADIALL are allowing for the development of the antennas, connector and coaxial cable ranges of products.

For a fairly long time, the Group had already noted the development of this activity. As early as 1999, with acquisition of the American company, LARSEN, specialised on the American vehicle equipment (seconde monte) market, RADIALL was then looking into a market sector which had not yet been explored: that of the automotive.

Since this acquisition, the American and French Design Offices have developed a wide range of components and have had them certified by manufacturers. In 2000, a major contract with an American heavy goods vehicle manufacturer enabled the company to approach this market, which, whilst being fairly closed, is highly demanding, but offers great potential.

In 2003, the emergence of a multi-annual market for the supply of antennas enabled high growth rates for sales to be forecasted as from the end of 2004.This good performance should be used as a stepping-stone for the development of this activity.

A • Financial Management Report

The Management Board of the RADIALL Group, meeting on 19 March 2004, and chaired by Mr Pierre GATTAZ, examined the consolidated financial statements for the 2003 financial year as audited by the Statutory Auditors.

KEY FIGURES (IN EUR K)	2002	2003	Variation
Turnover	158,556	144,995	- 9%
Operating income	(11,210)	(2,085)	N/A
Operating margin	- 7.10%	- 1.40%	
Financial income	(1,077)	(829)	N/A
Current income	(12,287)	(2,914)	N/A
Extraordinary income	(4,258)	386	N/A
Taxes on earnings	3,107	(1,768)	N/A
Depreciation of goodwill	(1,272)	(840)	N/A
Net income of the consolidated group	(14,710)	(5,136)	N/A
Operating cash flow (1)	19,856	3,374	- 84%
Equity capital (incl. Minority interests)	112,814	102,197	- 10%
Net cash (2)	20,127	19,396	- 4%

(1): FFO (Funds from Operations) + changes in WCR - (2): Cash assets + Investment securities + Own shares– financial loans and debts

1. STABILITY OF SALES AT A CONSTANT EXCHANGE RATE – HIGHLY NEGATIVE IMPACT OF EXCHANGE RATES

In 2003, the Group's consolidated turnover stood at EUR 144,995 thousand, compared with EUR 158,556 thousand in 2002, representing a fall of 8.6%. Exchange rates had a major negative influence of –8.0%. At constant exchange rates, the overall activity would have been the same. The Group's consolidation perimeter did not change in 2003

The fall in turnover had a greater impact on the Telecommunications segment, where the market remained slack during the first nine months of the year. The Automotive segment, where RADIALL only carries on a small proportion of its business activity, but which should expand during 2005, also fell.

Geographically speaking, the Americas suffered greatly from the fall of the dollar and business activity was down 28%. However, the transfer of production by many Telecommunications original equipment manufacturers to China greatly benefited the Asian zone which was highly dynamic (+36%). This trend should be confirmed in the future.

Turnover by business activity, and by zone, was as follows:

SHARE OF TURNOVER (in EUR K)	2002	2003	Variation
By business activity			
Telecoms	82,449	72,324	- 12 %
Military and Aerospace	55,495	56,358	+ 2 %
Automotive	7,928	6,140	- 23 %
Other	12,684	10,173	- 20 %
By geographic zone			
Europe	82,620	78,863	- 5 %
The Americas	58,495	42,363	- 28 %
Rest of the World	17,441	23,769	+ 36 %
Group	**158,556**	**144,995**	**- 8,6 %**

2. STABILISATION OF BUSINESS ACTIVITY DURING THE 4TH QUARTER OF 2003

Quarterly sales for the last two financial years were as follows:

CONSOLIDATED TURNOVER	2002	2003	Y/Y-1
1st quarter	EUR 43.0 M	EUR 36.3 M	- 15.6 %
2nd quarter	EUR 40.8 M	EUR 35.8 M	- 12.2 %
3rd quarter	EUR 38.1 M	EUR 35.9 M	- 5.8 %
4th quarter	EUR 36.7 M	EUR 37.0 M	+ 0.8 %
Total for 2003	**EUR 158.6 M**	**EUR 145.0 M**	**- 8.6 %**

After two years of significant reductions in business activity, related to the historical recession affecting the whole electronics sector, the 2003 financial year ended on a note of stability. The fourth quarter was very slightly up on the same period for 2002 in spite of the unfavourable effect of exchange rates.

3. PROGRESSIVE REINSTATEMENT OF THE OPERATING MARGIN

For 2003, the operating margin was –1.4% as compared with –7.1% in 2002.

The operating loss-reduction process gained ground during the financial year as a result of the beneficial effects of reduced capacities which came into full force during the second half-year. At the end of June 2003, operating income already stood at EUR –1.5 M. During the last quarter of 2003, management reporting showed a return to stability for operating income.

Nevertheless, the Group was unable to break even as a result of the negative cumulative effect of two factors:

- The fall in the American dollar exchange rate: during 2003, the average EUR/USD exchange rate was 1.131 compared with 0.942 in 2002, i.e. giving a negative impact of -20%. The dollar's weakness made itself felt more during the second half of the financial year. The company invoices around 30% of its Turnover in USD and 15% in South-East Asia where local currency is strongly correlated to the American dollar.

- Increased pressure on sale prices, particularly in the telecoms sector, where the hesitant recovery of investments has been carried out at prices which are well below those in force prior to the recession

Productivity and flexibility initiatives have been continued and were materialised by the transfer of part of production to the Asian subsidiaries, or to low cost subcontractors in Tunisia and Mexico.

CHANGES TO STAFFING LEVELS	31/12/02	31/12/03	Variation
France	1,031	995	- 3 %
Europe, excluding France	109	70	- 36 %
The Americas	237	219	- 8 %
Asia	232	301	30 %
Total	**1,609**	**1,585**	**- 1 %**

R&D expenditure remained high (8.6% of Turnover) so as to enable the technological innovation required for customer-assistance to be maintained and to facilitate the certification of new applications.

4. NET INCOME FOR 2003

Net loss was reduced by almost two thirds to EUR – 5,136 thousand, compared with EUR – 14,710 thousand, for the previous financial year.

The financial loss of EUR – 829 thousand was mainly due to exchange rate losses, the company having repaid all its bank accommodations and loans in 2003.

The extraordinary income of EUR 386 thousand includes EUR 304 thousand of earnings from sales of reciprocally-held shares for which a provision had been made in 2002 for a price which was less than the 2003 sale price. It should be noted that the allocation to provisions for these securities, as recorded for previous financial years, appears as financial income.

Taxes on profits and deferred taxes stood at EUR 1,768 thousand, whereas the Group as a whole recorded a loss. These liabilities mainly relate to taxation of profit-making subsidiaries. In accordance with effective regulations, the Group has decided to adopt a conservative approach as regards accounting for the tax savings arising from tax losses to be carried forward.

5. A FINANCIAL STRUCTURE WHICH REMAINS SOLID

Cash Flow relating to the business activity (Funds from Operations + change in WCR) remained in the black during 2003, in the context of optimising the WCR (essentially, shortening of average customer payment lead times and reduction of inventories).

Industrial investments remained at low levels at around 2.6% of turnover, which did nevertheless represent an increase compared with 2002 when the lowest threshold on record (2%) was reached.

The net financial debt fell from EUR 2,911 thousand at 31 December 2002 to EUR 2,076 thousand at 31 December 2003, and mainly included property leasing and repayable advances.
Cash assets stood at EUR 11,699 thousand at the end of 2003 whilst Investment Securities (including own shares) reached book value of EUR 7,929 thousand. The latter includes, on the basis of the conservatism principle, a provision for depreciation of EUR 760 thousand which represents the difference between the cost price and the average of the 20 last share prices for self-held RADIALL shares.

In 2003, the company continued with its foreign currency hedging policy so as to be able to combat the risk of the devaluation of its future flows and credit notes, in particular, in USD. However, bearing in mind the highly volatile nature of the markets, and the cost of foreign currency option premiums, the Group has opted for partial hedging.

6. PARENT COMPANY FINANCIAL STATEMENTS

Turnover was EUR 97,310 thousand, slightly less than half of which related to inter-company flows.
The operating loss stood at EUR 4,932 thousand which represented an improvement compared with the 2002 financial year when RADIALL S.A. lost EUR 13,327 thousand. This improvement is mainly due to the rationalisation measures introduced.
Net loss was EUR 3,640 thousand.

7. EVENTS SUBSEQUENT TO THE CUT-OFF DATE

There has been no significant event subsequent to the cut-off date.

8. OUTLOOK FOR 2004

The forecasted recovery of investments in mobile telephony infrastructures and the improved orientation of the aerospace sector should enable RADIALL to record modest growth in its turnover for 2004. The number of orders during the first months of 2004 means that the future can now be faced more serenely, and for the objective of again recording profits as from the first six months of 2004, to be set. However, as a result of the uncertainty related to the value of the dollar, forecasted figures for 2004's business activity and operating income cannot be provided.

9. THE NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In 2005, the authoritative accounting pronouncements which are due to change for companies listed on a Regulated Market, will automatically apply to RADIALL. The Group has already formed a project team to examine the new standards, assess the extent of change, and carry out the changeover when the time comes.

9.1 Organisation and progress of the project

The project relating to the changeover to the IFRS within RADIALL is being overseen by a steering committee which meets once a month in order to monitor the progress of the working groups, take decisions as to the options offered by the IFRS, and coordinate the allocation of resources.

The aim of the working groups is to examine the impact of the standards, both from a financial and organisational viewpoint, and to suggest solutions enabling RADIALL to introduce the IFRS.

The major stages are the identification of the main changes and their enforcement in France for the end of the first six months of 2004, with the second half-year being

KEY FIGURES (IN EUR K)	2002	2003	Variation
Turnover	92,768	97,310	+5%
Operating income	(13,328)	(4,932)	- 63%
Operating margin	- 13.8%	- 4.7%	
Financial income	1,432	(989)	N/A
Current income	(11,896)	(5,920)	- 50%
Extraordinary income	(1,610)	2,000	N/A
Impôts sur les résultats	4 942	281	N/A
Net income	(8,564)	(3,640)	- 57%
Equity capital	92,471	87,639	- 5%
Net cash(1)	8,824	7,588	- 14%

1): Cash assets + Investment Securities + Own shares– loans and debts with credit institutions devoted to the introduction in RADIALL's foreign subsidiaries.

This organisation should enable RADIALL to provide an assessment of the main financial consequences of the changeover to the IFRS when the 2004 annual financial statements are published.

9.2 Foreseeable consequences

The progress of the project does not allow us to currently evaluate the different changes which have been identified specifically enough.

These relate to:
– Tangible assets
– Research and development expenditure
– Goodwill
– The financial instruments
– Stock-options and own shares.
– The presentation of the financial statements and the notes

The other standards should not have any significant financial consequences.

As regards organisation, the main changes identified relate to the management of fixed assets, R&D expenses, staff benefits and the methods of depreciating assets (tangible and intangible).

10. TECHNOLOGICAL, RESEARCH AND DEVELOPMENT REPORT

R&D	2002	2003
In EUR M	12.1	12.5
% of Turnover	7.6 %	8.6 %

The Group continued with its Research and Development initiatives during 2003 in spite of the persistently unfavourable economic climate.
As a percentage of Turnover, R&D increased by 1%. In terms of value, it was slightly up on 2002.

In 2003, RADIALL stepped up research into automotive telematics, due, in particular, to a partnership with a major American manufacturer in the antennas sector. As regards connectors, RADIALL developed its FAKRA range and adapted it for the North American market by creating the US-CAR concept.
The automotive market represents an excellent development opportunity for the Group in coming years. Requirements in terms of radio frequency components for the communicating cars of the future will be very significant and will involve being at the cutting edge of innovation so as to be able to offer the major players on this market intelligent and user-friendly solutions.

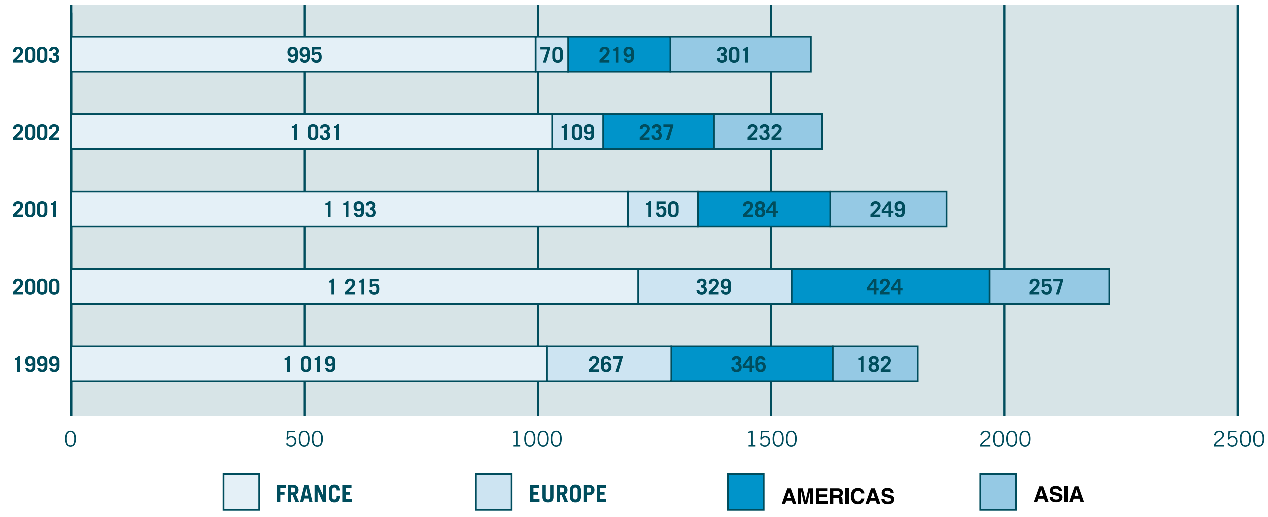
In the telecommunications sector, the main project involved promoting the range of QMA products with the creation of the "Quick Lock Formula" or QLF trademark. In order to protect customers from problems related to different interface dimensions, RADIALL, and its partner, Huber+Suhner, have created a QLF trademark which demonstrates that the supplier has been granted a licence and guarantees the complementariness of products between RADIALL, Huber+Suhner and the licensees.

RADIALL's other main projects and success stories are:
- The development of spatial ranges for two new contracts (English military communications satellite and Galileo, the European GPS)
- For defence electronics, coaxial connector studies for future air and ground-based radars.

B • Human resources report

1. HUMAN RESOURCES IN 2003

1.1 Staffing levels at the year-end



1.2 Types of contract

(at 31/12)	Open-ended (CDI)	Fixed-term (CDD)
2003	1,525	60
2002	1,596	13
2001	1,826	50
2000	2,134	91
1999	1,762	52

1.3 Breakdown

(at 31/12)	Men	Women	Total France	Men	Women	Total Abroad
2003	500	495	**995**	334	256	**590**
2002	526	505	**1,031**	314	264	**578**
2001	606	587	**1,193**	367	316	**683**
2000	616	599	**1,215**	488	523	**1,011**
1999	547	472	**1,019**	369	426	**795**

1.4 Outside manpower

AVERAGE FOR THE PERIOD	1999	2000	2001	2002	2003
FRANCE					
Temporary staff	216	269	197	115	129
Service providers (Régie)				6	6
OTHER					
Temporary staff	70	185	90	61	135

1.5 Staff turnover during the period

	At 31/12/02		Arrivals		Departures		At 31/12/03	
	CDI	CDD	CDI	CDD	CDI	CDD	CDI	CDD
France	1,021	10	23	48	86	21	958	37
Europe	108	1	6	1	45	1	69	1
The Américas	237	0	22	2	40	2	219	0
Asia	230	2	58	20	9		279	22
	1,596	**13**	**109**	**71**	**180**	**24**	**1,525**	**60**

CDI : Open-ended - CDD : fixed-term

2. CHANGES TO STAFFING LEVELS

In France, the year was characterised by the redundancy plan for the cutting-back of 52 positions which was presented to labour and management in November 2002, which led to 42 redundancies and in-house reclassification.

Measures intended to limit the number of redundancies, to favour in-house reclassification, or to limit the social and human consequences, were implemented.

Industrial reorganisation in Europe and, in particular, the refocusing of the activity of the English plant, led to a 10% reduction in staffing levels in this zone (-102 people).

In Asia, the development of the business activity and manufacturing caused permanent staff numbers to increase by 21% (+ 49 people).
There were no specific difficulties as regards recruitment:

- abroad, this essentially related to manufacturing staff,
- in France, recruitment related to 10 engineers and executives and 13 technicians and qualified operatives.

3. WORKING HOURS

France : The organisation of working hours is governed by the Company-Wide "ARTT" Agreement entered into in 2000. Staff have employment contracts for 212 days per annum for autonomous executives, and for others, an actual working week of 35 hours with annual modulation and variable working hours, with the widespread practice of "flexitime" as applied in the industrial facilities.
The 91 part-time staff, who work between 50% and 80% of normal working hours, represent the equivalent of 63 full-time staff. The 1,971 days of leave, or reduction of working hours (RTT) leave, which were not taken, have been placed in the Time Savings Account (Compte Epargne Temps). The amount of overtime worked during the year represented 700 hours and is therefore not significant.

The presented rate of absenteeism is calculated on the basis of the following absences: illness, industrial accidents or whilst travelling to or from work, maternity, care for sick children, authorised, or unauthorised, paid, or unpaid, absences, strikes, individual leave for training.
This is broken down into "insignificant absenteeism" (absences of less then 22 days): 2.09% and 3.56% for other forms of absence.

Abroad: Working hours are organised according to applicable local legislation.

4. EMPLOYMENT AND INSERTION OF HANDICAPPED WORKERS, SOCIAL WELFARE

68% of the obligation to employ handicapped workers was met during the financial year by employing such workers, with the balance being settled by the compulsory financial contribution.

5. TRAINING

The company undertook training initiatives for a total cost of EUR 551,831, i.e. a rate of 2.16%, on the basis of the payroll, which is similar to the previous year.
560 members of staff took part in these initiatives, and the 9,500 hours of training were broken down into four main areas: business line techniques (40% of expenditure), management and communication (23%), foreign languages (18%), quality management (12%), supplemented by training on the information systems and security.

6. OTHER ELEMENTS OF RADIALL SA'S SOCIAL REPORT

	1999	2000	2001	2002	2003
Salaries and Wages*					
Total annual payroll	EUR 24,161,558	EUR 26,233,349	EUR 30,873,475	EUR 28,401,751	EUR 25,502,724
Profit-sharing / Interests	EUR 5,378,488	EUR 10,195,640	EUR 0	EUR 0	EUR 0
Health and safety					
No. of industrial accidents with worker being signed off	21	27	25	21	16
Working conditions					
Average number of working hours	38.5 H	35 H actual working hours since 01/07/00			
Training					
Training expenditure	EUR 817,337	EUR 736,073	EUR 1,252,751	EUR 622,832	EUR 551,831
	3.38 %	2.81 %	4.06 %	2.19 %	2.16 %
Professional relations					
Collective Agreements	ARTT method Agreement	ARTT Agreement CET Agreement	Profit-Sharing Agreement		Profit-Sharing Agreement
% Absenteeism	4.94 %	5.49 %	5.68 %	5.85 %	6.72 %

* source : DADS (French Annual Declaration of Corporate Data)

White room staff of Isle d'Abeau

C. PERSONAL INFORMATION CONCERNING THE CORPORATE OFFICERS

(Article L 225-102-1 of the French Commercial Code)

Net compensation (including benefits in kind) paid to the corporate officers during the 2003 financial year by RADIALL:

Mr Yvon GATTAZ (EUR 83,841), Mr Pierre GATTAZ (EUR 149,305), Mr P. Michel CHURG (EUR 110,973), Mr Patrice MEUNIER* (EUR 15,281), Mr Dominique PELLIZZARI* (EUR 86,987), and Mr André HERNANDEZ** (EUR 4,345).

List of executive offices held in all companies as at 31.12.2003:

Mr Yvon GATTAZ, Chairman of the Supervisory Board
Date of first appointment: 17.12.1993
Expiry date of the current term of office: 2006
Also Chairman of the Supervisory Board of HODIALL

Octave GELINIER, Vice Chairman of the Supervisory Board
Date of first appointment: 17.12.1993
Expiry date of the current term of office: 2006
Also member of the Supervisory Board of the CEGOS

Geneviève GATTAZ, Member of the Supervisory Board
Date of first appointment: 17.12.1993
Expiry date of the current term of office: 2006
Also member of the Supervisory Board of HODIALL

Bruno GATTAZ, Member of the Supervisory Board
Date of first appointment: 17.12.1993
Expiry date of the current term of office: 2006
Also Vice-Chairman of the Supervisory Board of HODIALL

Robert PAPIN, Member of the Supervisory Board
Date of first appointment: 19.09.1997
Expiry date of the current term of office: 2009

Didier LOMBARD, Member of the Supervisory Board
Date of first appointment: 20.05.2003
Expiry date of the current term of office: 2009
Also Director of ORANGE and of WANADOO

Pierre GATTAZ, Chairman of the Management Board
Date of first appointment: 04.01.1994
Expiry date of the current term of office: 2006
Also Chairman of the Management Board of HODIALL, Member of the Supervisory Board of CONVERGIE, Co-Manager of RADIALL GMBH, Chairman of the Board of Directors of RADIALL LTD, RADIALL ELETTRONICA, RADIALL BV, RADIALL INC, RADIALL JERRIK, RADIALL DO BRASIL, FUTURISTICS COMPONENTS INC, RADIALL ASIA, RADIALL PROTECTRON, Director of SHANGHAÏ RADIALL, NIHON RADIALL KK, RADIALL INTERNATIONAL LTD, Manager of RADIALL LARSEN.

P. Michel CHURG, Member of the Management Board
Date of first appointment: 10.02.1995
Expiry date of the current term of office: 2006
Also member of the Management Board of HODIALL, Co-Manager of RADIALL GMBH, Chairman of RADIALL AB, Director of RADIALL ELETTRONICA, RADIALL BV, RADIALL INC, FUTURISTICS COMPONENTS INC, RADIALL ASIA, RADIALL PROTECTRON, SHANGHAÏ RADIALL, NIHON RADIALL KK, RADIALL INTERNATIONAL LTD

André HERNANDEZ, Member of the Management Board
Date of first appointment: 21.11.2003
Expiry date of the current term of office: 2009
Also Chairman of RADIALL JERRIK.

Other net compensation (including benefits in kind) paid to the corporate officers during the 2003 financial year by subsidiaries or controlling companies:

Compensation paid by companies controlled by RADIALL:
Mr André HERNANDEZ** (EUR 12,221)

Compensation paid by HODIALL taking part in the control of RADIALL:
Mr Pierre GATTAZ (EUR 96,448), Mr Lucien GATTAZ*** (EUR 89,570), Mr P. Michel CHURG (EUR 64,180) and Mr Dominique PELLIZZARI* (EUR 29,363).

*leaving in 2003.
**nomination in 2003.
***death in 2003.

D. CORPORATE GOVERNANCE AND INTERNAL AUDIT

In accordance with the provisions of Article L 225-68 of the French Commercial Code, Mr Yvon GATTAZ presented his report on the conditions of the preparation and organisation of the work of the Board and the internal audit procedures introduced by the company, to the Supervisory Board Meeting of 19 March 2004.

The main themes of said report were the following:

1. RADIALL SA'S ADMINISTRATION AND MANAGEMENT BODIES

RADIALL SA is a French limited company (société anonyme) having elected to be managed by both a Supervisory Board and Management Board.
The Supervisory Board has permanent control over the company's management by the Management Board, and provides the latter with authorisations prior to the execution of the operations which it is unable to carry out without its authorisation.

The Management Board is invested with the widest possible powers as regards third parties in order to act, in any or all circumstances, on behalf of the company, subject to the powers expressly attributed by law to the Supervisory Board and to Shareholders' Meetings.

The powers of the Management Board have been set forth beyond legal provisions by Article 18 of the Memorandum and Articles of Association which provides that purchases, exchanges and sales of businesses or buildings, the formation of companies, or any or all contribution of duly-formed companies, or those to be formed, and any or all taking of interests in said companies, shall be authorised beforehand by the Supervisory Board. These provisions are enforceable against third parties.
Furthermore, at its Meeting of 21 March 2003, the Supervisory Board set the amounts under which its prior authorisation as regards the constitution of guarantees is not required.

2. COMPOSITION AND OPERATIONS OF THE ADMINISTRATION BODIES

2.1 The Supervisory Board

The Supervisory Board is composed of six (6) members, three (3) of whom are independent. Independent members are deemed to be those directors who meet the criteria set forth in the MEDEF-AFEP working memorandum of October 2003.
In 2003, the Supervisory Board mainly operated in the following areas: Analysis of the financial statements and approval of the management report, changes to the members of the Supervisory Board and the Management Board, discussions on the Management Board's quarterly business reports, examination of the regulated agreements, approval of the report on the option plans, changes to Group structures and shareholdings, acquisition projects, taking account of the Act on the New Economic Regulations and the Act on Financial Security, amendments to the Memorandum and Articles of Association, authorisation to the Management Board to constitute guarantees.

2.2 The Management Board

At the 2003 year-end, the Management Board was composed of the following three members:
Mr Pierre GATTAZ, Chairman
Mr P. Michel CHURG, Member and Deputy Managing Director
Mr André HERNANDEZ, Member, Divisional Manager
In 2003, the Management Board mainly operated in the following areas: Drawing up the quarterly business report, closing out the financial statements and the interim documents and issuing the management report, issuing the report on the option plans, issuing the list of regulated agreements, renewing the term of office of the Statutory Auditors, taking account of the Act on the New Economic Regulations and the Act on Financial Security, amendments to the Memorandum and Articles of Association, changes to the Group's structure and perimeter, requests for authorisation to constitute guarantees from the Supervisory Board.

3. INTERNAL AUDIT WITHIN THE RADIALL GROUP

The purpose of the internal audit procedures which are in force within RADIALL is to:
- On the one hand, ensure that management or transaction-implementation initiatives, and staff conduct, are in line with the strategy decided upon for the company's activities by the corporate bodies, and by applicable legislation and regulations, and by the company's in-house values, standards and rules;
- On the other hand, verify that the accounting financial and management information provided to the company's corporate bodies truly reflects the company's business activity and position.

One of the aims of the internal audit system is to prevent and control the risks arising from the company's business activity and the risk of errors or fraud, in particular in the fields of accounting and finance. As with any audit system, it is nevertheless unable to provide a watertight guarantee that these risks have been totally removed.

The Operational Departments Committee (Comité des Directions Opérationnelles (CDO)) is responsible for the internal auditing of the RADIALL Group. Said Committee is composed of the three members of the Management Board and four other Managers. It meets once every two weeks.
Moreover, RADIALL is subject to countless external audits by certain customers and, in particular, those in the military, aerospace, spatial, automotive and telecommunications sectors. These audits cover both technical and financial considerations, and certain elements of risk management.

At Group level, internal audit is organised around the following Operational Departments and Administrative Departments:
- The General Finance Directorate
- The Information Systems Department
- The Human Relations Department
- The Group Quality Department

Generally, the company strives to limit its financial risks and has therefore introduced a hedging policy intended to transfer the risks for which the Group would be unable to bear the financial consequences to the insurance companies.

One of the key features of operational internal auditing is the formalisation and steering of business, study, purchasing, investment and production processes, and approving their functioning by regularly internal and external audits.

The core of the Group's information system is based on an ERP system, which is widely used on the market, and to which most of the Group's entities are centrally linked. This software is installed on a single control computer hosted with a reputed outside service provider which provides permanent access and the required back-ups. The Group chose centralised management of access to the various operating systems. Security systems have been introduced so as to verify users of the message system, the ERP system and, generally, all the shared servers. A contingency plan for the ERP system is tested annually.

4. INTERNAL AUDIT RELATING TO THE ESTABLISHING OF THE FINANCIAL AND ACCOUNTING INFORMATION OF THE PARENT COMPANY

4.1 Organisation of the Accounts Division

The Division is structured around a Central Accounts Department based at the registered office and the Accounts Departments in the Plants.
The Central Accounts Department is responsible for the following:

- Customer accounts
- Payments to suppliers
- Cash
- Payroll
- Consolidation and reconciliation of inter-company flows
- Financial accounting
- Drawing up corporate tax returns and relations with the Authorities

The Accounts Departments in the Plants mainly record supplier invoices (goods, services and fixed assets).
In most cases, the principle of the separation of responsibilities (recording/payment) is respected.

4.2 Organisation of the accounting and financial information systems

Accounting is an integral part of the ERP system and is based around a single chart of accounts which is valid for the whole Group.
All the financial accounting entries relating to the income statements, and to some of the balance sheet accounts, are associated with management accounting entries enabling the monthly management report to be established.

4.3 Consolidation procedures for the financial statements:

The financial statements are consolidated on owner software, which is readily available on the market, and which operates on a client/server basis.
A person responsible for consolidation reports directly to the Head Accountant.
RADIALL carries out consolidation twice yearly, on 30 June and 31 December. An exact consolidation schedule is provided to all the Group's companies in advance so as to assist with forecasting and to shorten lead times.

Prior to being integrated and verified in the consolidation software, the entities input their standard documents into a standardised spreadsheet program, having a coherence verification mechanism enabling the quality of the information provided to be ensured. A critical review is carried out and, at all times, the Consolidation Department may verify, by remote access to the ERP accounting systems of the subsidiaries, the coherence of the documents with local figures.

4.4 Relations with the Statutory Auditors

The corporate and consolidated financial statements are subject to a full audit as at 31 December and an interim review at 30 June. Preparation, progress and summary meetings are held regularly between both firms.
In the main subsidiaries, one of the joint Statutory Auditors is also the local auditor.
An audit plan is discussed annually with the Statutory Auditors. It enables certain work to be concentrated on areas presenting specific risks.

5. ACTION PLAN FOR 2004

So as to constantly improve the Group's internal audit procedures, RADIALL's Supervisory Board has provided recommendations to the Management Board for the 2004 financial year.

These focus on three main areas:

- Establishing a road map of the risks for the Group, which analyses the critical domains, and the way in which the Group approaches risks, for each major operational and administrative department (sales, production, studies, finance, human resources…).
- Drafting and distributing a Group accounting procedures manual which is compatible with the new IFRS.
- Formalising an internal audit plan, directed, on the basis of the risks identified in the above road map.

E. Management report on the environment

RADIALL's Management Report on the environment focuses on the following areas:

- The chronic and potential consequences of its business activity on the environment,
- The measures introduced to limit said consequences,
- The targets imposed on the subsidiaries.

1. THE CONSEQUENCES

1.1 Consumption of rare resources in France

Consumption of water, raw materials and energy in RADIALL's four French assembly plants is low.

- Only water consumption at the Voreppe Plating Plant is significant with 4,300 m3 of water consumed. Total industrial water consumption is 17,700 m^3.

- Total energy consumption equals 12.6 MWh, 4.8 MWh of which is gas for heating and 7.8 MWh for electricity. The improvement of energy efficiency for 2003 was based on the installation of thermostats to limit gas consumption. Currently, renewable energy is not being used.

- The raw materials used are mainly free-cutting brass. The recycling of shavings is carried out at the machining plant.

1.2 Conditions for the use of land

The conditions for the use of land is limited to the construction of buildings and car parks. There are no material tips or land treatment of waste

Oil removers are installed when car parks are rearranged.

1.3 Air-borne waste

Air-borne waste consists of cleaning solvents (Trichlorethylene, Dichloromethane and Hydrofluoroether), and extractions from plating baths (acid, cyanide) with concentrations of less than 1mg/m^3

1.4 Water-borne waste

Two plants discharge tribo-finishing waste of around 1 to 5 m^3 per day.

The Voreppe site has a detoxication plant enabling the water and bath waste of the surface treatment plant to be treated.

There is 15 m3 of waste per day, with thresholds being complied with as regards cyanide, metals and COD.

No noise or odour pollution can be attributed to RADIALL's plants. In-house measures are introduced under the aegis of the Health and Safety and Work Conditions Committees of each site.

1.5 Waste

- The total mass of waste from consumption or household waste generated by all the sites is 200 tons with a recycling rate of around 50%.
  Waste consist of shavings from machining brass at Voiron, paper and boxes. A sorting process for polyethylene is currently being introduced.

- The mass of waste requiring special precautions as regards the environment represents 50 tons. Highly-concentrated cyanide and metallic baths are treated externally by accredited companies. Sludge from metallic hydroxides from the reprocessing of water from Voreppe represents 21 tons.

No waste is discharged into the ground in either solid or liquid form.

2. MEASURES INTRODUCED FOR THE ENVIRONMENT

At the Voiron, Isle d'Abeau and Château-Renault sites, environmental audits were conducted during 2003 and action plans resulted therefrom.

Said action plans enabled:

– the reduction of waste discharged into water,

– efficient waste collection and management to be organised for all sites,

– water consumption to be limited by reducing the amount of cooling.

At the Voreppe plant, an Environment Management System based on the ISO 14001 standard has been in place and certified since May 2001.

The integration with the quality management system is currently ongoing. ISO 14001 certification has also been obtained and is in force at the Shanghaï site.

The main pollution prevention expenditure relating to fitting-out the sites was the upkeep of the detoxication plant (EUR 25,000 in 2003),

In 2003, investments for the environment represented a total of EUR 75,000.

Forecasted investments for the environment for 2004 are around EUR 70,000, including improvement work for the nickel and COD waste for EUR 25,000.

On each site, there is a person responsible for matters relating to the environment. At Voreppe, a Group Environment Manager is in charge of the whole system.

Staff are kept informed by means of notice boards. At Voreppe, each new recruit is given an environmental-awareness induction course.

RADIALL did not pay any compensation for having caused pollution, and no actions for compensation were instituted against it during 2003.

Emergency plans introduced in order to limit any accidental pollution, were implemented in each site.

In addition, ETARE plans have been established with the départemental emergency services for Voreppe and Isle d'Abeau.

3. TARGETS IMPOSED ON THE SUBSIDIARIES

Under the Group's Environment Policy, the following targets have been imposed on the subsidiaries:

- Compliance with applicable regulations,
- A commitment to preventing pollution by improving waste management,
- Promotion of respect for the environment vis-à-vis staff.

These targets are currently being introduced in the main subsidiaries.

The Shanghaï (China) plant has a plating activity. Water consumption was 5,700 m^3 with 96 MW of electricity and 41 tons of waste.
In 2003, the main expenditure related to changing measuring equipment.

F. Shareholder's digest

CHANGES TO THE SHARE PRICE

In EUR	Highest	Lowest	Last	NEPS (Group)
1999	91.90	53.70	83.00	5.07
2000	218.00	76.00	180.00	7.84
2001	184.30	45.00	79.50	(1.98)
2002	80.00	29.50	35.95	(6.60)
2003	**63.00**	**26.05**	**56.20**	**(2.40)**

CAPITAL STRUCTURE

	31/12/02		31/12/03	
	% shares	% voting right	% shares	% voting right
RADIALL investment company *	27.9	33.2	27.9	32.9
HODIALL *	32.5	38.7	32.8	38.4
Pierre GATTAZ	12.6	12.7	12.4	13.4
Public and others **	27.0	15.4	26.9	15.3

* Holding companies which group together the interests of the GATTAZ families in RADIALL.

** The shares which have been identified as being held directly or indirectly by staff representing at least 0.2% of total shares.

As at 31/12/2003, RADIALL held, under an animation contract and in stock-options, 16,055 shares, i.e. 0.72% of the capital.

STOCK-OPTION PLANS

Plan no	Meeting Date	Allotment Date	Number of options		Subscription or purchase price EUR	Number of shares remaining to be issued	Deadlines for exercising options
			Subscription	Purchase (1)			
5	05/1994	05/1999		1,400	91.47	0	05/2004
6	05/1994	04/2000	500	10,800	108.00	500	03/2005
7	05/1994	03/2001		1,875	150.00	0	03/2006
8	05/2001	11/2003	14 200		59.00	14 200	11/2007

(1) modified by the EGM of 30 May 1995 (replacement of stock options by purchase options)

DIVIDENDS DISTRIBUTED DURING FOR THE LAST THREE FINANCIAL YEARS (IN EUR)

Financial year	Number of shares	Net dividend	Tax credit	Global earnings
2000	2,217,960	0.94	0.47	1.41
2001	2,217,960	0	0	0
2002	2,217,960	0	0	0

For information, the share capital was converted into euros without reference to a par value.

PROPOSAL TO THE OGM FOR THE 2003 FINANCIAL YEAR

The Management Board suggested not distributing a dividend and carrying the corporate loss forward to the OGM, on the following basis:

Loss for the 2003 financial year........EUR (3,639,765.17)
Carried forward ....EUR (6,275,570.52)

i.e. an amount of ....EUR (9,915,335.69)
carried forward........EUR (9,915,335.69)

REPORT ESTABLISHED BY THE STATUTORY AUDITORS IN APPLICATION OF THE FINAL PARAGRAPH OF ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE, ON THE BASIS OF THE REPORT FROM THE CHAIRMAN OF THE SUPERVISORY BOARD OF RADIALL AS REGARDS THE INTERNAL AUDIT PROCEDURES RELATING TO THE ESTABLISHING AND PROCESSING OF THE ACCOUNTING AND FINANCIAL INFORMATION OF THE RADIALL GROUP

Ladies and Gentlemen,

In our capacity as Statutory Auditors of RADIALL, and in application of the provisions of the final paragraph of Article L.225-235 of the French Commercial Code, we hereby present our own report on the report established by your company's Chairman in accordance with the provisions of Article L.225-68 of the French Commercial Code for the financial year ended 31 December 2003.

Under the responsibility of the Supervisory Board, the Management is responsible for establishing and implementing adequate and effective internal audit procedures. The Chairman is responsible for reporting, in his report, as regards the conditions for preparing and organising the work of Supervisory Board and the internal audit procedures introduced within the company.

We are responsible for providing you with our observations as to the information set forth in the Chairman's report, concerning the internal audit procedures relating to the elaboration and processing of the accounting and financial information.

We carried out our examination in accordance with the professional standards which apply in France. These standards require that we implement due diligence in order to assess the truthfulness of the information set forth in the Chairman's report concerning the internal audit procedures relating to the elaboration and processing of the accounting and financial information. In particular, this work involved:

– becoming conversant with the aims and general organisation of the internal auditing process, and the internal audit procedures relating to the elaboration and processing of the accounting and financial information, as presented in the Chairman's report;

– becoming conversant with the underlying work for the information thus provided in the report.

On the basis of this work, we have no observations to make on the information provided concerning the internal audit procedures of the RADIALL Group relating to the elaboration and processing of the accounting and financial information, presented in the report of the Chairman of the Supervisory Board, established in application of the final paragraph of Article L.225-68 of the French Commercial Code.

Executed in Antony and Paris, on 19 April 2004

CHRISTIAN COMERMAN
Christian COMERMAN

MAZARS & GUERARD
Denis GRISON

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2003

Assets (in EUR K)	31/12/02	31/12/03
Goodwill	4,917	3,611
Intangible assets	1,276	682
Tangible assets	29,258	22,625
Financial assets	1,489	1,213
Fixed assets	**36,940**	**28,131**
Inventories and work-in-progress	46,513	43,756
Trade accounts receivable	28,393	28,562
Other receivables and adjustment accounts	18,395	16,697
Self-held securities	997	862
Investment securities	7,001	7,067
Cash assets	13,115	11,699
Current assets	**114,414**	**108,643**
Total assets	**151,353**	**136,774**

LIABILITIES (in EUR K)	31/12/02	31/12/03
Capital	3,381	3,381
Premiums	11,211	11,211
Consolidated reserves	110,194	90,688
Group's share of income	(14,646)	(5,321)
Group's equity capital	**110,140**	**99,959**
Consolidated reserves of minority interests	2,738	2,053
Minority interests' loss	(64)	185
Minority interests	**2,674**	**2,238**
Provisions for liabilities and charges	**8,557**	**4,225**
Loans and financial debts	2,911	2,076
Trade accounts payable	13,096	15,563
Other debts and adjustment accounts	13,975	12,713
Debts	**29,982**	**30,352**
Total Liabilities	**151,353**	**136,774**

CONSOLIDATED INCOME STATEMENT AS AT 31 DECEMBER 2003

INCOME STATEMENT (in EUR K)	2002	2003
Turnover	**158,556**	**144,995**
Other operating revenue	6,234	12,799
Material costs	(45,875)	(47,367)
Staff expenses	(65,397)	(56,218)
Other operating expenses	(41,433)	(40,282)
Taxes and charges	(3,243)	(3,127)
Allocations for depreciation and provisions	(20,052)	(12,885)
Operating loss	**(11,210)**	**(2,085)**
as a % of Turnover	*-7.1%*	*-1.4%*
Financial expenses and revenue	(1,077)	(829)
Current loss from consolidated companies	**(12,287)**	**(2,914)**
Extraordinary expenses and revenue	(4,258)	386
Taxes on earnings	3,107	(1,768)
Net loss from consolidated companies	**(13,438)**	**(4,296)**
Depreciation of goodwill	(1,272)	(840)
Net loss of the consolidated group	**(14,710)**	**(5,136)**
Minority interests	(64)	185
Group's share of net loss	**(14,646)**	**(5,321)**
Number of shares	**2,217,960**	**2,217,960**
Earnings per share (in EUR)	(6.60)	(2.40)

FINANCIAL FLOWS TABLE

(in EUR K)	2002	2003
Operating transactions		
Net loss	**(14,646)**	**(5,321)**
Minority interests in earnings of consolidated companies	(64)	185
Net allocations for depreciation and provisions	9,616	6,054
Capital gains and losses on disposals	111	21
Deferred taxes	1,226	670
Funds from operations	**3,757**	**1,609**
Reduction (increase) in inventories	21,459	408
Reduction (increase) in trade receivables	12,913	(2,806)
Reduction (increase) in operating debts	(4,581)	1,480
Reduction (increase) in other current assets and liabilities	6,178	2,683
Variation in working capital requirements	**23,613**	**1,765**
Net cash-flow generated by business activities	19,856	3,374
Investment transactions		
Acquisitions of intangible assets	(269)	(47)
Acquisitions of tangible assets	(3,293)	(2,765)
Acquisitions of financial assets	(225)	(41)
Disposals of fixed assets	2,077	415
Impact of variations in the perimeter	(2,411)	
Net cash- flow related to investment transactions	(4,121)	(2,438)
Financing transactions		
Dividends paid to minority interests	(758)	(275)
Collections from loans		243
Repayment of loans	(4,535)	(323)
Net cash-flow related to financing transactions	(5 293)	(355)
Impact of currency fluctuations	(1,294)	(1,177)
Variation de trésorerie	9 148	(596)
Opening cash position	**9,982**	**19,130**
Closing cash position	**19,130**	**18,534**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

KEY EVENTS

After the three-year historical recession in the electronics sector, RADIALL is able to present more healthy financial statements for 2003. However, essentially as a result of highly unfavourable currency fluctuations, the Group's operating income remained slightly in the red. However the trend was for the continued improvement of operations.

1. ACCOUNTING PRINCIPLES

RADIALL's consolidated financial statements were drawn up in accordance with the Act of 3 January 1985, with its enacting Decree of 17 February 1986 and the Order of 22 June 1999 concerning CRC regulation 99-02.

1.1 Consolidation methods

The companies which are exclusively controlled are consolidated by the full-integration method. There are no jointly controlled companies, or companies in which RADIALL has a notable interest. Consolidation was carried out on the basis of the financial statements as at 31 December 2003 for all consolidated companies.
Any or all internal transactions are eliminated upon consolidation.

1.2 Conversion of the accounts and financial statements of foreign companies expressed in foreign currency

The balance sheets of foreign companies are converted into euros at the year-end exchange rate; income statements are converted at the average exchange rate for the financial year. The resulting translation differentials are included in the equity capital in the "translation differential" item.

1.3 Conversion of transactions denominated in foreign currency

Transactions denominated in foreign currencies are converted at the effective rate on the day of transaction; receivables and debts denominated in foreign currencies at the financial year-end are converted at the closing rate; translation differentials are recorded in the income statement.

1.4 Research and development expenses

All research and development expenses are recorded as expenses for the financial year.

2. VALUATION METHODS

2.1 Fixed assets

Tangible and intangible fixed assets appear in the balance sheet for their historical cost or their contribution value.

2.1.1 Intangible assets

Goodwill results from the difference between the cost of acquisition and the percentage of the corresponding shareholders' equity re-estimated and adjusted to the Group's standards. It is depreciated by the straight-line method over periods of between 5 and 10 years. In each case, if there is a risk of loss of value, acceleration in the depreciation of goodwill may be recorded in the results.
The other intangible assets are recorded at their historical value and are depreciated by the straight-line method over periods of between 1 and 5 years.

2.1.2 Tangible assets

Tangible assets appear in the balance sheet at their historical value. They are depreciated by the straight-line method, over the following periods:
– Buildings: 20 years
– Technical and industrial equipment: 3 to 7 years
– Other tangible assets: 5 to 10 years
Leasing agreements for equipment (office equipment, vehicles) are recorded in the consolidated financial statements as leasing if using the preferential method would not have had a significant impact on the balance sheet and the income statement.
The other equipment, which is financed by leases, which has the characteristics of an acquisition, is capitalised.

2.2 Non-consolidated equity interests

Equity interests are accounted for at their acquisition price. If this value is less then the value in present use, a provision for depreciation is made for the balance. The value in present use is the proportion of equity capital represented by the interests, where applicable, adjusted in order to take account of the perspectives for development and earnings.

2.3 Inventories and work-in-progress

Inventories of purchased materials and components are mainly valued in accordance with the obsolescence cost method. The risks of obsolescence are estimated on the basis of historical consumption and disposal forecasts when available. Products which are disposed of between 12 and 24 months are provided for at 30%. From 24 to 36 months, the provision is 70%, and over 36 months, the rate is 95%. Products with no term of disposal are provided for at 100%. New products, or those purchased under a specific customer agreement, are not provided for. When a specific risk is identified, an adequate provision is made.
In addition, a weighting or acceleration coefficient is applied to these depreciation rates according to different technical and commercial criteria (stage of product's life, rapid technologically evolving market, …)

2.4 Receivables and debts

Receivables and debts are valued at their nominal value. They are depreciated by means of a provision in the event of the risk of non-collection.

2.5 Investment securities, self-held securities and net cash

Net investment securities and cash assets are valued at the lower figure of their acquisition value and their market value. Self-held shares are intended either to adjust the stock market price, or to be used for stock-option plans. They are valued on the basis of the average of the last 20 stock market prices.
Net cash comprises the self-held shares, the investment securities net of provisions and the cash assets, less overdrafts and short-term credit facilities.

2.6 Deferred taxes

The income tax charge corresponds to the tax which is payable for each consolidated entity, corrected by deferred assessments. These are calculated using the liability method for all timing differences, which may exist in accounting for the book earnings for a financial year and the bases used for calculating tax. They are calculated by taking the future rate of corporate tax into account on its application date.

When the taxable entities are in the red, the tax assets are restricted to the amount of the deferred tax credits recorded, if they are unlikely to be collected, except if the possibility of tax loss carry-backs definitely exists.

2.7 Provisions for liabilities and charges

2.7.1 Provisions for severance payments on retirement

In accordance with the laws and practices of each country, our commitments are accounted for as expenses at their most likely realisation value.The end-of-career severance payments, which are owed to employees and estimated on the basis of statistical parameters, which take account of seniority, age, and the probable revaluation of remuneration, are accounted for by partially transferring their management to an insurance company, and by provisions for the supplementary proportion.

2.7.2 Other provisions for liabilities and charges

These provisions are intended to cover the probable risks and expenses arising from events which have occurred, or which are ongoing.

2.8 Financial instruments

The Group uses insurance cover, or financial instruments, to reduce or to limit exposure to fluctuations in foreign exchange and interest rates. The losses and profits, which are connected to this operation, are accounted for as financial transactions.

3. OTHER INFORMATION

3.1 Changes in the consolidation perimeter

The consolidation perimeter did not change during 2003.

3.2 Sector-based information

RADIALL has the almost unique activity of manufacturing connectors and associated components whose outlets are electronic applications.
However, in order to improve the knowledge of the company and its applications, the company provides information on the geographical distribution of its turnover as well as the market's significant segments. It also discloses the information which is available for each geographical zone.

Companies consolidated by the full integration method	Country	% interest	% control
RADIALL SA	France	100	100
RADIALL VENTURES CAPITAL	France	80	80
RADIALL LTD	Great Britain	100	100
RADIALL GmbH	Germany	100	100
RADIALL BV	The Netherlands	100	100
RADIALL AB	Sweden	100	100
RADIALL ELETTRONICA SRL	Italy	100	100
RADIALL INC	USA	100	100
JERRIK CONNECTING DEVICES INC	USA	100	100
RADIALL LARSEN	USA	100	100
FUTURISTICS COMPONENTS INC	USA	100	100
RADIALL DO BRASIL COMPONENTES EL. LTDA	Brazil	99.37	99.37
RADIALL ELECTRONICS (ASIA) LTD	Hong Kong	55	55
RADIALL INTERNATIONAL LTD	Hong Kong	100	100
RADIALL PROTECTRON LTD	India	51	51
NIHON RADIALL KK	Japan	65	65
SHANGHAÏ RADIALL ELECTRONICS CO. LTD	China	75.95	80

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. GOODWILL

In EUR K	31/12/02	Acquisitions	Allocations	Translation differential	Disposals	31/12/03
Gross values	11,221			(1,291)		9,930
Depreciation	(6,304)		(773)	758		(6,319)
Book values	**4,917**	**0**	**(773)**	**(533)**	**0**	**3,611**

There were no new acquisitions during 2003.

2. INTANGIBLE ASSETS

In EUR K	31/12/02	Reclassifications	Acquisitions	Translation differential	Disposals	31/12/03
Setting-up costs	141			(17)		124
Patents and licences	6,045	47	47	(179)	(519)	5,441
Goodwill	523			(77)		446
Other intangible assets	173	(23)		(22)		128
Total gross values	**6,882**	**24**	**47**	**(295)**	**(519)**	**6,139**

In EUR K	31/12/02	Reclassifications	Acquisitions	Translation differential	Disposals	31/12/03
Setting-up costs	117		2	(15)		104
Patents and licences	4,995	23	586	(159)	(519)	4,926
Goodwill	322		22	(43)		301
Other intangible assets	171	(23)		(22)		126
Total Depreciation	**5,605**	**0**	**610**	**(239)**	**(519)**	**5,457**

3. TANGIBLE ASSETS

In EUR K	31/12/02	Reclassifications	Acquisitions	Translation differential	Disposals	31/12/03
Land	1,162		70	(54)		1,178
Buildings	23,389	88	233	(560)	(190)	22,960
Plant and equipment	72,373	84	2,416	(2,215)	(2,587)	70,071
Other fixed assets	10,046	50	427	(564)	(1,157)	8,802
Current fixed assets	567	(178)	414	(9)		794
Advances and down payments	341		192		(341)	192
Total gross values	**107,878**	**44**	**3,752**	**(3,402)**	**(4,275)**	**103,997**

In EUR K	31/12/02	Reclassifications	Acquisitions	Translation differential	Disposals	31/12/03
Land						
Buildings	13,353		1,090	(149)	(125)	14,169
Plant and equipment	57,339	(47)	6,553	(1,307)	(2,466)	60,072
Other fixed assets	7,929	170	905	(408)	(1,465)	7,131
Total depreciation and provisions	**78,621**	**123**	**8,548**	**(1,864)**	**(4,056)**	**81,372**

3 bis. NET TANGIBLE ASSETS BY GEOGRAPHIC ZONE

In EUR K	31/12/02	31/12/03	Variation %
Europe	20,703	16,885	- 18 %
The Americas	5,584	3,917	- 30 %
Rest of the World	2,971	1,823	- 39 %
Totals	**29,258**	**22,625**	**- 23 %**

4. FINANCIAL ASSETS

In EUR K	31/12/02	Reclassifications and modification of perimeter	Acquisitions	Translation differential	Disposals	31/12/03
Other capitalised securities	1,120				(3)	1,117
Other financial assets	476		41	(16)	(234)	267
Total gross values	**1,596**	**0**	**41**	**(16)**	**(237)**	**1,384**

The other capitalised securities have been depreciated by EUR 171 K.

5. INVENTORIES AND WORK-IN-PROGRESS

In EUR K	31/12/02	31/12/03	Variation
Raw materials and supplies	46,155	40,904	(5,251)
Goods and services in progress	4,037	4,927	890
Intermediate and finished products	19,861	18,234	(1,627)
Total gross values	**70,053**	**64,065**	**(5,988)**
Provisions for raw materials and supplies.	(18,041)	(14,852)	3,189
Provisions for finished products	(5,499)	(5,457)	42
Total provisions	**(23,540)**	**(20,309)**	**3,231**
Book values	**46,513**	**43,756**	**(2,757)**
% of provision	*33.6 %*	*31.7 %*	

5 bis. INVENTORIES AND WORK-IN-PROGRESS BY GEOGRAPHIC ZONE

In EUR K	31/12/02	31/12/03	Variation %
Europe	35,789	33,073	- 8 %
The Americas	7,038	7,199	+ 2 %
Rest of the World	3,686	3,484	- 5 %
Totals	**46,513**	**43,756**	

6. CHANGE IN CUSTOMER RECEIVABLES

In EUR K	31/12/02	31/12/03	Variation
Customers	30,295	29,783	(513)
Provision	(1,902)	(1,221)	681
Book value	**28,393**	**28,562**	**168**
% of provision	*6.3 %*	*4.1 %*	

7. CHANGES IN OTHER RECEIVABLES

In EUR K	31/12/02	31/12/03	Variation
Advances and down payments on orders	18	77	59
Other receivables	3,580	4,455	875
Corporate taxes	2,562	1,464	(1,098)
Carry back	6,843	7,125	282
Deferred taxes assets	4,417	2,536	(1,881)
Adjustment accounts	972	1,040	68
Total	**18,395**	**16,697**	**(1,695)**

With the exception of the carry back and deferred tax asset receivables, all the other abovementioned receivables have a due date of less than one year.

8. NET CASH

In EUR K	31/12/02	31/12/03	Variation
Other investment securities	7,001	7,067	66
Cash assets	13,115	11,699	(1,416)
Total cash (assets)	**20,116**	**18,766**	**(1,350)**
Overdrafts and credit facilities	(986)	(232)	754
Net cash (excluding self-held securities)	**19,130**	**18,534**	**(596)**
Self-held securities	3,057	1,622	(1,435)
Provisions on securities	(2,060)	(760)	1,300
Book value of self-held securities	**997**	**862**	**(135)**
Net cash (with self-held securities)	**20,127**	**19,396**	**(731)**

The other investment securities were mainly acquired during the fourth quarter of 2003. Their value is similar to their closing value, without any major capital gains.
The portfolio of the other investment securities mainly consists of monetary or assimilated Unit Trusts (SICAV) and Mutual Funds (FCP).

9. EQUITY CAPITAL

In EUR K	Capital	Premiums	Consolidated reserves	Group earnings	Group share	Minority reserves	Minority earnings	Share of minority interests
31.12.2001	3,381	11,211	120,420	(4,383)	130,629	4,412	639	5,051
Appropriation of earnings N-1			(4,383)	(4,383)		639	(639)	
Earnings N				(14,646)	(14,646)		(64)	(64)
Distribution of dividends						(758)		(758)
Variation of perimeter						(1,074)		(1,074)
Translation differential			(5,843)		(5,843)	(481)		(481)
31.12.2002	3,381	11,211	110,194	(14,646)	110,140	2,738	(64)	2,674
Appropriation of earnings N-1			(14,646)	14,646		(64)	64	
Earnings N				(5,321)	(5,321)		185	185
Distribution of dividends						(275)		(275)
Variation of perimeter								
Translation differential			(4,860)		(4,860)	(346)		(346)
31.12.2003	3,381	11,211	90,688	(5,321)	99,959	2,053	185	2,238

As at 31 December 2003, the following stock-option plans were in effect:
- open as at 01/01/2003:.............. 500
- opened during the year: 14,200
- exercised during the year: 0
- having lapsed:........................... 0
- open as at 31/12/2003:.............. 14,700

Registered shares which have been held by the same holder for at least 4 years carry a double voting right.

10. PROVISIONS FOR LIABILITIES AND CHARGES

In EUR K	31/12/02	Allocations	Reversals used	Reversals not used	Exchange differences and reclassifications	31/12/03
End-of-career payments	1,030	190				1,220
Technical and commercial contingencies	614	131	(327)		112	530
Operating contingencies	1,305	356	(942)	(438)	1,348	1,629
Extraordinary and financial contingencies	5,607	452	(3,044)	(496)	(1,673)	846
Total	**8,556**	**1,129**	**(4,313)**	**(934)**	**(213)**	**4,225**

As at 31 December 2002, provisions for extraordinary contingencies mainly consisted of the cost of restructuring. This was used during 2003, in accordance with the implementation of the various plans. A reversal of EUR 496 K of unused provisions was made at 31 December 2003.

10 bis. SEVERANCE PAYMENTS ON RETIREMENT

Assumptions	2002	2003
1) Retirement age	63	63
2) Salary increase rate	3 %	3 %
3) Inflation rate	2 %	2 %
4) Rate of return on collective funds	4.5 %	4.5 %
5) Turnover	2.5 %	2.5 %
Total commitment in EUR K	**2,431**	**2,676**
Commitments entrusted to an insurance company	1,402	1,456
Commitments recorded in provisions for liabilities and charges	1,029	1,220
6) Mortality table	TV88/90	
7) Retirement conditions	100% at employee's initiative	

11. SCHEDULE OF LOANS AND FINANCIAL DEBTS

In EUR K	31/12/02	- 1 year	from 1 to 5 years	+ 5 years	31/12/03
Repayable advances	500	46	362	140	548
Leasing agreements	1,425	133	811	353	1,297
Cash advances	986	231			231
Total	**2,911**	**410**	**1,173**	**493**	**2,076**
Debts in EUR	2,281	396	1,050	492	1,938
Debts in USD	601	14	1	1	16
Debts in other currencies	29		122		122
Total	**2,911**	**410**	**1,173**	**493**	**2,076**

Loans and financial debts are not hedged against interest rate or foreign exchange risks, as a result of their insignificant nature.

12. OTHER DEBTS

In EUR K	31/12/02	31/12/03
Down payments on orders	1,669	698
Income taxes	982	1,221
Other tax and social security debts	9,327	8,729
Debts on fixed assets	162	751
Other debts and adjustment accounts	1,835	1,314
Total	**13,975**	**12,713**

13. FINANCIAL INSTRUMENTS

13.1 Foreign exchange risks

Within the framework of its policy of hedging against foreign exchange risks, the company had carried out the following transactions as at 31 December 2003:

• Sale of USD/ EUR foreign currency options: ......USD 14,000 K
• Optional forward sales, total of contracts : ....USD 1,365 K

These forward sales have a due date of less than 1 year.

13.2 Interest rate risks

The company's exposure to fluctuations in interest rates is limited to the use of a floating interest rate for the financing of the property leasing established in 2001. The impact of fluctuations of this floating rate does not have any significant effect on earnings.

14. OTHER OFF-BALANCE SHEET COMMITMENTS

At the end of December 2003, the value of the customer order book was EUR 43,546 K.

15. BREAKDOWN OF TURNOVER BY GEOGRAPHIC ZONE

En M€	2002		2003		Variation
	M€	%	M€	%	%
France	34.9	22 %	30.7	21 %	- 12 %
Other European countries	47.8	30 %	48.1	33 %	+ 1 %
North America	58.5	37 %	42.3	29 %	- 28 %
Rest of the World	17.4	11 %	23.8	16 %	+ 36 %
Total	**158.6**	**100 %**	**144.9**	**100 %**	**- 9 %**

16. OTHER OPERATING REVENUE

In EUR K	2002	2003	Variation %
Stored production	(8,791)	943	- 111 %
Capitalised production costs	1,112	388	- 65 %
Operating subsidy	152	83	- 46 %
Reversals of depreciation and operating provisions	10,301	7,389	- 27 %
Transfer of operating expenses	3,066	2,725	- 11 %
Other revenue	394	1,271	+ 222 %
Total	**6,234**	**12,799**	**+ 107 %**

17. MATERIAL COSTS

In EUR K	2002	2003	Variation %
Raw materials and supplies	37,077	43 892	+ 18 %
Reduction (increase) in inventories	8,798	3,475	- 61 %
Total	**45,875**	**47,367**	**+ 3 %**

18. WORKFORCE AND STAFF EXPENSES

In EUR K	2002	2003	Variation %
Salaries	49,797	41,857	- 16 %
Social security contributions	15,600	14,361	- 8 %
Total	**65,397**	**56,218**	**- 14 %**
France	41,336	37,305	- 10 %
International	24,061	18,913	- 21 %
Total Staff expenses	**65,397**	**56,218**	**- 14 %**

Staffing levels	2002	2003	Variation %
France	1,106	989	- 11 %
International	617	577	- 6 %
Average staffing levels	**1,723**	**1,566**	**- 9 %**

19. OTHER OPERATING EXPENSES

In EUR K	2002	2003	Variation
Other non-stocked purchases	5,680	5,848	+ 3 %
External services	34,372	33,534	- 2 %
Other expenses	1,383	900	- 35 %
Total	**41,435**	**40,282**	**- 3 %**

20. RESEARCH AND DEVELOPMENT EXPENSES

The amount of R&D expenses, recorded entirely as charges for the financial year, represented EUR 12.5 M.

21. ALLOCATIONS FOR DEPRECIATION AND OPERATING PROVISIONS

In EUR K	2002	2003	Variation
Depreciation on fixed assets	10,812	9,392	- 13 %
Provisions on current assets	7,124	2,817	- 60 %
Loss and contingency provisions	2,115	676	- 68 %
Total	**20,052**	**12,885**	**- 36 %**

22. FINANCIAL INCOME

In EUR K	2002	2003
Foreign exchange gains	2,285	2,374
Interest and related revenue	468	425
Reversals of provisions	185	1
Total financial revenue	**2,938**	**2,800**
Foreign exchange losses	2,651	3,306
Interest and financial expenses	86	257
Allocations to financial provisions	1,278	66
Total financial expenses	**4,016**	**3,629**

23. EXTRAORDINARY INCOME

In EUR K	2002	2003
On management operations	502	34
On capital operations	1,965	190
Reversals of provisions	3,783	4,765
Total extraordinary revenue	**6,250**	**4,989**
On management operations	4,192	3,970
On capital operations	2,077	211
Allocations aux provisions	4,239	422
Total extraordinary expenses	**10,508**	**4,603**

Reversals of provisions include EUR 2,620 K of restructuring expenses, either incurred or completed during this financial year, and which were provided for as at 31/12/2002.
Disposals of self-held securities generated expenditure of EUR 996 K, but the reversal of the provisions on these same securities generated a profit of EUR 1,300 K. So as to have stable interim earnings, the depreciation of self-held securities, which was previously recorded as a financial allocation, has been restated in extraordinary expenses.

24. INCOME TAXES

24.1 VALIDATION OF THE TAX

In EUR K	2002	2003
Pre-tax income	(17,818)	(3,368)
Theoretical tax at the rate in force in each country	5,695	1,103
Impact of non-deductible expenses and non-taxable revenues	(121)	(204)
Deferred taxes not recorded in the deficits for the period	(2,427)	(2,531)
Others	(41)	(136)
Tax charge	**3,106**	**(1,768)**

The recording of deficits which can be carried over, and which constitute unaccounted for deferred tax assets, expires on the following dates:

Amount in EUR K	Year
2,343	2007
11,873	indefinitely

24.2 TAX CHARGE

In EUR K	2002	2003
Taxes due	4,332	(1,098)
Deferred taxes	(1,226)	(670)
Total taxes	**3,106**	**(1,768)**

Deferred taxes are mainly the result of temporary differences.

STATUTORY AUDITORS REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Ladies and Gentlemen,

In performance of the assignment which was entrusted to us by your General Meeting, we audited RADIALL's consolidated financial statements for the financial year ended 31 December 2003, as appended to this report.
The consolidated financial statements were closed out by the Management Board. On the basis of our audit, we are responsible for providing an opinion on these financial statements.

I. Opinion on the consolidated financial statements

We carried out our audit in accordance with the standards of the profession in France. These standards require that we use due diligence in order to be reasonably sure that the consolidated financial statements contain no major misstatements. An audit involves examining, by means of sampling, the probative elements which justify the information contained in these financial statements. It also involves assessing the accounting principles which were used and the significant estimates which were made in order to draw up the financial statements and to assess their overall presentation. We consider that our audit provides a reasonable basis for the opinion provided below.
We hereby certify that the consolidated financial statements are, as regards the accounting standards and principles applicable in France, legally-constituted and genuine, and provide an accurate picture of the assets, the financial position, and the results of all the companies included in the consolidation perimeter.

II. Justification of the assessment

Under the provisions of Article L. 225-235 of the French Commercial Code relating to the justification of our assessment, introduced by the Financial Security Act of 1 August 2003, and applicable for the first time to this financial year, the assessment which we have made, so as to provide the above opinion, relating essentially to the accounting principles implemented and the significant estimates used in order to draw up the financial statements, and to their overall presentation, do not call for any particular comment.

III. Specific verification

Moreover, we have verified the information provided in the Group's management report. We have no comments to make as to its accuracy and coherence with the consolidated financial statements.

Executed in Antony and Paris, on 19 April 2004

CHRISTIAN COMERMAN
Christian COMERMAN

MAZARS & GUERARD
Denis GRISON

CORPORATE FINANCIAL STATEMENTS

BALANCE SHEET AS AT 31 DECEMBER 2003

Assets in EUR K	31/12/02	31/12/03		
		Gross	DEPRC & PRV	Net
Fixed assets				
Intangible assets	**882**	**4,471**	**4,029**	**442**
Patents and licences	207	707	587	120
Software	675	3,694	3,372	322
Goodwill		70	70	
Tangible assets	**17,886**	**79,920**	**65,427**	**14,493**
Land	690	760		760
Buildings	5,452	16,209	11,269	4,940
Technical plant	9,661	57,080	50,050	7,030
Other fixed assets	1,232	5,066	4,108	958
Current fixed assets	510	613		613
Advances and down payments	341	192		192
Financial assets	**25,614**	**27,047**	**2,847**	**24,200**
Interests	25,269	26,893	2,847	24,046
Other capitalised securities	288	92		92
Other financial assets	57	62		62
Total fixed assets	**44,382**	**111,438**	**72,303**	**39,135**
Current assets				
Inventories and work-in-progress	29,833	46,380	14,096	32,284
Raw materials and supplies	19,350	32,758	11,458	21,300
Goods and services in progress	3,121	3,708		3,708
Intermediate and finished products	7,362	9,914	2,638	7,276
Trade receivables	**21,610**	**28,528**	**39**	**28,489**
Other assets	**13,476**	**12,805**		**12,805**
Advances and down payments on orders	18	61		61
Other receivables	12,486	11,259		11,259
Prepaid expenses	743	616		616
Unrealised foreign exchange losses	229	869		869
Cash	**9 179**	**8,564**	**759**	**7,805**
Own shares	998	1 622	759	863
Other securities	6,423	6,427		6,427
Cash assets	1,758	515		515
Total current assets	**74,098**	**96,277**	**14,894**	**81,383**
Total assets	**118,480**	**207,715**	**87,197**	**120,518**

BALANCE SHEET AS AT 31 DECEMBER 2003

Liabilities in EUR K	31/12/02	31/12/03
Equity capital		
Capital	3,381	3,381
Premiums	21,179	21,179
Legal reserve	338	338
Statutory and contractual reserves	65 179	65,179
Regulated reserves	4,164	4,164
Retained earnings	2,288	(6,276)
Loss for the financial year	(8,564)	(3,640)
Investment subsidy	3	
Regulated provisions	4,503	3,313
Total equity capital	**92,471**	**87,638**
Provisions		
For contingencies	5,534	2,580
For expenses	1,029	1,220
Total provisions	**6,563**	**3,800**
Debts		
Financial debts	1,105	2,456
Loans and debts with credit institutions	355	217
Loans and financial debts	750	2,239
Trade payables	**10,926**	**19,054**
Other debts	**7,416**	**7,571**
Advances and down payments on orders	311	48
Tax and social security debts	6,855	6,931
Debts to fixed asset suppliers	162	275
Other debts	35	64
Unrealised foreign exchange gains	53	253
Total debts	**19,446**	**29,080**
Total liabilities	**118,480**	**120,518**

2003 INCOME STATEMENT

In EUR K	2002	2003
Operating revenue		
Sales of production	92,698	96,798
Sales of services	70	512
Total Turnover	**92,768**	**97,310**
Stored production	(1 319)	340
Capitalised production costs	962	388
Operating subsidies	152	83
Reversals of provisions, depreciation, and transfer of expenses	3,262	5,445
Other revenue	462	573
Total operating revenue	**96,287**	**104,139**
Operating expenses		
Purchases of materials and supplies	23,463	35,354
Reduction (increase) in inventories	5,422	(392)
Other purchases and external services	24,624	26,357
Taxes and charges	2,836	2,832
Salaries	30,117	26,781
Social security contributions	11,219	10,523
Allocations		
for depreciation of fixed assets	7,369	6,752
to provisions on current assets.	3,175	18
to provisions for loss and contingencies	1,066	550
Other expenses	324	296
Total operating expenses	**109,615**	**109,071**
Operating loss	**(13,328)**	**(4,932)**
Financial revenue		
Financial revenue	3,540	1,572
Foreign exchange lgains	2,119	1,466
Total financial revenue	**5,659**	**3,038**
Financial expenses		
Financial expenses	2,195	2,182
Foreign exchange losses	2,032	1,845
Total financial expenses	**4,227**	**4,027**
Financial income	**1,432**	**(989)**
Pre-tax current loss	**(11,896)**	**(5,921)**
Extraordinary revenue	6,809	6,003
Extraordinary expenses	8,419	4,003
Extraordinary loss	**(1,610)**	**2,000**
Income taxes	(4,942)	(281)
Net loss	**(8,564)**	**(3,640)**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

KEY EVENTS

After the three-year historical recession in the electronics sector, RADIALL is able to present more healthy financial statements for 2003. However, essentially as a result of highly unfavourable currency fluctuations, the Group's operating income remained slightly in the red. However the trend was for the continued improvement of operations.

1. ACCOUNTING PRINCIPLES

RADIALL's corporate financial statements are established on the basis of the provisions of the 1999 General Chart of Accounts, accredited by the Order of 22 June 1999. The accounting rules and methods used are the same as for the previous financial year.

2. VALUATION PRINCIPLES AND METHODS

2.1 Valuation principle

The basic method used to value the elements recorded in the accounts is the historical costs method. Fixed assets which justify it are recorded at their contribution value on the entry date.

2.2 Research and development expenses

All research and development expenses are recorded as expenses for the financial year.

2.3 Intangible assets

Intangible assets are depreciated by the straight-line method over periods of between 1 and 5 years.

2.4 Tangible assets

Tangible assets are depreciated by the straight-line method over the following periods:

– buildings : 20 years
– technical and industrial equipment: 3 to 7 years
– other tangible assets: 5 to 10 years.

2.5 Equity interests

Equity interests are accounted for at their acquisition price. If this value is less then the value in present use, a provision for depreciation is made for the balance. The value in present use is the proportion of equity capital represented by the interests, where applicable, adjusted in order to take account of the perspectives for development and earnings.

2.6 Inventories and work-in-progress

Inventories of purchased materials and components are mainly valued in accordance with the obsolescence cost method. The risks of obsolescence are estimated on the basis of historical consumption and disposal forecasts when available. Products which are disposed of between 12 and 24 months are provided for at 30%. From 24 to 36 months, the provision is 70%, and over 36 months, the rate is 95%. Products with no term of disposal are provided for at 100%. New products, or those purchased under a specific customer agreement, are not provided for. When a specific risk is identified, an adequate provision is made.
In addition, a weighting or acceleration coefficient is applied to these depreciation rates according to different technical and commercial criteria (stage of product's life, rapid technologically evolving market, …).

2.7 Receivables and debts

Receivables and debts are valued at their nominal value, and are re-valued at the closing rate, where applicable. Receivables are depreciated by means of a provision in the event of the risk of non-collection.

2.8 Investment securities, self-held securities and net cash

Net investment securities and cash assets are valued at the lower figure of their acquisition value and their market value.
Self-held shares are intended either to adjust the stock market price, or to be used for stock-option plans. They are valued on the basis of the average of the last 20 stock market prices.
Net cash comprises the self-held shares, the investment securities net of provisions and the cash assets, less overdrafts and short-term credit facilities.

2.9 Provisions for liabilities and charges

2.9.1 Provisions for severance payments on retirement

End of career payments owed to French employees, assessed on the basis of an actuarial simulation, are accounted for in the company's accounts. The management of these commitments is partially transferred to an insurance company, with a provision for liabilities and charges being made for the supplementary proportion.

2.9.2 Other provisions for liabilities and charges

These provisions are intended to cover the probable risks and expenses arising from events which have occurred, or which are ongoing.

2.10 Financial instruments

The Group uses insurance cover or financial instruments to reduce or to limit exposure to fluctuations in foreign exchange and interest rates. The losses and profits, which are connected to this operation, are accounted for as financial transactions.

3. OTHER INFORMATION

3.1 Modification of, or changes to, methods

The 2003 financial statements were drawn up in strict compliance with previous methods.

3.2 Changes to equity interests

The consolidation perimeter did not change during 2003.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. CHANGES IN TANGIBLE ASSETS

In EUR K	31/12/02	Acquisitions	Transfers	Disposals	31/12/03
Land	690	70			760
Buildings	16,040	228	15	(74)	16,209
Plant and equipment	56,258	2,033	81	(1,292)	57,080
Other fixed assets	5,614	198	(1)	(745)	5,066
Current fixed assets	510	278	(175)		613
Advances and down payments	341	192		(341)	192
Total	**79,453**	**2,999**	**(80)**	**(2,452)**	**79,920**

As with 2002, 2003 was a year of low levels of investment.
Current fixed assets and advances and down payments on fixed assets are mainly expenses incurred for the acquisition of plant and equipment. During the year, the “advances and down payments” item was reclassified into the “suppliers of fixed assets” item.
The difference of EUR 80 K corresponds to ongoing 2002 advances which were cancelled during 2003.

2. CHANGES IN DEPRECIATION OF TANGIBLE ASSETS

In EUR K	31/12/02	Increase	Reduction	31/12/03
Buildings	10,588	745	(64)	11,269
Plant and equipment	45,096	5,046	(92)	50,050
Other fixed assets	5,883	469	(2,244)	4,108
Total	**61,567**	**6,260**	**(2,400)**	**65,427**

3. CHANGES TO FINANCIAL ASSETS

In EUR K	31/12/02	Increase	Reduction	31/12/03
Equity interests	26,893			26,893
Other securities	288		(196)	92
Other financial assets	57	8	(3)	62
Gross total	**27,238**	**8**	**(199)**	**27,047**
Provisions for depreciation of equity interests	(1,624)	(1,281)	58	(2,847)
Total	**25,614**	**(1,273)**	**(141)**	**24,200**

4. CHANGES IN GROSS INVENTORIES

In EUR K	31/12/02	31/12/03	Variation
Raw materials and supplies	32,366	32,758	392
Goods and services in progress	3,121	3,708	587
Intermediate and finished products	10,160	9,914	(246)
Total gross value	**45,647**	**46,380**	**733**
Provisions for raw materials and supplies	13,016	11,458	(1,558)
Provisions for finished products	2,798	2,638	(160)
Total provisions	**15,814**	**14,096**	**(1,718)**
Total book value	**29,833**	**32,284**	**2,451**
% of provisions	34.6	30.4	

5. TRADE RECEIVABLES

This item corresponds to the amount of customer receivables and commercial papers received. The latter item includes commercial papers with a value of EUR 2,077 K. The due dates of the receivables are less than 1 year.

5 bis. BREAKDOWN OF OTHER RECEIVABLES

In EUR K		31/12/02			31/12/03	
	-1 year	+1 year	Total	-1 year	+1 year	Total
Carry back		6,843	6,843		7,125	7,125
Corporate tax	53	835	888	66	835	901
Other receivables from the State	1,827		1,827	3,066		3,066
Group	2,945		2,945			
Miscellaneous adjustment accounts	973		973	1,713		1,713
Total	**5,798**	**7,678**	**13,476**	**4,845**	**7,960**	**12,805**

The corporate tax receivable of over one year corresponds to the research tax credit and to the various deductions at source which will be chargeable to future taxes.

6. INVENTORY OF INVESTMENT SECURITIES

Unit Trust investments: .... EUR 3,427 K
Deposit certificates: .... EUR 3,000 K
Self-held RADIALL shares:
• Own shares under animation contract: .... EUR 238 K, i.e. 3,955 shares
• Own shares for purchase options: .... EUR 1,384 K, i.e. 12,100 shares
At 31 December 2003, these shares were depreciated in the sum of EUR 760K.

7. CHANGES IN EQUITY CAPITAL

	In EUR K
Equity capital at 31/12/2002	92,471
Changes to the investment subsidy	(3)
Changes to regulated provisions	(1,190)
2003 Loss	(3,640)
Equity capital at 31/12/2003	87,638

The company's share capital did not undergo any changes during 2003. It stands at EUR 3,381,268 for 2,217,960 shares without par value.
At 31 December 2003, the stock-option plans were as follows:

	Number of shares
• Open as at 01/01/2003	500
• Opened during the year	14 200
• Exercised during the year	0
• Having lapsed	0
• Open as at 31/12/2003	14 700

Registered shares which have been held by the same holder for at least 4 years carry a double voting right.

8. PROVISIONS

In EUR K	31/12/02	Increases	Reversals	Having become irrelevant	31/12/03
Accelerated depreciation	4,503	578	(1,768)		3,313
Total	**4,503**	**578**	**(1,768)**		**3,313**
Foreign exchange risks	228	869	(228)		869
Technical and commercial risks	2,225	112	(857)	(427)	1,053
Miscellaneous risks	3,081	256	(2,183)	(496)	658
Total provisions for risks	**5,534**	**1,237**	**(3,268)**	**(923)**	**2,580**
End-of-career payments	1,029	191			1,220
Total provisions for expenses	**1,029**	**191**			**1,220**

At 1 January 2003, the provisions for risks included provisions for restructuring costs. These were used during 2003. A proportion of these provisions which had become irrelevant was reversed during 2003 in the sum of EUR 496 K. As regards technical and commercial risks, an amount of EUR 427 K, corresponding to a risk which has now disappeared, has become irrelevant.

8 bis. SEVERANCE PAYMENTS ON RETIREMENT

Assumptions	2002	2003
1) Retirement age	63	63
2) Salary increase rate	3 %	3 %
3) Inflation rate	2 %	2 %
4) Rate of return on collective funds	4.5 %	4.5 %
5) Turnover	2.5 %	2.5 %
Total commitment in EUR K	**2,431**	**2,676**
Commitments entrusted to an insurance company	1,402	1,456
Commitments recorded in provisions for liabilities and charges	1,029	1,220
6) Mortality table	TV88/90	
7) Retirement conditions	100% at employee's initiative	

9. SCHEDULE OF DEBTS

In EUR K	31/12/02			31/12/03		
	- 1 an	+ 1 an	Total	- 1 an	+ 1 an	Total
Loans and debts with credit institutions	355		355	217		217
Miscellaneous financial debts		389	389	46	267	313
Group current accounts	361		361	1,926		1,926
Accrued commercial papers	2,785		2,785	2,415		2,415
Suppliers	8,303		8,303	16,914		16,914
Advances and down payments	311		311	48		48
Tax and social security debts	6,854		6,854	6,930		6,930
Others	88		88	317		317
Total	**19,057**	**389**	**19,446**	**28,813**	**267**	**29,080**

10. ACCRUED LIABILITIES AND ACCRUED REVENUE IN THE BALANCE SHEET ITEMS

Accrued liabilities and accrued revenue, included in the balance sheet items, are neither significant or extraordinary, and do not show any particular variation from one year to the other.

11. ITEMS REGARDING AFFILIATED COMPANIES

In EUR K	31/12/02	31/12/03
Interests (Gross amounts)	26,893	26,893
Trade receivables	8,656	15,825
Other receivables	21	14
Loans and sundry financial debts (Current accounts)	2,742	(1,809)
Trade accounts payable	(1,252)	(5,802)

12. OFF-BALANCE SHEET COMMITMENTS

Within the framework of its policy of hedging against foreign exchange risks, RADIALL committed itself to maturity dates running from January to December 2004, as follows:
• Sale of USD/ EUR foreign currency options:..........USD 14,000 K
• Optional forward sales, total of contracts :...............USD 1,365 K
These forward sales have a due date of less than 1 year.

A EUR 100 K subsidy was granted by RADIALL SA to RVC in 2002.
This is to be repaid in the event of a return to "better results" within the next 5 years.

13. TURNOVER

In EUR K	2002	2003
FRANCE	**34,856**	**30,745**
With affiliated companies	-	-
Others	34,856	30,745
INTERNATIONAL	**57,912**	**66,565**
With affiliated companies	39,672	47,199
Others	18,240	19,366
Total	**92,768**	**97,310**

14. EXTERNAL SERVICES

Amongst other things, this item includes subcontracting expenses (EUR 4,331 K, representing a 33% increase compared with 2002), and temporary staff expenses of EUR 3,709 K (an increase of 22% compared with 2002). Changes to other expenses are relatively stable.

15. STAFF EXPENSES

Following the various redundancy plans during 2002 and 2003, average staffing levels again fell as at 31 December 2003 (–10%).
The 2003 payroll fully reflected the effects of the 2002 redundancy plan and was also 10% less than for 2002.
As redundancy plan was provided for during 2002, the cost of redundancies did not have any impact on staff expenses during 2003.

16. REVERSAL OF DEPRECIATION, PROVISIONS AND TRANSFERS OF EXPENSES

This item corresponds to reversals of provisions for depreciation of customer accounts (EUR 36 K), reversals of provisions on tangible assets (EUR 127 K), reversals of provisions for liabilities and operating expenses having become irrelevant, transfers of expenses (EUR 1,297 K), and depreciation of inventories having become obsolete (EUR 1,718 K). Transfers of operating expenses (EUR 2,267 K) mainly consisted of payroll expenses and other expenses related to the redundancy plans and transferred to extraordinary expenses.

17. OTHER MANAGEMENT REVENUE

This relatively stable item requires no commentary.

18. FINANCIAL INCOME

Financial income mainly consists of dividends collected by the subsidiaries for EUR 977 K and financial allocations of EUR 2,151 K (mainly from provisions for depreciation of equity interests).

19. EXTRAORDINARY INCOME

Extraordinary income mainly consists of reversals of provisions for liabilities and charges for EUR 2,863 K, net reversals of accelerated depreciation for EUR 1,189 K, net reversals on disposals of own shares for EUR 305 K and restructuring costs of EUR 2,283 K.

20. STAFF INTERESTS

This year, the staff did not share in the profits.

21. CORPORATE TAX

This year, the company did not generate the R&D tax credit. It did however record an additional carry back receivable of EUR 210 K as at 31/12/2003 and has an unused tax credit of EUR 2,386 K and a net capital loss to be attributed of EUR 1,839 K (EUR 1,075 K for 2002 and EUR 764 K for 2003).

OTHER INFORMATION

TAXES ON PROFITS

Breakdown of taxes on profits.

In EUR K	Pre-tax	After tax
Current income	(5,921)	(5,497)
Extraordinary income	2,000	1,857
Income taxes	281	0
Loss	**(3,640)**	**(3,640)**

In 2003, the company failed to generate the expected tax credit.

ELEMENTS LIKELY TO REDUCE OR INCREASE RADIALL'S FUTURE TAX DEBTS

En K€	31/12/02	Increase	Reduction	31/12/03
Regulated provisions and expenses to reintegrate in the future				
- Accelerated depreciation	4,503	578	(1,768)	3,313
- Investment subsidies	3		(2)	1
Future tax base	**4,506**	**578**	**(1,770)**	**3,314**
Expenses not deductible for tax purposes for the year				
- Temporarily non-deducted provisions and expenses	6,564	1,413	(4,193)	3,784
- ORGANIC	121	126	(121)	126
Prepaid tax base	**6,685**	**1,539**	**(4,314)**	**3,910**
Future tax savings (on the basis of taxes at 35.43%)	769			211

STAFFING LEVELS

Staffing levels at 31 December 2003 had changed as follows:

In EUR K	31/12/02	31/12/03
Employees / operatives	567	558
Technicians / supervisors	259	241
Executives and general management	205	196
Total	**1,031**	**995**

TABLE OF SUBSIDIARIES AND INTERESTS

AT 31 DECEMBRE 2003

In EUR K	Capital (1)	Reserves Retained earnings (1)	% of capital held	Book value of shares		Turnover, excl. taxes 2003 Fin. Year (2)	Net income 2003 (2)	Dividends collected by RADIALL SA
				Gross	Net			
FRANCE								
RADIALL VENTURES CAPITAL	1,000	23	80,00	876	776		(52)	
ABROAD								
RADIALL GMBH (GERMANY)	486	187	100.00	229	229	11,560	84	351
RADIALL ITALY	257	2,981	100.00	596	596	8,323	936	
RADIALL NETHERLANDS	16	1,589	100.00	11	11	4,992	300	
RADIALL SWEDEN	33	118	100.00	47	47	719	178	
RADIALL INC (USA)	12,272	4,659	100.00	13,527	13,527	10,661	922	
RADIALL HONG KONG	31	451	55.00	18	18	5,010	596	403
RADIALL BRAZIL	122	(206)	99.37	683	367	156	10	
TRANSRADIO LTD (UK)	3,169	3,943	100.00	4,521	4,521	15,883	(732)	
RADIALL PROTECTRON (INDIA)	349	444	51.00	274	274	1,750	203	
NIHON RADIALL KK (JAPAN)	185	687	65.00	116	116	2,624	10	
SHANGHAI RADIALL (CHINA)	5,870	(1,690)	71.00	5,994	3,563	10,577	(763)	
RADIALL INTERNATIONAL	1	20	100.00	1	1	2,032	112	223

(1) The amounts in local currency were converted at the closing rate for the foreign subsidiaries.
(2) The amounts in local currency were converted at the average rate for the financial year for the foreign subsidiaries.

MAIN CURRENCIES USED

	Closing rate (EUR)	Average rate (EUR)
US Dollar	1.2630	1.1310
Hong Kong Dollar	9.8049	8.8060
Pound Sterling	0.7048	0.6920
Swedish Crown (Krona)	9.0800	9.1240
Indian Rupee	57.3100	52.4620
Yen	135.0500	130.9640
Yuan	10.4536	9.3230
Brazilian real	3.6263	3.5020

THE COMPANY'S FINANCIAL RESULTS

FOR THE LAST FIVE FINANCIAL YEARS

In EUR	1999	2000	2001	2002	2003
Financial position at the end of the financial year					
a) Share capital					
b) Number of shares issued	3,227,630	3,381,268	3,381,268	3,381,268	3,381,268
c) Number of convertible bonds	2,117,180	2,217,960	2,217,960	2,217,960	2,217,960
Global income from operations carried out					
a) Turnover, exclusive of taxes	115,523,861	146,338,938	131,112,266	92,767,685	97,310,065
b) Profits before tax, profit-sharing, depreciation and provisions	15,088,598	22,791,007	15,028,546	- 835,764	- 3,259,617
c) Income taxes	3,533,354	5,517,853	- 2,624,570	- 4,942,410	- 281,010
d) Profits after tax, before profit-sharing, depreciation and provisions	11,555,244	17,273,154	17,653,116	4,106,646	- 2,978 607
e) Net income	4,881,795	9,588,552	- 614,137	- 8,563,838	- 3,639,765
f) Amount of distributed profit	1,505,415	2,063,638	-	-	-
Earnings per share					
a) Earnings after tax, before, depreciation and provisions	5.18	7.31	7.96	1.85	- 1.34
b) Earnings after tax, profit-sharing, depreciation and provisions	2.31	4.32	- 0.28	- 3.86	- 1.64
c) Dividend paid per share	0.72	0.94	-	-	-
Staff					
a) Employees (average staffing levels)	1,006	1,112	1,246	1,106	989
b) Payroll	24,500,129	27,233,799	31,422,668	30,116,915	26,781,434
c) Amounts paid in corporate benefits	10,325,844	10,712,091	12,018,893	11,258,980	10,404,080

THE STATUTORY AUDITORS' GENERAL REPORT

Ladies and Gentlemen,

In execution of the assignment entrusted to us by your General Meeting, we hereby present our report to you for the financial year ended 31 December 2003:

- The audit of RADIALL S.A.'s annual financial statements, as appended to this report,
- The justification of the assessment
- The specific verification and information required by law.

The annual financial statements were closed out by the Management Board. On the basis of our audit, we are responsible for providing an opinion on these financial statements.

I. Opinion on the annual financial statements

We carried out our audit in accordance with the standards of the profession in France. These standards require that we use due diligence in order to be reasonably sure that the annual financial statements contain no major misstatements. An audit involves examining, by means of sampling, the probative elements which justify the information contained in these financial statements. It also involves assessing the accounting principles which were used and the significant estimates which were made in order to draw up the financial statements and to assess their overall presentation. We consider that our audit provides a reasonable basis for the opinion provided below.

We hereby certify that the annual financial statements are, as regards the accounting standards and principles applicable in France, legally-constituted and genuine and provide an accurate picture of the results of the operations for the previous financial year, as well as the company's financial position and assets at the end of said financial year.

II. Justification of the assessment

Under the provisions of Article L. 225-235 of the French Commercial Code relating to the justification of our assessment, introduced by the Financial Security Act of 1 August 2003, and applicable for the first time to this financial year, the assessment which we have made, so as to provide the above opinion, relating essentially to the accounting principles implemented and the significant estimates used in order to draw up the financial statements, and to their overall presentation, do not call for any particular comment.

III. Verification and specific information

We also carried out the specific verification required by law, in accordance with the professional standards applicable in France.

We have no comment to make as to the accuracy and coherence of the information, which is provided in the Management Board's management report and in the documents sent to the shareholders on the financial position and the annual financial statements, with said annual financial statements.

In accordance with the law, we have verified that the management report provides you with information as to the identity of the holders of the share capital.

Executed in Antony and Paris, on 19 April 2004

CHRISTIAN COMERMAN
Christian COMERMAN

MAZARS & GUERARD
Denis GRISON

THE STATUTORY AUDITORS' SPECIAL REPORT ON THE REGULATED AGREEMENTS

In our capacity as your company's Statutory Auditors, we hereby present our report on the regulated agreements.

We are not responsible for searching for the possible existence of other agreements, but for informing you, on the basis of the information which has been provided to us, as to the essential features and terms and conditions of the agreements which we have been informed of, without having to provide an opinion as to their utility or appropriateness. You are responsible for assessing the benefit derived from concluding these agreements when approving them.

We carried out our work in accordance with the professional standards applicable in France. These standards require the implementation of due diligence which is intended to verify the coherence of the information provided to us with the basic documents from which they are derived.

We hereby inform you that we were not informed of any agreement having been concluded during the financial year as referred to in Article L225-86 of the French Commercial Code.

Moreover, in application of the Decree of 23 March 1967, we were informed that the performance of the following agreement, which was concluded during previous financial years, continued during the last financial year.

- Agreement with HODIALL

HODIALL undertakes to provide your Company with assistance and advice as regards carrying out the following operations: Group strategy, financial and tax services, financial management and communication, corporate animation, legal assistance, legal secretariat, administrative services and management of insurance programmes. This Agreement was updated in 2003 (Rider no 7)
The compensation paid by your company for these services was EUR 776,520 for the 2003 financial year.

Executed in Antony and Paris, on 19 April 2004

CHRISTIAN COMERMAN
Christian COMERMAN

MAZARS & GUERARD
Denis GRISON

THE MANAGEMENT BOARD'S SPECIAL REPORT ON STOCK-OPTIONS

In accordance with the provisions of Article L. 225-184 of the French Commercial Code relating to the allocation of stock-options to employees and managers, we hereby inform you that, during the 2003 financial year, the Management Board granted the following stock-options to staff under the following terms and conditions:

1. Stock-options granted to corporate officers:

- Beneficiaries: .... P. Michel CHURG and André HERNANDEZ
- Capacity: .... Members of the Management Board
- Number of options granted: .... 400 each
- Date when options were granted: .... 21 November 2003
- Expiry date of options: .... 20 November 2007
- Unit price of the stock-option: .... EUR 59

2. Stock-options granted to non-corporate officer staff:

Beneficiaries	4 people	8 people	23 people	48 people
• Capacity: executives				
• Number of options granted	400	300	200	100
• Date when options were granted	21 november 2003			
• Expiry date of options	20 november 2007			
• Unit price of the stock-option	EUR 59			

GENERAL MEETING OF SHAREHOLDERS - DRAFT RESOLUTIONS

I - RESOLUTIONS WITHIN THE COMPETENCE OF AN ORDINARY GENERAL MEETING

FIRST RESOLUTION

The General Meeting, deliberating under the conditions for quorum and majority required for Ordinary General Meetings, and after having been read the Management Board's management report, the report from the Chairman of the Supervisory Board, and the Statutory Auditors' reports, approves the annual consolidated financial statements for the financial year ended 31 December 2003, as drawn up and presented, as well as the operations set forth in these financial statements or summarised in these reports.

SECOND RESOLUTION

The General Meeting, deliberating under the conditions for quorum and majority required for Ordinary General Meetings, and after having been read the Management Board's management report and the Statutory Auditors' general report, approves the annual corporate financial statements for the financial year ended 31 December 2003, as drawn up and presented, as well as the operations set forth in these financial statements or summarised in these reports

THIRD RESOLUTION

The General Meeting, deliberating under the conditions for quorum and majority required for Ordinary General Meetings, unreservedly and fully discharges the members of the Management Board and the Supervisory Board, as regards their duties for the previous financial year.

The General Meeting, deliberating under the conditions for quorum and majority required for Ordinary General Meetings, also discharges the Statutory Auditors as regards their verification and audit assignment during the same financial year.

FOURTH RESOLUTION

The General Meeting, deliberating under the conditions for quorum and majority required for Ordinary General Meetings, resolves to allocate the loss for the 2003 financial year as follows:

Loss for the 2003 financial year .... EUR (3,639,765.17)

Carried forward .... EUR (6,275,570.52)

i.e. an amount of .... EUR (9,915,335.69)
carried forward .... EUR (9,915,335.69)

The General Meeting takes formal note that the dividends which were distributed for the three previous financial years and the corresponding tax credit were as follows:

Year	Number of shares	Par value	Global revenue	Of which dividend	Tax credit
2000	2,217,960	–	EUR 1.41	EUR 0.94	EUR 0.47
2001	2,217,960	–	–	–	–
2002	2,217,960	–	–	–	–

FIFTH RESOLUTION

The General Meeting, deliberating under the conditions for quorum and majority required for Ordinary General Meetings, and after having been read the Statutory Auditors' special report on the agreements referred to in Article L. 225-86 of the French Commercial Code, formally notes this report and approves the operations referred to therein.

SIXTH RESOLUTION

The General Meeting, deliberating under the conditions for quorum and majority required for Ordinary General Meetings, and after having been read the Management Board's special report on the option plans implemented during the 2003 financial year, formally notes the allocation of stock-options decided upon by the Management Board on 21 November 2003 pursuant to the stock-options plan authorised by the Ordinary and Extraordinary Shareholders' Meeting of 17 May 2001.

SEVENTH RESOLUTION

The General Meeting, deliberating under the conditions for quorum and majority required for Ordinary General Meetings, authorises the Management Board, in accordance with Article L225-209 of the French Commercial Code, to carry out possible acquisitions of RADIALL shares, limited to 5% of the share capital, including totally as blocks of shares, so as to, in order of priority:

– regularise the share price by means of systematic intervention against the tide,
– implement the share purchase option plans authorised by the Ordinary and Extraordinary General Meeting of 30 May 1995 and by the Ordinary and Extraordinary General Meeting of 17 May 2001 in favour of employees or managers of the company or its Group.

The maximum purchase price per share shall not exceed EUR 100. The minimum resale price shall be EUR 40. The maximum amount of funds which the company may set aside for the share purchase programme is EUR 11,089,800.

This purchase authorisation is granted for a maximum of 18 months as from the date of this General Meeting. As regards the unused part, it cancels and replaces the authorisation granted by the Ordinary General Meeting of 20 May 2003.

All powers are hereby bestowed on the Management Board in order to perform this authorisation. It may delegate said powers for placing any or all stock market order, entering into any or all agreement, making any or all declaration, carrying out any or all formality and, generally, doing all that is required.

EIGHTH RESOLUTION

The General Meeting, deliberating under the conditions for quorum and majority required for Ordinary General Meetings, formally notes the operations carried out by the company's managers.

NINTH RESOLUTION

The General Meeting, deliberating under the conditions for quorum and majority required for Ordinary General Meetings, resolves to allocate compensation to the members of the Supervisory Board, as consideration for their work, in the form of directors' fees, of an overall annual sum of EUR 10,000 for the 2003 financial year.

The Supervisory Board itself shall be responsible for the breakdown of this overall sum between its members.

TENTH RESOLUTION

All powers are hereby given to the holder of an original or copy of the Minutes of this Meeting in order to carry out the filing formalities and publications stipulated by law.

II - RESOLUTIONS WITHIN THE COMPETENCE OF AN EXTRAORDINARY GENERAL MEETING

FIRST RESOLUTION

The General Meeting, deliberating under the conditions for quorum and majority required for Extraordinary General Meetings, and after having been read the Management Board's report, resolves to integrate the new provisions of the French Commercial Code, as set forth by the Financial Security Act no. 2003-706 of 1 August 2003 concerning holding more than one corporate office, into the company's Memorandum and Articles of Association.

SECOND RESOLUTION

As a result of the adoption of the previous resolution, the General Meeting, deliberating under the conditions for quorum and majority required for Extraordinary General Meetings, resolves to amend point V of Article 13 of the company's Memorandum and Articles of Association which shall hereafter be worded as follows:

ARTICLE 13 – SUPERVISORY BOARD

V- An individual may not simultaneously hold more than five corporate offices as a member of the Supervisory Board or as a Director of French limited companies (sociétés anonymes) having their registered office on French territory. In all cases, an individual may not hold more than five corporate offices as Managing Director, member of the Management Board, sole Managing Director, Director or member of the Supervisory Board of French limited companies (sociétés anonymes). As a departure from these provisions, the corporate offices of member of the Supervisory Board or Director held by this person in companies controlled, within the meaning of Article L. 233-16 of the French Commercial Code, by the company in which he/she is already a member of the Supervisory Board, shall not be taken into account. In order to apply these provisions, the corporate offices of member of the Supervisory Board of companies whose shares are not traded on a regulated market and controlled, within the meaning of Article L. 233-16 of the French Commercial Code, by the same company, shall only represent a single corporate office, provided the number of corporate offices held in this respect does not exceed five. Any or all individual who, when taking up a new corporate office, finds him/herself in breach of these provisions, shall, within three months of his/her appointment, resign from one of his/her corporate offices. Subsequent to said deadline, he/she shall be deemed to have resigned from his/her new corporate office, and shall return the compensation received, without, as a result, the validity of the deliberations in which he/she has participated being compromised.

The remainder of the Article remains unchanged.

THIRD RESOLUTION

As a result of the adoption of the first resolution hereinabove, the General Meeting, deliberating under the conditions for quorum and majority required for Extraordinary General Meetings, resolves to amend the third paragraph of Article 16 of the company's Memorandum and Articles of Association which shall hereafter be worded as follows:

ARTICLE 16 – MANAGEMENT BOARD

An individual may not simultaneously hold more one corporate office as a member of the Management Board or as sole Managing Director of French limited companies (sociétés anonymes) having their registered office on French territory. As a departure from this provision, a second corporate office as a member of the Management Board, or as sole Managing Director, or a corporate office of Managing Director, may be held in companies controlled, within the meaning of Article L. 233-16 of the French Commercial Code, by the company in which said person is a member of the Management Board or is the sole Managing Director. An individual holding a corporate office of member of the Management Board, or sole Managing Director in a French limited company (société anonyme) may also hold a corporate office of Managing Director, member of the Management Board, or sole Managing Director of another French limited company (société anonyme), provided that the shares of this company are not traded on a regulated market. An individual may not simultaneously hold more than five corporate offices as a Managing Director, member of the Management Board, sole Managing Director, Director, or member of the Supervisory Board of French limited companies (sociétés anonymes). As a departure, the corporate offices of Director or member of the Supervisory Board held in controlled companies shall not be taken into account as regards the calculation of the five corporate offices. Any or all individual who, when taking up a new corporate office, finds him/herself in breach of these provisions, shall, within three months of his/her appointment, resign from one of his/her corporate offices. Subsequent to said deadline, he/she shall be deemed to have resigned from his/her new corporate office, and shall return the compensation received, without, as a result, the validity of the deliberations in which he/she has participated being compromised.

The remainder of the Article remains unchanged.

FOURTH RESOLUTION

The General Meeting, deliberating under the conditions for quorum and majority required for Extraordinary General Meetings, and after having been read the Management Board's report, resolves to integrate the new provisions of the French Commercial Code, as set forth by the Financial Security Act no. 2003-706 of 1 August 2003 concerning regulated agreements, into the company's Memorandum and Articles of Association.

FIFTH RESOLUTION

As a result of the adoption of the previous resolution, the General Meeting, deliberating under the conditions for quorum and majority required for Extraordinary General Meetings, resolves to amend Article 19 of the company's Memorandum and Articles of Association which shall hereafter be worded as follows:

ARTICLE 19 – AGREEMENT BETWEEN THE COMPANY AND A MEMBER OF THE MANAGEMENT BOARD OR THE SUPERVISORY BOARD

Any or all agreement between the company and any of the members of the Management Board or the Supervisory Board, whether directly, or indirectly, or though an intermediary, shall by subject to the prior authorisation of the Supervisory Board.

The following agreements concluded by the company shall also be subject to prior authorisation:

– with a company, if one of the members of the company's Management Board or the Supervisory Board is the owner, indefinitely liable partner, manager, Director, Managing Director or member of that company's Management Board or Supervisory Board;

– and, if one of its shareholders owns over 10% of the voting rights;

– and the company controlling a shareholding company holds over 10% of the voting rights.

The above provisions shall not apply to agreements relating to day-to-day operations, and to those concluded under normal conditions, but a list of such agreements shall nevertheless be provided to the Supervisory Board and to the Statutory Auditors. Agreements which, as a result of their purpose or their financial consequences, are not significant for any of the parties, shall not require disclosure.

The member of the Management Board or [Supervisory] Board in question, shall be bound to inform the Board as soon as he/she becomes aware of any or all agreement subject to authorisation. He/she may not participate in the vote on the requested authorisation.

These agreements are authorised in the conditions provided for by law.

SIXTH RESOLUTION

In application of the second paragraph of Article L. 225-129 VII of the French Commercial Code, the General Meeting, deliberating under the conditions for quorum and majority required for Extraordinary General Meetings, resolves not to carry out a capital increase reserved for employees according to the terms and conditions of Article L. 443-5 of the French Labour Code.

SEVENTH RESOLUTION

All powers are hereby given to the holder of an original or copy of the Minutes of this Meeting in order to carry out the filing formalities and publications stipulated by law.

THE MANAGEMENT BOARD

CORPORATE BODIES

SUPERVISORY BOARD

Yvon GATTAZ	Chairman of the Supervisory Board
Octave GELINIER	Vice-Chairman
Bruno GATTAZ	
Geneviève GATTAZ	
Didier LOMBARD	
Robert PAPIN	

MANAGEMENT BOARD

Pierre GATTAZ	Chairman of the Management Board
P. Michel CHURG	Deputy Managing Director
André HERNANDEZ	Divisional Manager (Antennas & Cable Assemblies)

EXECUTIVE COMMITTEE

Pierre GATTAZ	Chairman of the Management Board
P. Michel CHURG	Deputy Managing Director
Dominique BUTTIN	Divisional Manager (Multi-Contact & Switches)
André HARTMANN	Divisional Manager (Coax)
André HERNANDEZ	Divisional Manager (Antennas & Cable Assemblies)
Michel MOLLES	Sales Manager
Jean-Pierre WILSCH	Human Resources Manager

STATUTORY AUDITORS

MAZARS & GUERARD
Le Vinci - 4 allée de l'Arche
92075 PARIS LA DEFENSE Cedex

Christian COMERMAN
8, allée du Ruisseau
92160 ANTONY

Alternate Statutory Auditors:

Yves ROBIN

Francis BASTIEN

Person responsible for information

Denis BLEY

Tél. 01 49 35 35 35
denis.bley@radiall.com

EXECUTIVE COMMITEE OF THE RADIALL GROUP •

From left to right : André HARTMANN -Jean-Pierre WILSCH - Pierre GATTAZ - P. Michel CHURG - Michel MOLLES - André HERNANDEZ - Dominique BUTTIN

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